

Azerbaijan's Deepening Engagement with the GCC

Growing Prospects for Trans-Regional Energy, Investment, and Connectivity

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Azerbaijan's engagement with the Gulf Cooperation Council (GCC) has expanded significantly over the past decade, evolving into a multidimensional partnership encompassing both bilateral relations with individual member states and broader multilateral cooperation. While the two sides have long been connected through shared historic and religious ties, despite decades of separation during the Soviet period, cooperation today is taking a new strategic form that cultural factors alone cannot account for.

The growing role of Azerbaijan and the GCC states—particularly the United Arab Emirates and Saudi Arabia—as increasingly important players in the competitive, increasingly polarized, and still-taking-shape new global order helps explain the deepening of their engagement. This common ground is rooted in shared foreign policy objectives, including the pursuit of non-asymmetrical, mutually beneficial partnerships beyond traditional integration strategies centered on ties with major powers.

This partnership encompasses, but is not limited to, expanding trade and investment, energy cooperation, and mutual strategic interests in connectivity and regional stability. Another important driver of Azerbaijan-GCC cooperation is the convergence of foreign policy priorities around modernization and economic diversification, particularly through the development of non-oil sectors and the renewable energy agenda to reduce dependence on hydrocarbon-based revenues.

Against this backdrop, Azerbaijan's multivectoral foreign policy and growing geopolitical importance, particularly following the restoration of its territorial integrity after the

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Second Karabakh War, have boosted its attractiveness for GCC states seeking to expand their strategic presence in the South Caucasus. Located at the crossroads of east-west and north-south transit routes, Azerbaijan offers the GCC countries opportunities to diversify their investments, participate in large-scale infrastructure and renewable energy projects, and expand trade and logistical links across Eurasia at a time when the South Caucasus is gaining geopolitical prominence.

For Azerbaijan, closer engagement with the GCC opens the door to substantial investment opportunities, particularly from Emirati and Saudi funds, and companies already active in sectors such as energy, infrastructure, and technology. This supports Azerbaijan's broader strategy of economic diversification by accelerating the development of non-hydrocarbon sectors and attracting long-term foreign investment, particularly in its liberated Karabakh region, while reinforcing its multivectoral foreign policy and role as a bridge between the South Caucasus, the GCC region, and the markets of the European continent and the Silk Road region.

This IDD Analytical Policy Brief examines the strategic logic of the engagement of Azerbaijan with GCC states: Saudi Arabia, Bahrain, the United Arab Emirates, Kuwait, Oman, and Qatar. It does so in the following two ways. *First*, it looks at the development of Azerbaijan's bilateral and multilateral relations with the GCC states, including joint declarations, diplomatic mediation initiatives, and high-level visits by heads of state. *Second*, the paper assesses the most promising sectors for cooperation, including energy, trade and investment, tourism, and infrastructure.

Ultimately, the paper concludes that strategic engagement with the GCC could become a major pillar of Azerbaijan's multivectoral diplomacy, with the potential to alter the geopolitical landscape of the South Caucasus and the GCC region.

Bilateral and Multilateral Engagement

Azerbaijan's institutional engagement with the GCC dates to 2010, when cooperation between the two sides was formally initiated. Ties were solidified in June 2013, with the Memorandum of Understanding on Consultation Mechanism. This established a framework for regular political dialogue. More recently, a 2024-2028 GCC-Azerbaijan Joint Action Plan was signed during GCC Secretary General Jassim Mohammed Al-Budaiwi's visit to Baku in November 2023, formally setting out areas for cooperation, particularly in the economic and energy spheres. Trade turnover since then has surged steadily, rising from US\$1.028 billion in 2022 to US\$2.242 billion in 2024, representing growth of over 100 percent in just three years.

The GCC-Azerbaijan Economic Forum, first held in Baku in 2017 and again in 2024 with the support of the Azerbaijani Ministry of Economy and AZPROMO, has also become an important platform for strengthening economic ties and encouraging investment flows between the two sides.

Beyond the GCC, Azerbaijan and the various GCC member states also cooperate in multilateral formats, including the United Nations, the Organization of Islamic Cooperation, the Non-Aligned Movement, and OPEC+. These platforms, likewise, help strengthen coordination on regional and global issues.

At a bilateral level, Azerbaijan maintains full diplomatic relations with all six member states of the GCC, with four resident embassies in Saudi Arabia, the UAE, Qatar, and Kuwait. In contrast, relations with Bahrain and Oman are managed through non-resident diplomatic representation.

As Azerbaijan strengthens its ties with the six countries individually, its relations with the UAE holds particular significance, having been elevated to a Comprehensive Strategic Partnership following the signing of a joint declaration during the UAE President's visit to Baku in September 2025.

This signing was preceded by robust developments between the two sides, including a visa-free regime signed in 2023, multiple memoranda of understanding covering transport, energy, tourism, and media, and the establishment of the UAE-Azerbaijan Business Council.

Presidential diplomacy (or royal diplomacy, in Saudi Arabia's case), too, plays an important role in advancing this relationship. Frequent exchanges between President Ilham Aliyev and UAE President Mohammed bin Zayed Al Nahyan, such as diplomatic visits and participation in international sporting events like Future Games 2025, helped establish a bond of mutual trust and respect that has subsequently permeated all areas of cooperation. UAE's active participation in the UNFCCC COP troika during Azerbaijan's COP29 Presidency, also played a role.

At the regional level, the UAE has also played a meaningful role in mediation, hosting a high-level meeting between President Ilham Aliyev and Armenian Prime Minister Nikol Pashinyan in Abu Dhabi in February 2025. This helped set the stage for the White House Peace Summit in August 2025, deepening already favorable conditions for enhanced engagement between Azerbaijan and the GCC.

The Azerbaijani-UAE partnership is expected to deepen Azerbaijan's engagement with other GCC states, particularly as agreements between the UAE and other GCC partners grant Azerbaijan similar privileges as a strategic partner.

Energy

With both regions famously rich in hydrocarbon resources, it is unsurprising that energy has emerged as a central pillar of cooperation between Azerbaijan and the GCC states. While earlier years of engagement focused primarily on oil and gas, the

agenda today is diversifying into renewable energy production, a strategic priority for both sides.

In this context, a number of joint projects and mutual investments in the energy sector have emerged in recent years, particularly those involving the UAE and Saudi Arabia.

In August 2023, the Abu Dhabi National Oil Company (ADNOC) acquired a 30 percent stake in the Absheron gas field in the Caspian Sea, strengthening ties between GCC energy companies and Azerbaijan's state oil company SOCAR. For its part, SOCAR participated in the development of the SARB and Umm Lulu fields in the UAE, reflecting reciprocal investment interests.

Even more relevant today are joint renewable energy projects. Saudi Arabia's ACWA Power launched the 240-megawatt Khizi-Absheron wind power plant near Baku in 2022, representing an investment of approximately \$300 million and marking one of Azerbaijan's largest wind energy projects.

UAE-based Masdar is also playing a leading role in Azerbaijan's renewable energy transition. The 230-megawatt Garadagh Solar Power Plant, developed with SOCAR, began operating in 2023 and produces over 1 billion kilowatt-hours of electricity annually. Masdar and SOCAR are also implementing additional solar and wind projects in Bilasuvar, Neftchala, and Absheron-Garadagh, with a combined capacity of approximately 1 gigawatt, which is expected to be completed by 2027.

By December 2025, Azerbaijan's installed renewable energy capacity reached approximately 1,829 megawatts, accounting for nearly one-fifth of total electricity capacity. These initiatives allow Azerbaijan to advance its energy transition strategy and its target of generating 30 percent of electricity from renewable sources by 2030, while enabling greater volumes of natural gas to be redirected toward export markets.

Trade and Investments

Trade and investment flows between Azerbaijan and the GCC countries continue to grow steadily, with a 28 percent increase in turnover reported in January–August 2024.

The UAE accounts for the largest share of this exchange and has become Azerbaijan's main trading partner in the GCC. In 2024, non-oil trade between Azerbaijan and the UAE alone increased by 43 percent, reaching \$2.24 billion and accounting for roughly half of Azerbaijan's total trade with GCC states.

Investment engagement has also diversified beyond the hydrocarbon sector. In December 2023, Abu Dhabi's sovereign wealth fund Abu Dhabi Developmental Holding Company (ADQ) and Azerbaijan Investment Holding (AIH) launched a \$1 billion joint

investment platform to develop projects across sectors such as clean energy, agriculture, pharmaceuticals, and technology. Similar initiatives have emerged with other GCC partners. In October 2025, the Oman Investment Authority and ADQ established a \$200 million joint investment fund to finance projects in renewable energy, food production, and logistics.

Sovereign wealth funds, too, have become mechanisms for expanding Azerbaijan-GCC economic cooperation. Azerbaijan's State Oil Fund (SOFAZ) has increasingly engaged with GCC partners, with representatives visiting Bahrain and Kuwait in December 2025 to explore potential investment opportunities. Investors from GCC member states have also shown growing interest in emerging sectors of the Azerbaijani economy, including logistics, artificial intelligence, and agriculture, with companies such as DP World, G42, Etihad, and Al Dahra exploring potential projects in the country.

It is thus safe to assume that Azerbaijan's growing role as a "keystone state"—enhanced as a result of the agreements reached at the 2025 White House Peace Summit, active diplomatic engagement with the EU and its member states as well as non-Western partners, coupled with a growing number of regional connectivity projects involving Azerbaijan—is expected to further enable favorable conditions for investment in the country,

Infrastructure

When it comes to infrastructure ties, Azerbaijan's position as an indispensable transit country along emerging east-west and north-south transport corridors in the Silk Road region has become increasingly relevant to GCC partners seeking new connectivity routes.

Strengthening ties with Azerbaijan would allow the GCC states to benefit from the International North-South Transport Corridor (INSTC) and the country's strategic location along the Middle Corridor, especially as new initiatives such as the Trump Route for International Peace and Prosperity (TRIPP) develop. The possibility of EU investment in rail infrastructure in Nakhchivan also speaks to this point.

Equally important is the expanding cooperation in digital infrastructure. In 2025, a leading global AI and big data analytics company, Presight, signed two memoranda of understanding with Azerbaijan to support the country's artificial intelligence ambitions across national strategy, education, and data center development.

Tourism

A final important dimension of Azerbaijan's engagement with the GCC is tourism, which has also experienced unprecedented growth. This has been enabled by visa liberalization policies and the expansion of direct flights between Baku and major GCC capitals in recent years.

Around 41,000 visitors from the UAE traveled to Azerbaijan in 2023, with numbers rising following the introduction of a visa-free regime in July 2023. More recent tourism statistics indicate that UAE passport holders account for around 1.6 percent of total foreign arrivals to Azerbaijan, reflecting the steady importance of the Gulf market for Azerbaijan's tourism sector.

Likewise, Azerbaijan's Tourism Board (ATB) and eight industry partners have organized a series of roadshows across the GCC countries to promote Azerbaijan's diverse tourism offerings. These events, taking place across Kuwait, Doha, Abu Dhabi, Dubai and Muscat, brought together more than 420 representatives from travel companies and tour operators, demonstrating that Azerbaijani engagement with the GCC goes beyond mere commercial ties.

Strategic Deepening

The South Caucasus today sits at the intersection of intensifying geopolitical rivalries, including the continuing conflict over Ukraine to the north and the conflict between Iran and the U.S.-Israel to the south. Positioned between these competing dynamics, Azerbaijan's careful strategy of balancing relations with multiple actors while avoiding direct alignment with any single bloc strengthens its profile as a stable partner for investment and broader international engagement.

In this context, deeper engagement with the GCC offers Azerbaijan an additional layer of strategic diversification. For GCC member states, Azerbaijan provides a politically stable entry point into the South Caucasus and wider Silk Road region markets, particularly as the Middle Corridor and the INSTC gain renewed strategic relevance amid disruptions to traditional trade routes and the growing skepticism in the viability of the India-Middle East-Europe Economic Corridor (IMEC) project, at least in the short to medium term. At a time when regional instability is prompting GCC actors to expand their economic and geopolitical footprint beyond the Middle East, Azerbaijan's multivectoral diplomacy and growing role in Silk Road region connectivity position it as a valuable partner.

Overall, Azerbaijan's engagement with the GCC has entered a more structured and active phase. Two conclusions can be made. First, economic diversification and the renewable energy agenda will likely continue to drive engagement between Azerbaijan and the GCC. Second, Azerbaijan's growing role as a regional transit and connectivity hub and keystone state suggests that cooperation with GCC states will remain an important component of its multivectoral foreign policy.