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“Goeconomic aspects of usage of oil and gas resources of Azerbaijan”

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## **Introduction**

**The relevance of the subject.** A comprehensive analysis of the trends in the development of the system of international relations shows that at the beginning of the 21st century, one of the main dominants of planetary macro-dynamics is the geo-economic factor. Obviously, the sharp increase in global competition in the energy sector, the situation when the struggle for "black gold" and the ways of its transit becomes an integral part of world politics, allow us to talk about allocating a geo-economic element from a set of other geopolitical aspects.

In this context, an important question is the question: what is the role of the energy factor in the dynamics of internal socio-political changes in Azerbaijan - a significant "player" in the world hydrocarbon markets.

Political processes inside and around Azerbaijan, of course, contain a special, energy context. The most pronounced role of the oil factor and the transition of Azerbaijan to the category of classical "petro-state" is demonstrated by structural changes in the economy of the republic in the post-Soviet period: the share of the fuel and energy sector in the total volume of industrial production increased from 16% in 1991 to 73% in 2001

The key role of oil in Azerbaijani politics (and in the policy of external actors in relation to internal processes in the Republic) was widely covered in contemporary historical and political science literature. This topic is considered in the works of J.Sultanov, J.Mahmudov, G.Kuliyev, E.Huseynov, V.Mamedov, P.Darabadi, E.Muradaliyeva, my supervisor – Anar Rzayev, Vusal Gasimli, Mushfig Atakishiyev, F.Rahimli, M.Jamilov, Adalat Muradov and the other authors. At the same time, it should be emphasized that the overwhelming majority of them focused their attention on the external geopolitical component and considered Azerbaijan either in macro contexts (as an important but still local figure on the Eurasian chessboard) or, from the point of view of the influence of the "oil factor" On the macrohistorical dynamics of the Azerbaijani statehood. At the same time, practically no field of scientific and political interest was a no less significant question: how is the "oil factor" influences

the development of the political regime and the internal political situation in the republic.

**Object and duties of the subject.** The principle is geo-economic aspects of usage of oil and gas resources of Azerbaijan. This work greatly search, collect and analyze all main points of geo-economic aspects of oil and gas sector.

The subject of the research are the ways and mechanisms of improving geoeconomic usage of oil and gas resources of Azerbaijan. The main objectives of this work are influencing theoretical aspects of geo-economics', current state oil and gas resources in Azerbaijan and development geo-economic aspects of the oil and gas resources in Azerbaijan.

**Structure of the subject.** The structure of this thesis contains to the particular plans. It starts with the presentation took after by three main chapters. In the first chapter is a theoretical aspect of geoeconomic's. This chapter divided 3 subchapters. First subchapter of the primary chapter is Problems of development of geo-economics. The second subchapter is modification of oil and gas production in the geo-economic space. The last subchapter of this chapter is conditions for the formation of world income in the geo-economic space.

Second chapter of my dissertation work is the current state of geo-economic aspects of the usage oil and gas resources in Azerbaijan. This chapter also divided 3 subchapters. First subchapter of this chapter is the current state of Azerbaijan's oil and gas complex and its place in the development of the economy. The second subchapter of this chapter is the main directions of export of oil and gas resources of Azerbaijan. The last subchapter of this chapter is Azerbaijan oil and gas contracts on terms of geo-economic relations.

Finally, the last - third chapter of this work is prospects of development geo-economic aspects of the oil and gas resources in Azerbaijan. As first and second chapters this chapter also divided into 3 subchapters. First subchapter of this chapter is model of the Azerbaijan oil and gas market: expectations and realities. The second subchapter of this chapter is prospects for the development of the oil and gas complex of the Azerbaijan Republic within the framework of the EU energy space. Finally, the

last subchapter of this chapter and at all whole work is development ways ggeo-economic aspects of Azerbaijan's oil and gas resources.

**Scientific innovation of the master dissertation.** As we know that economic relationship influence all our work and that is why learning, analyzing, teaching this section is so important. My work is also important for scientific using. Here was giving necessary information about sectors which geo-economic aspects of the oil and gas take great role in Azerbaijan and world economy. Dissertation work contains whole tables, graphs, diagrams and etc. That is why it can be used for different aims.

**Method of the research.** The general scientific methodology of scientific research is the most general form of the organization of scientific knowledge (scientific and cognitive activity) in my thesis work, which contains the principles of building scientific knowledge, ensuring the correspondence of its structure and content to research tasks, including its methods, verification of the truth of the results and their interpretation an abstract-logical method used to construct a theory and including diverse techniques and operations. Another method which I used is the system approach to determine the place of the research subject of the dissertation.

For empirical analysis, I used secondary data and findings retrieved from the official documents of the Republic of Azerbaijan, oil documents signed by the President of the Republic of Azerbaijan, the various literary publications, articles, including the mass media data and speeches of the President of the Republic of Azerbaijan, works of the national and foreign economists and data obtained from the State Statistical Committee. After analysis quantitative points of the empirical research, I made clarifications by the qualitative method. In this point, I applied statistical-probabilistic method, which makes it possible to realize a quantitative approach to the study of scientific data in unity with qualitative analysis.

## **CHAPTER I: THEORETICAL ASPECTS OF GEO-ECONOMIC APPROACH TOWARDS NATURAL RESOURCES**

### **1.1. Conditions for the formation of world income in the geo-economic space**

The formation of the geo-economic space significantly changes the system of formation and distribution of world income. Until the end of XX century, world income was formed as the sum of national incomes. In turn, the national income was the result of using the factors of production belonging to the nation - natural resources, labor and capital - within the national technological chains. Thus, the added value received within a separate such chain was fully included in the income of a given nation that was distributed and redistributed within the nation. As a result of the internationalization of technological chains, the situation has fundamentally changed. Now the world income is not the sum of the income of nations, but the sum of the revenues of international technological chains (which take the specific form of transnational corporations (TNCs) or strategic production alliances). For the first time, the problem arises of the distribution of the added value of the international technological chain among nations whose economic entities participate in this chain.

The share of world income received by a particular nation depends not only on the link of the technological chain in which its productive forces are involved (for example, it supplies primary raw materials or realizes high-technology and high-technology production stages), the balance of political forces, the struggle of interests in within geopolitical zones of influence. World income is income in the world dimension from foreign economic activity, obtained when selling goods and services produced in the framework of internationalized reproductive nuclei (cycles), transnational economic structures using all types of national resources, including resources of countries not recognized as participants these nuclei (cycles), and designed to reinvest expanded internationalized reproduction.

It should be emphasized that the mechanism of redistribution of the world (interethnic) income is spontaneous, nevertheless it requires a certain regulation, it must go its own way of development from spontaneity to planned distribution and regulation of its formation.

According to findings, world income as the central component of internationalized reproductive nuclei should be distributed among the participants in the worldwide reproduction process, taking into account the degree of participation in the world economic activity. However, it is distributed extremely unevenly, which is largely due to the fierce struggle for its "components" [22]. As an illustration, this fact can be cited. According to the UN, 80% of the world's population accounts for 20% of world income. Thus, the problem of the uneven distribution of world income in the modern economy takes a global character.

It should be taken into account that the country's position in the geo-economic world is determined by the place it occupies in the global market, how it is included in the system of world exchanges. At the same time, the exchange of goods and the movement of capital are only part of the flows flowing in the global geo-economic space. In addition to goods and finances, cultural values (ideas, technologies, cultural patterns, identities) are moving in the world, and human capital and biosphere resources are also moving. Therefore, in the modern economy, one of the most important sources of obtaining world income is geo-economic approach.

Geo-economic rent or approach is an economic form of realization of competitive advantages. The concept of "rent" has Late Latin, French and German roots of origin; in translation into Russian means "given back, returned". Rent - a type of income not associated with business activities, regularly received from capital, land or property. Rent relations arise between owners and users of the resource. The latter act as persons carrying rent payments, which can not be calculated directly. As a rule, geo-economic rent can be determined on the basis of alternative cost, that is, the cost of lost opportunity (costs).

The rent for infrastructure development is a rent on the capital invested earlier in the creation of the infrastructure of a favorable market-economic space. It arises as a result of the use by enterprises, citizens, government organizations of another country of the existing production, business, etc. infrastructure, which provides improved living, production, transportation, etc. Money invested in equipment and infrastructure, increases the rent by the amount of costs on the transfer of this

production to another place, since if the owner of the land increases the payment for land, the entrepreneur will some time agree to pay more, but just before that limit, when the payment for land will exceed the costs that will be spent if it is necessary to move production. When launching satellites, the rent to the land of the cosmodromes, the flight control center, increases.

Geosphere (civilizational) rent has various forms of manifestation, associated primarily with the socio-cultural characteristics of the territories. The sources of this rent can be, for example, the use of English in the world financial and economic practice. According to some estimates, this advantage is estimated at \$ 30-50 billion in annual revenue.

Innovative rent is a kind of monopoly rent. This is due, firstly, to the fact that the owner of a new technology or product is always at first a monopolist and the market demand for its products can not be objectively objectively satisfied, which makes renting fair. Secondly, innovative rent is a temporary phenomenon and decreasing with the passage of time. The phenomenon of Microsoft, stubbornly not reducing the price of its software product, is a consequence of the desire to possess, rather, a monopoly, rather than innovative rent, and the trial of it in this regard is indicative. Third, the innovation rent section is practiced not so much with the state as with the consumer. The latter is profitable to buy even more expensive, but more productive products and technologies, because it gets great advantages over competitors. Therefore, in relation to venture (risk) business, attentive attitude on the part of legislation is practiced, in particular, it is not subject to antimonopoly acts or their effect is mitigated. Innovative rent is usually referred to as intellectual (technological), managerial, certification, etc. annuities.

Intellectual rent is a long-term income in connection with monopoly possession of information, a special ability to work, technology, that is, knowledge about how to increase labor productivity. It can also be called technological, because it is primarily about the possession of technology. Qualification can be non-transferable. For example, one can not often teach an ordinary worker to perform certain operations in the same way as do the masters of his business. And in our time, increasingly, the

source of intellectual rent is not the carriers of information in the form of a record or super-modern machines, but people. The successes of South Korea and Taiwan can be explained by the compensation for the lack of physical capital by the high quality of the workforce. Intellectual rents are based on state protection of the monopoly use of the patent by the present invention. One can single out the following special properties of intellectual rent: the difference in the ownership of information is constantly dissipated due to the dissemination of information and tends to zero, i.e., in contrast to land, intellectual rent for a particular resource is constantly falling; the need for constant investment of funds to create a new technology, and hence, an additional product to reduce the trend of intellectual rent to decline; the existence of natural restrictions on the maximum possible speed of information dissemination, the rate of concentration of resources for the reproduction of high-tech products, as well as artificial barriers (patents and licenses) designed to protect intellectual rent. However, such prohibitions are not an effective measure of annuity, since technology is now becoming obsolete every 2 years. In addition, information on many technologies can be accessed through the Internet, but the lack of a technological pyramid and human cultural capital is hindering the production of such products. (The technological pyramid is the idea of a kind of hierarchy of technologies that has developed in the international division of labor. The peak of this pyramid is the creators of new technologies (goods, products, etc.), and the levels, right up to the ground, form the producers of goods in one or another form using the developed know-how.); the openness of scientific information is limited, while others can not reproduce technology.

In geo-economics, such a variety of innovative rent as management rent, which seems to be considered within the framework of the development and use of methods of "high-tech col-berism", also acquires special significance. Possession, for example, of rights to issue a global reserve currency allows to effectively regulate in its favor global resource flows. In management, something like this happens: the ownership of the rights to standards and technologies makes it possible to provide certification rents (the income from services for determining the compliance of management

procedures with the standard established by the same technology makers) and intellectual (through the sale of consulting and management concepts and technologies by the industry). This theory confirms the central place of management technologies in geo-economic competition.

Rent by location is an additional income associated with the position of the economic entity relative to the markets. To rent by location, it is necessary to classify such types of rent as capital, port, transit, border, etc.

Capital rent (the rent of the main cities) is conditioned by the receipt of additional income received by the cities in connection with their status, the concentration of infrastructure and services in them that ensure business activity and the interaction of the national economy with the world economy. It is in the capital cities that a significant part of the resource rent settles, most of the income from operations with imported goods and from intermediary activity. In addition, the rent is formed due to the concentration of high-yield activities, the faster introduction of technological innovations based on foreign investment, the inflow of additional financial resources, etc.

Port rent is an additional income from the location that trading ports receive as a result of the use of port resources (sea, river, transport, infrastructure, etc.).

Transit rent - the right to receive income for infrastructure support of economic activities in the territory, for example, the income of the transport system (country and / or region) from the transit transport of passengers and cargo.

Cross-border rent is the income from the use of the border factor, that is, the search for and / or the existence of additional opportunities for cross-border cooperation.

In the current conditions of globalization, the distribution of world income can be based on other rental sources. For example, on an ecological rival, which makes it possible to receive income due to violations of the ecological balance, and quasi-rent, it is stable (but for a limited period) obtained using reproducible non-exploitation natural resources, but rather intellectual reproduction factors [13].

Considering the varieties of geo-economic rent, one should also take into account the fact that it has a twofold character and is manifested as a "development rent" for the developed countries and a "rent of backwardness" for the backward. Developed territories that consume huge commodity resources cover the emerging commodity deficit in global exchanges, usually with the help of so-called development rents - charging for the use of ideas, standards, information and cultural values, as well as for allowing representatives of less developed countries to their rich markets.

But the developed countries get the biggest win at the expense of strategic leadership. They form the agenda for the whole world, "packaging" in their projects the political and economic activity of other countries, asking for their direction of development.

## **1.2. Modification of oil and gas production in the geo-economic space**

Over the past decade, Azerbaijan's role in the international energy space has increased. This is due to the fact that the fuel and energy complex has become an important resource of the state's foreign economic activity. Therefore, at present the Azerbaijan Republic takes an active part in energy diplomacy. The main task of the energy strategy of Azerbaijan is to increase the volume of natural gas production and diversify the sales markets due to increased consumption of this type of fuel in the world. Azerbaijan has large reserves of hydrocarbon raw materials, including natural gas, which in recent years has attracted increasing attention of major European countries. Consequently, it is not possible to reform oil and gas enterprises, build relations with European countries, Russia and the US without taking into account foreign economic factors. Strategic enterprises and organizations include enterprises and joint-stock companies that are in state ownership and carry out production of products (works, services) that are of strategic importance for ensuring the security (including economic) of the state. This makes it necessary to constantly assess whether a particular enterprise is really strategic and whether the state should support it with specific, non-market methods; how to reform it to "fit" into the modern economy. The strategic enterprises of the fuel and energy complex (State Oil Company of Azerbaijan Republic (SOCAR), Azerenerji OJSC, Azerigaz CJSC) represent a special category of participants of foreign economic activity of Azerbaijan, therefore, the country's legislation tightly regulates foreign investments in the fuel and energy complex, relations between oil and gas enterprises within the country. This is due to the fact that a significant part of the state budget revenues is formed due to the export of hydrocarbon raw materials. Over the years, Azerbaijan's strategic oil and gas enterprises have been inefficient, therefore, they needed restructuring. To build the most rational development strategy and possible options for restructuring the country's gas industry, it is necessary to study its structural transformations, analyze the prospects for foreign economic activity. The restructuring of the enterprise is one of the methods for reforming the enterprise by transforming it in the organizational, financial, economic, production, technical and

social subsystems in order to adapt to the changing conditions of the external environment for the withdrawal of the enterprise from the crisis and improve the efficiency of its operation. Prospects for the development of Azerbaijan's internal gas market are largely determined by the state of the republic's gas pipeline infrastructure and the economic situation of strategic enterprises of the gas industry after restructuring.

In trying to increase the importance of Azerbaijan in the region, the government of this country is trying to economically penetrate the states of the region (Turkey, Georgia, Russia, Central Asia, Iran, Arab countries, the Balkans, etc.), creating a comprehensive system of influence on the political and economic situation in the region [11]. To do this, Azerbaijan uses huge financial resources from the sale of energy. Hoping for the acquisition of influential positions, Azerbaijan shows interest in purchasing new shares of the Baku-Supsa, Baku-Tbilisi-Ceyhan oil pipeline, and other planned projects. Below is the geo-economic interests of Azerbaijan by countries and regions.

Central Asia. With the countries of this region, Azerbaijan is interested in having good relations and implementing joint regional projects. Azerbaijan is trying to become a bridge between the countries of Central Asia and Europe. In these relations, the factor of Islamic and Turkic unity also plays an important role.

Of the Central Asian countries, the most important for Azerbaijan are naturally Turkmenistan and Kazakhstan, then - and Uzbekistan. With these countries, Azerbaijan has two spheres of geo-economic relations: the division of the Caspian basin and the problem of producing and exporting hydrocarbons. Relations with Kyrgyzstan and Tajikistan are less active, since these countries do not have problems of this nature, and these relations are inherent in the properties of conventional foreign economic relations.

The most interesting are the relations between Azerbaijan and Turkmenistan, the very process and development of which can have important geo-economic and political consequences. The revenues of Turkmenistan by 85% are formed from the energy sector, and this is the most important source of budget filling. Turkmenistan

exports gas to Russia, China and Iran. After the death of Saparmurat Niyazov, the new president, Gurbanguly Berdimuhamedov, changed the country's foreign economic policy. He commissioned the construction of the East-West gas pipeline through the territory of Turkmenistan, which completed in 2015 and costed about 2 billion US dollars [12]. The project involves transporting gas from the country's eastern fields to the Trans-Caspian Gas Pipeline. During 2010, relations between Turkmenistan and Russia deteriorated somewhat, as Russia reduced the volume of Turkmen gas purchases from 40 billion m<sup>3</sup> to 10 billion m<sup>3</sup>, explaining this by a drop in demand in European markets. In turn, Russia and Iran said that the Trans-Caspian pipeline requires the consent of all the coastal countries of the Caspian Sea. All this can lead to specific agreements between Turkmenistan and Azerbaijan.

Both economically and politically, the Trans-Caspian Gas Pipeline for Turkmenistan is important, and for this he needs political assistance. The Turkmen offered Azerbaijan an annual gas volume of 40 billion cubic meters, 30 billion cubic meters of which from the eastern oil fields - South Yolotan and South Osman - will be transported by the East-West pipeline through Turkmenistan, and the remaining 10 billion cubic meters from offshore zones. Turkmenistan produced the first 5 billion cubic meters of offshore Block-1 in 2011, which was operated by the Malaysian company Petronas. In essence, Turkmenistan is also striving to become a geo-economic player. However, large gas reserves do not yet assume the properties of a large player. Evidence of this is the Russian monopoly over the export of Turkmen energy resources to international markets. Gazprom owns 44% of the Turkmen state company Turkmenneftegaz, which is responsible for the export of Turkmen gas. Gazprom also has control over some gas pipelines coming from Central Asia (the Central Asia-Center gas pipeline), thereby partly controlling the flow to Europe. The agreement between Russia, Kazakhstan, Turkmenistan and Uzbekistan on the construction of the Caspian gas pipeline and the reconstruction of the Central Asia-Center system does not yet reduce the chances of the Trans-Caspian gas pipeline project being implemented.

At one time, the Europeans did not pay enough attention to the issue of delivering Turkmen gas to Europe through the South Caucasus and Turkey. Now Turkmenistan has directed all its gas to China, Russia and Iran. Turkmenistan needs financial investments and modern technologies that it can get from Western countries, China, Turkey, the United States and from international oil and gas corporations. As a result, the West and China are gradually balancing Russia's influence in Turkmenistan. This allows Azerbaijan to realize its transit goals across the Caspian.

If until recently Kazakhstan transported its oil through the Caspian Sea to the Baku-Tbilisi-Ceyhan oil pipeline and did not give its final consent regarding the Trans-Caspian oil pipeline, it was assumed that in the future Kazakhstan would be more inclined to build this oil pipeline. Despite the presence of Kazakhstan's alternative export routes, except from Russia to China, and Iran, if a huge Kazakh oil field Kashagan is developed, it is unlikely that this can be realized without Moscow's consent. In 2006, Azerbaijan concluded an agreement with Kazakhstan, according to which Kazakh oil could be exported to the European market via the BTC pipeline. Kazakh oil can also be transported through Supsa. However, due to inconsistency, in 2010 Kazakh oil was not supplied from the Kazakh Tengiz field (operator - Chevron) through Azerbaijani pipelines [13].

Russia. Azerbaijan attaches great importance to strategic cooperation with Russia. Azerbaijan's foreign policy pays special attention to the northern direction and seeks to build broad economic, political, social and cultural relations with Russia. Economic and political relations between these countries are expanding every year. In 2006, Moscow stated that relations with Azerbaijan are one of the priority areas of its foreign policy. And Azerbaijani President I. Aliyev recently said: "There are no problems between our countries. The positions of Russia and Azerbaijan coincide on a number of issues. Our relations can not be characterized in any other way than by strategic cooperation "[14].

In Russia, Azerbaijan has developed geo-economic plans. Relying on a strong Azerbaijani community, business circles in Russia and its energy resources, over time

Azerbaijan acquires mechanisms of influence on Russia. Azerbaijan, which built its economy on the basis of oil and gas production and export, is interested in creating a diversified system for distributing its resources in the region, and relations with Russia are of prime importance. Azerbaijan is considering the possibilities of its economic presence especially in the North Caucasus: first of all, in Dagestan, on the Black Sea coast of the Caucasus and in the centers of the Caucasian republics of Russia. Particular attention is paid to establishing control over energy systems, energy transit and tourism in the North Caucasus.

Very interesting is the game of Russia and Azerbaijan in the struggle for the delivery of gas from Central Asia to the world markets. In fact, Azerbaijani gas competes with Russia for the European market. In turn, Russia's goal is to establish control over the energy sources and routes of its neighboring countries, as well as to block the sources of raw materials of the rival countries. It is important for Russia to be the first gas supplier to Europe. The next important task is the suppression of the Trans-Caspian gas pipeline project, as well as the transportation of Central Asian and Azerbaijani gas to Europe via its pipelines.

Russia's dependence on Central Asia's energy resources will continue to grow, since its own main gas fields are very expensive to produce. In turn, Azerbaijan seeks to become an alternative corridor for the transit of oil and gas from Central Asia. Russia is trying to transport Central Asian gas through the "Blue Stream" or "South Stream" and to increase the oil transit capacity of the "Caspian Pipeline Consortium".

Buying gas from Azerbaijan at high prices, Russia, in fact, reduces its export opportunities, which does not allow Azerbaijan to load the Baku-Tbilisi-Erzrum gas pipeline to its designed capacity. Despite the political overtones, on the assurances of both sides, this deal is of commercial importance [15].

Iran. Azerbaijan also attaches great importance to relations with Iran. Iran makes substantial investments in the Azerbaijani economy, infrastructure, agriculture, energy sector and industry. On the agenda there are some projects that can serve as a powerful incentive for further relations.

In addition to the transit of Azerbaijani oil through Turkey and Russia, there was also an Iranian option - a trans-Iranian project of the Baku-Kharq oil pipeline, the construction cost of which is estimated at 2.5 billion dollars. However, British and American oil companies, for political reasons, refused to consider these options.

Iran is trying to minimize dependence on the issue of oil exports, as well as increase revenues from gas exports. The projects of pipeline transportation of Iranian oil to China are being discussed. At present, Iran is the main supplier of oil to China by tankers.

As for natural gas, Iran has two problems: increasing exports and increasing the volume of gas transit through its territory. For the export of gas, it is also envisaged to use liquefied gas and new gas pipelines. The project pipelines are the Iran-Pakistan-India gas pipeline (IPI or the Peace Pipeline), two options for the supply of gas from Iran to Europe through the South Caucasus to Ukraine and Poland. The latter option has little chance of implementation, as Azerbaijan does not show activity, and Russia, represented by Gazprom, prevents this exit through the territory of Armenia. In fact, in the direction of Europe, Iran has only one way - through Turkey (Turkey is positive about this project).

Iran does not want Turkmen gas flowing through the Trans-Caspian or Trans-Afghan gas pipelines. In the first case, the flow of Iranian gas to the markets of Europe is reduced. In turn, the Turkmenistan-Afghanistan-Pakistan-India gas pipeline leaving Turkmenistan is questioning the Iran-Pakistan-India gas pipeline project. The implementation of these two projects casts doubt on Tehran's plans to develop and export gas. Under these conditions, it would be more profitable for Iran to build a new Caspian gas pipeline, through which Turkmen gas will be supplied to Russia, and also to China via Kazakhstan, the agreement on which was signed in 2006. If the interests of Russia and Iran coincide in the issue of the Trans-Caspian Gas Pipeline, then these interests diverge in the issue of Turkmen gas - everyone is trying to send Turkmenistan's wealth to its side. Projects of creating a gas OPEC and control of the gas market and transit by Russia, Iran and Qatar are also interesting.

There are many reasons for aborting the Trans-Caspian gas pipeline, which Iran and Russia are actively using. These include the vulnerable ecological system of the Caspian Sea, the high seismic hazard of the region, the uncertain status of the Caspian Sea, the presence of territorial disputes between Azerbaijan and Turkmenistan, Azerbaijan and Iran.

The current international military-political situation around Iran is beneficial to Azerbaijan, since the common border with Iran gives it certain dividends in relations with the US and enhances its geostrategic importance. In addition, projects for the transportation of Iranian gas to Europe are being frozen. Azerbaijan's relations with Iran are not based on sincere friendship, nevertheless, Baku will not risk these relations.

United States. Azerbaijan actively cooperates with its strategic partner - the US, as well as with Euro-Atlantic structures in the spheres of economic, political, energy and transport security. The relations between Azerbaijan and the United States remain the main element of Azerbaijan's foreign policy.

For the US, the territory of the former USSR is a space of energy interests, especially the Caspian Sea and Russia, rich in energy resources. The US is actively trying to minimize the presence of Russia, China and Iran in the Caspian basin and in Central Asia.

Declaring newly formed neighboring countries with the sphere of their strategic interests, the US is trying to create a modern analogue of the Great Silk Road - a powerful transport corridor that includes railways and highways, oil and gas pipelines, air and sea communication routes. The US goal is to include the South Caucasus in the sphere of its strategic influence, ensure the security of pipelines, establish geo-strategic control over Iran and Central Asia. For the Americans, Baku-Tbilisi-Ceyhan is just a part of the "Great Silk Road", which aimed to break the monopoly of Russia in the sphere of oil and gas exports. It is important for the United States to ensure control over Azerbaijani oil and gas pipelines, as well as to keep Azerbaijan at some distance from Russia and its use against Iran. For the US, Azerbaijan is also important for providing an air corridor to Afghanistan for its bases.

Despite the fact that the Azerbaijanis accuse the US of applying double standards, nevertheless, in order to provide oil and gas export routes, Azerbaijan in turn needs the US as a strategic partner, especially to counter pressure from Russia. For this reason, Azerbaijan seeks to integrate more into the Euro-Atlantic structures. As the Deputy Foreign Minister of Azerbaijan, Araz Azimov, noted, "joining NATO is not the end, but this is an element of the country's security." And according to the statement of Azerbaijani President I. Aliyev, "without the initiative and assistance of the US, the implementation of large energy projects in the region and in Azerbaijan would be impossible" [16].

### **1.3. Geo-economic approach to evaluation of oil and gas resources of a country**

According to the research of some independent experts, if the hydrocarbon resources of the Caspian basin and the Central Asian region are protected from external influences and freely exported to European markets, they are able to continuously satisfy the continent's need for energy for at least 100 years and rid it of the current monopoly of Russia. So, the desire to seize the alternative hydrocarbon reserves of the Caspian basin or to get them on the basis of more favorable prices, long-term contracts can be considered an important factor involving such actors of world politics as the USA and the European Union, Russia, having a leading position in the region, China after the collapse of the USSR , Iran, Turkey and other countries in serious regional geopolitical activity.

During the described period, the biggest geopolitical and geo-economic problem of new countries of the region, such as Azerbaijan, Turkmenistan, Kazakhstan, etc., possessing rich energy resources, was the development of their oil and gas deposits on the basis of advanced Western technologies, independent supply of resources to world markets. Since the early 1990s, these countries needed large starting capital and technical assistance in order to extract oil and gas from the depths of the Caspian Sea and export them abroad. And these opportunities were not available either by these countries themselves, or by regional countries like Russia, Iran and Turkey, who wanted to take these resources out of the competition. Only wealthy US and Western countries, Japan, China and international organizations under their influence possessed financial and technical capabilities of this scale. These countries and organizations, as a rule, direct their financial and technical capabilities to a certain sphere when they clearly see future dividends and receive an international guarantee for them. And such a guarantee could be obtained on condition of geopolitical and geo-economic independence of oil-rich countries and gas, with independent transportation routes, stable social and political life, liberal economy and integration into European structures. Western experts at that time emphasized that while these countries are not exempt from Russia's geopolitical influence, they are not integrated into the geopolitical space of the West, there is little hope for their guaranteed future.

In most cases, data on the energy reserves and energy needs of many regions, including the Caspian Basin and Central Asia, about the production and production of oil and gas in the world are concealed, or deliberately not specified, are presented in different ways, referring to various subjective sources . Sometimes the figures for the volume of natural resources, daily production of oil and gas, domestic demand and exports of the same country are given. This difference is difficult to explain by any methodological approach and factor. Here, along with various methodological approaches and other objective reasons used in the exploration and development of new deposits, the determination of the volume of natural resources in the world, it is possible to meet deliberately committed falsifications, coming from the subjective geopolitical, geo-economic interests of certain interested actors,

For example, in 1997 scientists of Russia, which is by far the largest country in the Caspian basin, estimated its country's gas reserves at about 50 (34.3% of the world's total reserves), Iran - 21 (14%), and reserves of other Caspian countries Basin and Central Asia - only 6-7 trillion. cubic meters (4%). The reserves of Turkmenistan were indicated in the volume of 3.6 (2%), Kazakhstan - 1.95 (1.3%), Azerbaijan - 0.9 (0.7%). [1]. While in the reports of Western scientists these figures were two to three times more - about 20-28 billion cubic meters (about 12-16% of the world's gas reserves).

The same can be said about the world's oil reserves. According to the forecasts of some Russian geologists, the total volume of oil reserves in the Caspian basin is 7 billion tons (about 50 billion barrels) [2]. Other Russian sources note that this figure is 13 billion tons or more. As for the opinion of Western experts, it should be noted that even in the Soviet era, British and American experts believed that the volume of oil reserves in the Caspian region is much larger than in the figures presented by Soviet geologists. For example, the figures quoted by US sources on the energy reserves of the Caspian countries - Kazakhstan, Azerbaijan and Turkmenistan, are at least 2-7 times higher than those of Russian specialists [3]. In the report of the State Department and the National Security Council of this country, the current oil reserves

of the Caspian basin were estimated at about 200 billion barrels (about 27.5 billion tons) [4].

However, figures presented by both foreign, Russian and local sources often change and do not rely on a single methodological approach in determining the volume of existing reserves. Some Russian specialists, drawing attention to the sharp difference between the approaches of the USA and Russia to the hydrocarbon resources of the region, note that "The data on the Caspian oil reserves vary greatly. The most optimistic figures are called American experts, the most modest Russian "[5]. The figures on the volume of natural resources of the Caspian basin, given by international, regional and national sources, vary considerably. According to experts, these differences are also formed under the influence of certain geopolitical and geo-economic factors. However, despite the fact that these subjective factors create certain differences in the methodology of information sources, they are not in a position to question the results of serious geological research. The current situation about energy sources, the need for energy, production and consumption can be briefly described as: specialists can not specify these figures and a map, and politicians manipulate this card and figures depending on the situation that has arisen.

As in many regions of the world, the general justified figures for the Caspian basin and individual countries on energy reserves are primarily provided by geologists. According to calculations by the well-known British company British Petroleum (BP), as a result of the latest geological exploration work in 2010, the total world oil reserves increased by approximately 700 million barrels and reached 1383.2 billion barrels. And the volume of world gas reserves is indicated at a rate of 187.1 trillion. cubic meters, which is more than the indicator of 2009 at 2.21 trillion. cubic meters. Daily, approximately produced and consumed oil is 82 billion barrels and gas is 3.192 billion cubic meters [6].

If we consider comments on figures obtained from various sources in connection with current energy reserves, production of oil and gas, consumption and sales of finished products in the Caspian countries, the geo-economic approach to the situation is as follows. The issue of the volume of existing hydrocarbon reserves in

Azerbaijan has long been the subject of discussions among the region's and world's stakeholders, even some forces have used it for geopolitical manipulation. Beginning with the restoration of independence in 1991 and until the day when the Baku-Tbilisi-Ceyhan project was implemented and the Azeri oil went on this route to the Mediterranean, in a number of foreign countries pessimistic, deceptive forecasts of oil reserves of Azerbaijan, official information disseminated by the country It was questioned and it was stated that the real figures do not correspond to reality. Some media tried to form a subjective opinion that there is no oil in Azerbaijan, the BTC project will never be realized, etc. However, time has proved the baselessness of these statements. When the BTC was built, Azerbaijan produced 15-16 million tons of oil per year, and now this figure is more than 50 million tons. The same can be said about gas reserves: despite the statements of some foreign sources about a small amount of these reserves, today Azerbaijan, having extracted 30 billion cubic meters of gas a year, has turned into one of the main gas exporters in the region "[7].

The proven and projected volume of Azerbaijani gas reserves on land and at sea until the latest discoveries in 2011 by European experts was estimated at about 1.3 (proved) and 3 (projected), by country officials - 2.55 and 5-7 (including those found in 2010-2011, reserves at the fields "Umid" and "Absheron" AG), Russian sources - 0.9 and 1.2 trillion. cubic meters. As can be seen, in order to reduce Azerbaijan's role in providing the region with gas, Russian sources give an even smaller indicator of its natural resources. From annually extracted 30 billion cubic meters of gas 8-10 billion is used to meet domestic demand. The rest is sold to Georgia, Turkey, Greece, Russia and Iran. Unlike the gas-exporting countries of the region (Turkmenistan, Kazakhstan, Uzbekistan, Iran, etc.), Azerbaijan currently does not have any serious problems in gas exports. Through the Baku-Tbilisi-Erzurum pipeline, he exports gas to Georgia and Turkey, through the Baku-Astara-Iran and Baku-Grozny pipelines to Iran and Russia. In addition, Romania, Bulgaria, Hungary and other European countries expect 7-10 billion cubic meters of Azerbaijani gas on the agreed Baku-Georgia-Romania route, the construction of which will begin in the near future.

According to experts, in a few years, Azerbaijan will be able to increase gas production to 40 or 50 billion cubic meters. However, for this, it is necessary to launch the second phase of the Shahdeniz field, find the relevant markets, sign contracts and solve other organizational issues [8].

According to some foreign experts, Azerbaijan was forced to take a decision in favor of the last route and look for new alternatives due to Turkey's somewhat unprofitable offer to transport gas. According to experts, the fact that Turkey in the energy links between the Caspian region and Europe demonstrates a largely pro-Russian stance, despite its priorities in foreign policy, forced Azerbaijan to look for new options [9].

Officials and geologists of Azerbaijan note that proven oil reserves of the country on land and at sea are 1-1.5 billion tons (about 7-11 billion barrels), projected reserves are 2-3 billion tons (14-21 billion barrel) and more than [10].

In the annual statistical survey of BP, devoted to the world energy situation in 2010 [11], and in US sources, the volume of proven oil reserves of Azerbaijan is indicated at the level of 7 billion barrels (over 1 billion tons) and gas reserves - 1.3 trillion cubic meters. These figures are also confirmed by the State Oil Company of Azerbaijan [12]. However, representatives of the company consider these figures a little outdated. So, the first vice-president of the company for geology, geophysics and prospecting Khoshbeht Yusifzade noted that currently proven oil reserves of Azerbaijan are 1.5 billion tons (about 11 billion barrels) and in the future it is expected that this figure will reach 3 billion ( approximately 22 billion barrels - AG) [13].

## **CHAPTER II: THE CURRENT STATE OF GEO-ECONOMIC ASPECTS OF THE USEAGE OIL AND GAS RESOURCES IN AZERBAIJAN**

### **2.1. The current state of Azerbaijan 's oil and gas complex and its place in the development of the economy**

In 2016, Azerbaijan produced 41.03 million tons of oil and gas condensate, which is 1.5% less than in 2015, according to a report of the State Statistics Committee of the Republic of Azerbaijan. The bulk of oil production in Azerbaijan falls on the block of oil and gas fields Azeri-Chirag-Guneshli (ACG). The production of marketable gas in Azerbaijan, according to the State Statistics Committee of Azerbaijan, amounted to 18.71 billion cubic meters in 2016, which is 3.9% less than in 2015.

The production of commercial gas in Azerbaijan in 2015 amounted to 19.72 billion cubic meters against 18.7 billion cubic meters produced in 2014. In 2016, the State Oil Company of the Republic of Azerbaijan ("SOCAR") extracted 7.52 million tons of oil from offshore and onshore fields of the country against 8.16 million tons produced in 2015. SOCAR produces oil in offshore and onshore fields of Azerbaijan at its own expense.

One part of this oil is sent for processing to Baku refineries, the other is exported via the Baku-Novorossiysk and Baku-Tbilisi-Ceyhan pipelines. In addition to independent production, SOCAR also extracts light oil from the block of Azeri-Chirag-Gunashli (hereinafter - ACG) fields together with foreign partners.

Also, in 2016, SOCAR, through its own funds, produced 6.27 billion cubic meters of gas compared to 6.87 billion cubic meters produced in 2015. In addition to its own production, SOCAR receives gas from Shah Deniz and Azeri-Chirag-Gunashli fields (associated gas), developing these areas jointly with foreign partners.

The total volume of extracted gas from contracted and independently developed fields in 2016 amounted to 29.37 billion cubic meters against 29.05 billion cubic meters produced in 2015. In 2016, SOCAR drilled 105.25 thousand meters against 104.41 thousand meters, drilled in 2015, while 102 532 meters fell on production drilling, the remaining 2713 meters - for exploration.

**Table 2.1.****Gas extraction in Azerbaijan, million cubic meters within 2012-2016.**

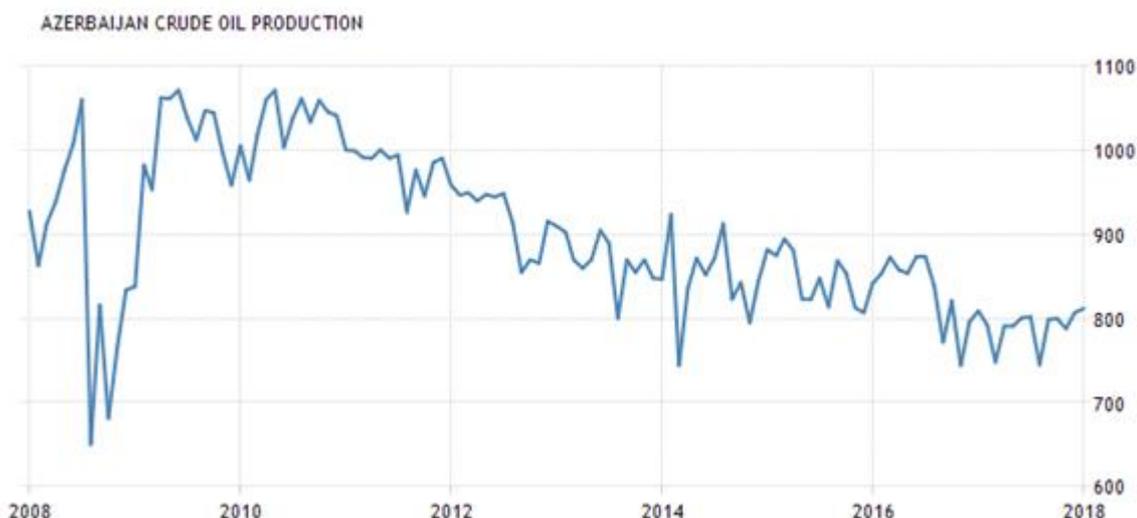
<b>Years</b>	<b>Natural gas-total</b>	<b>of which:</b>	
		<b>associated gas</b>	<b>natural gas</b>
<b>2012</b>	26796	13579	13217
<b>Commodity</b>	17242	4483	12759
<b>2013</b>	29245	13945	15300
<b>Commodity</b>	17895	3294	14601
<b>2014</b>	29 555	13 945	15 610
<b>Commodity</b>	18 827	3 837	14 990
<b>2015</b>	29175	13663	15512
<b>Commodity</b>	19236	4341	14895
<b>2016</b>	29331	13952	15379
<b>Commodity</b>	18718	3917	14801

*Source: The State Statistical Committee of the Republic of Azerbaijan [82]*

In 2016, SOCAR commissioned 64 new wells. In 2016, 8.62 billion manats was invested in the oil and gas sector of Azerbaijan, against 7.16 billion manats in 2015 (an increase of 20.4%), the State Statistics Committee of Azerbaijan reports on the results of 2016.

**Figure 2.1.**

**Azerbaijan crude oil production within 2008-2018**

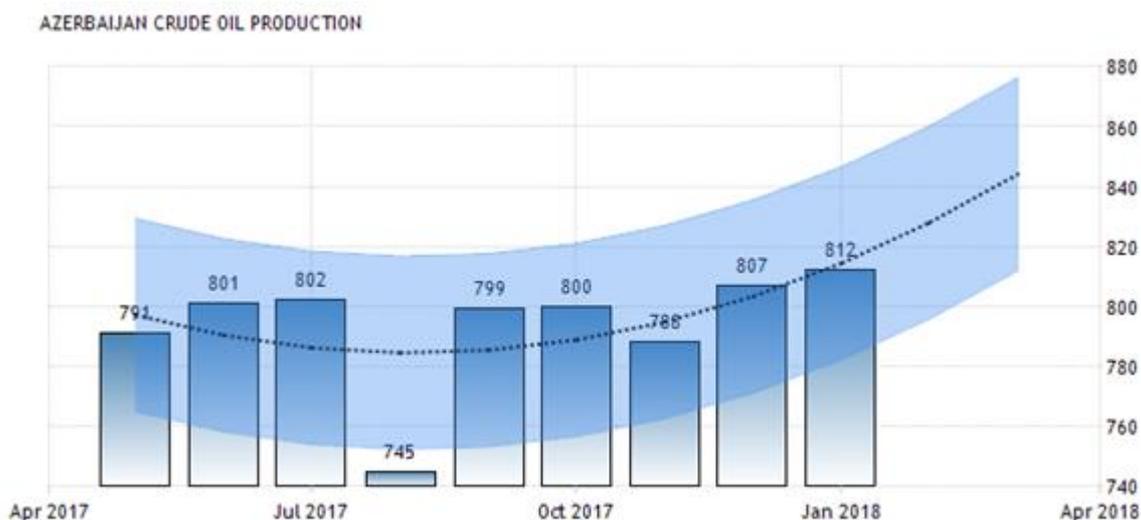


*Source: Tradingeconomics.com / U.S. Energy Information Administration [83]*

Crude Oil Production in Azerbaijan increased to 812 BBL/D/1K in January from 807 BBL/D/1K in December of 2017. Crude Oil Production in Azerbaijan averaged 569.76 BBL/D/1K from 1994 until 2018, reaching an all time high of 1072 BBL/D/1K in June of 2009 and a record low of 168 BBL/D/1K in February of 1997 (Figure 2.1.)

**Figure 2.2.**

**Azerbaijan crude oil production within April 2017-April 2018**



*Source: Tradingeconomics.com / U.S. Energy Information Administration[83]*

Crude Oil Production in Azerbaijan is expected to be 796.07 BBL/D/1K by the end of this quarter, according to Trading Economics global macro models and analysts expectations. Looking forward, these models estimate Crude Oil Production in Azerbaijan to stand at 796.35 in 12 months time. In the long-term, the Azerbaijan Crude Oil Production is projected to trend around 796.35 BBL/D/1K in 2020, according to these econometric models (Figure 2.2.).

In 2016, Azerbaijan produced 5.17 million tons of oil products versus 5.45 million tons produced in 2015. During the reporting period, Azerbaijan produced 1.15 million tons of motor gasoline, which is 5.8% less than in 2015. Currently, in connection with the increase in fuel consumption in Azerbaijan, the state company SOCAR is the only producer of petroleum products in the country - it is working to modernize the existing processing facilities.

**Table 2.2.**

**Production of petroleum products in Azerbaijan within 2016**

Production of petroleum products	In 2016 (in thousand tons)	In 2015 (in thousand tons)
Automotive gasoline	1153,2	94,2
Naphtha	197,4	95,9
Kerosene	627,3	91,1
Diesel fuel	2315,2	82,6
Fuel oil	485,8	148,1
Lubricating oils	9,7	38,3
Petroleum bitumen	179,2	104,3
Petroleum coke	204,9	82,6

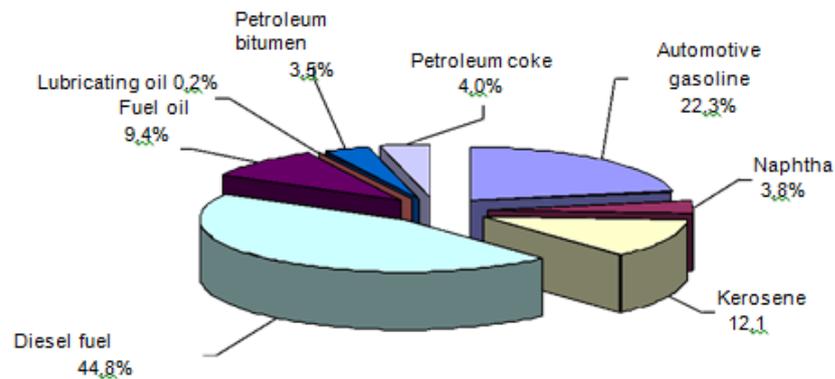
*Source: Azerbaijan State Committee of Statistics [82]*

From the beginning of 2014, fuel consumption, in particular, of motor gasoline, in Azerbaijan, compared with previous years, significantly increased. In this connection, it was decided to increase the capacity of the Baku Oil Refinery named after Heydar Aliyev and in 2016 works on modernization and reconstruction of the plant began. The refinery modernization process is planned to be completed in 2020, while the processing capacity will increase from 6 to 7.5 million tons of oil per year.

**Figure 2.3.**

**Production of oil products in January-December 2016**

Production of oil products in Azerbaijan in January-December 2016



*Source: Azerbaijan State Committee of Statistics [82]*

It should be noted that the volume of assets of the State Oil Fund, which at its creation was \$ 271 million, currently exceeds \$ 10 billion, and these funds will increase annually, which should be assessed as successful development of the national oil strategy. Currently, the government implements various programs and concepts related to more efficient use of reserves in the oil sector. Increasing the efficiency of oil production, more efficient exploitation of new deposits, application of innovations in the extractive industry are among the main tasks. The discovery of a large reserve of natural gas in the Shahdeniz field and the beginning of its operation, the beginning of the operation of the Baku-Tbilisi-Erzurum gas pipeline, which is the basis of the transport infrastructure for gas exports, opened wide opportunities for using Azerbaijan's gas export potential. From the standpoint of the realities of today, the main export and future strategy of Azerbaijani gas are more connected with the Shah Deniz project. At the same time, there are sufficient gas reserves on the Caspian shelf of Azerbaijan and on territories on land. Export of Azerbaijani gas is possible in several directions. This can be the direction of Russia, Iran, Turkey, through Turkey to Europe and other alternative routes. From existing routes it is necessary to give advantage to the route that is most attractive economically and commercially: export of Azerbaijani gas can be carried out only at a commercially viable and cost-effective

route. [3,4] The beginning of the operation of the main export pipelines Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Erzurum opened wide opportunities for the transportation of Azerbaijani oil and gas to international markets, for the introduction of a diversified export strategy in the country, the transit potential of the country increased several times, which contributed to the development of import-export relations between Georgia, Turkey and the Central Asian region. In general, the functioning of the main export pipelines Baku-Tbilisi Jeyhan and Baku-Tbilisi-Erzurum and the annual increase in oil and gas transportation through these pipelines are assessed as the success of Azerbaijan's national oil strategy. The only problem of the main export pipeline Baku-Tbilisi-Ceyhan, one of the main investors of which is Azerbaijan, is the issue of its effective operation. In case of maximum utilization of the capacity of the pipeline, the invested capital can give more effectiveness. The above shows that wide opportunities have been opened for the export of the hydrocarbon of Azerbaijan, the necessary infrastructure has been formed for their export to the world markets under more favorable conditions. However, in order to regulate the export potential of this sector and use it more efficiently, it is also necessary to bring the production-oil production up to the required level. In the years following the "Contract of the Century" to date, SOCAR has signed 27 agreements with foreign oil companies, of which 15 cover the Azerbaijani sector of the Caspian Sea, 12 agreements - land on land. In these agreements the partners of the State Oil Company are 43 companies representing 21 countries of the world, including such developed countries as the USA, Canada, Russia, Great Britain, France, Italy, Norway, Turkey, Iran, Japan, China, Korea. According to the researchers, in the framework of agreements signed with foreign companies, more than 60 billion US dollars will be invested in the exploration, development and transportation of hydrocarbon reserves of the country as a whole. It should be added that if the "Contract of the Century" project showed Azerbaijan to the whole world as an oil country, the opening of the Shahdeniz field in June 1999 and the successful implementation of the Shahdeniz gas project gives an opportunity to talk about the transformation of Azerbaijan in the near future into one of the countries, exporting gas in a large volume: "In December 2006, the

development of the eastern part of the Shahdeniz field started, at present four wells are operated here with an average daily production of 19 million cubic meters of gas and 4.5 thousand tons of condensate and having drilled etsya fifth hole. Since the beginning of the field development, up to today, 5.9 billion cubic meters of gas and 1.6 million tons of condensate have been produced. As was noted earlier, the export of Azerbaijani gas is realized through the Baku-Tbilisi-Erzurum gas pipeline. It should be noted that increasing the efficiency of export of Azerbaijani oil, more correct use of funds coming from the sale of oil, the development of the national economy is constantly at the center of the state's attention. Until today, in connection with this problem, a number of state programs, laws, various regulatory documents have been adopted, the President signed decrees and orders. One of the important steps in this direction is the creation of the State Oil Fund of the Republic of Azerbaijan. The Fund was established by the Decree of the President of the Republic of Azerbaijan No. 240 of December 29, 1999, with the aim of effectively managing the funds received by the Republic of Azerbaijan from the implementation of the Agreements on exploration, development and share distribution of oil and gas concluded between the State Oil Company of the Republic of Azerbaijan and investors, implementation of other concluded agreements on exploration and development of oil and gas reserves in the Azerbaijan Republic, including in the Azerbaijani sector of the Caspian Sea . The main objective of the fund is to ensure the collection and effective management of foreign exchange and other funds received from the implementation of agreements concluded in the field of exploration and development of oil and gas reserves in the name of the interests of today's citizens and future generations of the Republic of Azerbaijan.

## **2.2. The main directions of export of oil and gas resources of Azerbaijan**

Effective integration into the world economy is possible if the country has the appropriate export opportunities.

The general line of Azerbaijan's foreign trade policy is to limit the import of foreign goods with the relative expansion of its exports and export production.

The essential point here is that this process is subject to active regulation by the state, proceeds in conditions of strengthening integration phenomena and globalization of the world economy.

As the analysis of the World Bank experts showed, countries that have made great strides in liberalizing the economy and creating an open external economic regime managed to reorient their exports to world markets in 4-5 years, which was an important factor in their economic growth.

However, the ill-conceived strategy of liberalizing foreign trade carries a certain danger to the country's economy. Therefore, the appeal to export diversification will ensure sustainable economic growth.

Diversification of exports is to achieve the most effective and optimal structure, expand the range of exported goods, gradually increase in exports some high-tech goods and goods with a high level of processing. Diversification of exports also involves the exporters' development of new world markets for goods, technology, capital and services.

Great attention is paid to the export of petroleum products in the republic's economy. The development and prosperity of any energy country, which is ours, depends on the export of finished products (in this case, petroleum products). Moreover, the deeper the processing of crude oil, the higher the quality of oil products, and, consequently, the competitiveness of the republic's products on the world market will accordingly increase.

Importance of orientation of industries for export is also seen in the fact that if the industry does not achieve success in the foreign market, then the country itself will use the products. These industries and thus free from the need for their imports. Consequently, this part of the export orientation strategy is comparable to import

substitution. In this case, the state needs to use protective mechanisms for the development of industry, and in the external exchange system it is necessary to focus primarily on import-substituting strategy. Such a policy will lead to a significant reduction in the country's dependence on imports of the most important factors of production, such as raw materials, machinery and equipment, energy resources and, in turn, will stimulate it to create import-substituting industries based on the latest technologies. The main thing in carrying out this policy is the customs and quantitative restrictions on imports. Thus, it is necessary to develop import-substituting types of productions and products in order to provide the minimum necessary production structure of necessary branches of the republic to save currency funds.

The basis of Azerbaijan's exports is the sale to foreign countries of oil and oil products. In a word, the oil sector is the main strategic direction in the country's export. The achievements of the oil sector in recent years, the annual increase in oil exports led Azerbaijan to a number of major oil-exporting countries. Studies show that currently the following tasks are priority in increasing the efficiency of export of Azerbaijani oil: reducing the cost of exported oil through the effective use of advanced technology and technology, foreign investment, increasing funds coming from exports through the positive use of price changes in the world market and other factors ; use of funds coming in large quantities from oil exports, for the development of the national economy, as an effective investment, at the expense of these funds, develop other areas; the organization of effective management of the preservation of funds derived from oil exports for future generations, their effective placement in the global financial market; elimination of negative trends that can be formed by large oil revenues, preservation of continuous macroeconomic stability. A contract with the foreign oil companies in September 1994 on the share distribution of production - the "Contract of the Century" on the joint exploitation of the Azeri, Chirag and Guneshli fields located in the Azerbaijani sector of the Caspian Sea, was an important stage in attracting foreign investments for large-scale exploitation of oil and gas resources of Azerbaijan. At present, this contract is the basis of the processes of development of

the oil sector observed in the country, the transformation of Azerbaijan into a major exporter. With the signing of the "Contract of the Century" in the history of the independent Azerbaijan state, the implementation of the national oil strategy began and as a result of implementing this strategy and signing contracts with international oil companies to exploit oil resources, large foreign investments were attracted. [1] According to the common opinion of numerous researchers: the conclusion in 1994 of the "Contract of the Century" was the impetus for including Azerbaijan in the world economic system, accelerating integration processes in the world economy, strengthening positions in the international world, developing effective and mutually beneficial cooperation with countries whose companies participate in oil contracts. According to President I. Aliyev, who notes that at present energy security is the most urgent problem in the world, especially in developed countries, Azerbaijan's oil strategy will solve the problem of energy security of the country for 100-150 years ahead: "Our strength lies in the fact, that Azerbaijan, solving its energy security problem, simultaneously contributes to solving this problem in other countries: both in neighboring countries and countries that are not geographically close to us. " He said that in this sense Azerbaijan already plays an important role in the world and in the future this role will increase: the export oil and gas pipelines Baku-Tbilisi-Ceyhan, Baku-Tbilisi-Erzurum function successfully and will serve the Azerbaijani people for many decades. Analysis of the statistical indicators of recent years shows that the exploitation of oil and gas resources of Azerbaijan annually expands, as a result of which the share and strategic importance of Azerbaijan in the world energy supply is increasing. In the context of the successful implementation of the national oil strategy, the joint exploitation of hydrocarbon resources with foreign countries and their exports annually increases, and due to this the foreign exchange earnings of the state grow at a high rate. In terms of economic development, Azerbaijan ranks first in the world, is the initiator and participant of large regional and international projects. [2]

In connection with the large-scale exploitation of hydrocarbons in Azerbaijan, in the context of a sharp increase in oil and gas revenues since 2008, on the one hand,

the likelihood of depletion of existing oil and gas reserves in a short time, preservation of macroeconomic stability established in the country in the conditions of foreign exchange in a large volume, along with saving part of the income for future generations, using them to improve the welfare of the current generation, stimulating the development of the non-oil sector and providing The development of balanced development of the economy, on the other hand, led to the need to adopt a long-term strategy for managing oil and gas revenues. This strategy covers 2005-2025 and defines the basic principles of using these revenues during this time and the medium-term cost policy. The document reflects the following aspects regarding the forecasting of oil and gas revenues for the long term: the volume of oil and gas revenues of the Republic of Azerbaijan for a long-term period is established on the basis of the possible prices of approved oil and gas reserves; the volume of oil and gas reserves is determined on the basis of an estimate of the expected oil and gas reserves from the Azeri-Chirag-Gunashli, Shahdeniz fields from other fields stipulated in the agreements on the share distribution of production, as well as from fields in operation of the SOCAR enterprises and created by its foundation ; as the discovery of new deposits in Azerbaijan, forecasts in connection with the volumes of oil and gas reserves are specified; The price of oil and gas is forecasted in a pessimistic variant (at a price lower than that envisaged in the basic version) (the base variant is the price of oil and gas projected for the relevant period). The principles of long-term use of a large amount of funds derived from the export of hydrocarbon products in the strategy are defined as follows: when forecasting costs from oil and gas revenues for a long-term period, the principle of unchanged real costs is taken as the basis, and annual costs are set for the envisaged costs during the period covered by this strategy limit; when revenues from oil and gas revenues of a maximum level of at least 25% are reached, they are directed to accumulation; the adopted rules for the expenditure of oil and gas revenues during the period covered by the long-term strategy for managing oil and gas revenues remain unchanged, while the expenditure limit is maintained on the basis of the fixed real costs principle; The volume of expenses during the medium-term period is determined taking into account the limits

established for the long-term period on the basis of the non-oil deficit (the difference between the revenues and expenditures of the country's general budget, excluding the oil sector). A sharp increase or decrease in the difference between the costs of the next and previous year is considered undesirable, a sharp rise in the non-oil deficit is not allowed; expenses of the investment direction are carried out within the framework of the State Investment Program, compiled every year. Based on the implementation of these principles, it is projected that: meeting the high demand of Azerbaijan for investment, along with increasing costs, will create conditions for the development of the non-oil sector and the gradual relaxation of the country's dependence on oil and gas revenues, and the development of the non-oil sector over the long term due to oil and gas revenues will reduce the country's need for foreign loans. At present, ensuring the stability of the macroeconomy in the country on the basis of the above-mentioned document, the coordination of priority expenditures at the expense of oil and gas revenues is carried out on the basis of the medium-term policy. The volume of real expenses during the medium term may deviate from the limit envisaged for the long-term period. According to the government, although this along with the acceleration of the development of the oil sector can lead to an increase in inflation in different periods, real annual expenditures must take into account the established limit of the non-oil deficit. As priorities of use of Azerbaijan's oil and gas revenues, the strategy shows the following: development of the non-oil sector of the economy, regions and medium-sized business; large-scale development of infrastructure sites; implementation of measures to reduce poverty and address other social problems; stimulation of raising the level of intellectual and technological base of the economy; the development of "human capital" (training highly qualified personnel, including in foreign countries, improving the professional skills of personnel); strengthening the defense capacity of the country.

One of the documents aimed at effective use of funds received from oil exports was the Decree of the President of the Republic of Azerbaijan "On measures to strengthen anti-inflationary measures in the Republic of Azerbaijan". The growth of consumer prices, which has a negative impact on the consolidation of the successes

achieved in the country in the field of economics, and the purchasing power of the population. Exceeding the expected level of inflation caused the appearance of this document, and as the causes of inflation, the following is indicated: the rise in price of imported goods as a result of the influence on production costs of a rise in the price of crude oil in world markets, an increase in the volume of the circulating money supply and insufficient development of mechanisms for attracting excess money supply to various financial instruments, the imperfection of the structure of investments sent to the economy, the lack of struggle against monopoly in production, trade and import-export operations, etc.

While Turkey's energy policies are on the agenda, Azerbaijan's political, military, strategic and economic interests are overlapped, while Turkey is a gateway to Turkey's Central Asia, and is seen as a suitable candidate for these new steps to be taken. A similar situation is also valid for Azerbaijan. For Azerbaijan, where some of its territories are under occupation and have some problems with its neighbors, Turkey is the most important country in opening global markets for energy, beyond being a reliable ally. In summary, given the current developments, this geography, which has intense competition and instability, makes the alliance between Turkey and Azerbaijan compulsory. One of the important legacies of this alliance is energy and energy security.

From Azerbaijan's point of view, it is important to sell oil and gas resources produced by Azerbaijan and to reach a steady supply of global markets. Turkey is the only country to come to the fore. Turkey is a reliable ally for both Azerbaijan and an important customer and important route for Azerbaijan.

It is also important that these resources be put into the world markets, as well as their energy resources, in identifying energy policy priorities and energy security priorities of Azerbaijan. However, Azerbaijan has limited alternative routes in this region, which are in serious trouble with neighboring countries, and have direct access to international waters. Azerbaijan has 3 main oil pipelines to international markets. These are Baku-Tbilisi-Ceyhan (BTC), Baku-Novorossiysk and Baku-Ships. On the other hand, Azerbaijan's natural gas is transported to the global markets via

the Baku-Tbilisi-Erzurum (BTE), Gazi-Magomed-Mozdak and Iran-Nakhchivan natural gas pipelines. TANAP pipelines planned to be put into operation in the coming years with BTC and BTE, together with Turkey and Azerbaijan, will be discussed in the last section. Turkey's Turkmen and Kazakh energy resources through TANAP.

We must not forget about the Turkish factor. Ankara attaches great importance to the Azerbaijani issue. Another thing is that the prices for energy in the light of the processes in the world can change. In any case, we must admit that there will not be any problems in the supply of Azerbaijani gas through Turkey. Obviously, those who assume that the Turkish Stream project will create certain difficulties for Azerbaijan are mistaken. Here we can talk about a healthy rivalry in which the chances of success for Baku are high. Particularly noteworthy is the fact that Moscow's plans to supply gas through the territory of Turkey serve geopolitical interests. Otherwise, Alexey Miller would hold with the EU representative specific negotiations on the supply of gas to countries located in southern Europe. It should be noted that the chances for Turkey to advance in this process to profitable geopolitical horizons are high. It is located on the energy route from Russia and Azerbaijan. Using it, Turkey can undertake various maneuvers.

And Azerbaijan will continue to develop an effective energy policy. The above analysis shows that even in the most difficult situation, our country is in a position to find the right way.

But the main factor is connected with the full correspondence of the energy policy pursued by official Baku, the strategic interests of the state. There is a close connection between all sides of the multi-vector foreign policy, which allows you to flexibly maneuver in any changes. From this point of view, Azerbaijan's energy exports allow at the same time to ensure the geopolitical interests of the state. Apparently, based on this moment, the pro-Armenian forces include Azerbaijan in various geopolitical configurations. And every time they make irresponsible statements that they are supposed to play a negative role, and especially push it out in the energy issue.

At present, the contradictions in the world have significantly increased. Even the smallest event causes a wide resonance. If in such a situation official Baku can play an important role in ensuring the energy security of not only the South Caucasus, but even Europe, this is a major achievement. In conditions when the European Union and Russia are discussing in connection with the fate of relations in the energy sector, it can be argued that additional opportunities are opening up for Azerbaijan.

When it comes to the strategy of transferring to the markets, these developments in Khazar are very closely related to Turkey. The most important reason for this is that Russia and Iran do not look hot at the Trans-Caspian pipeline, which will be built at the base of Hazar.

Cooperation with Georgia is also of great importance for Azerbaijan, which is realized, mainly, within the framework of regional energy and transit projects. The external energy policy of Georgia assumes the strengthening of the transit function with the use of natural and geographical advantages for the prosperity of the country's economy. The strategic resource of Georgia is the geographical location and the availability of seaports - Poti and Batumi, which give this country strategic importance.

The inclusion of Georgia in the transit of Caspian oil contributed to the prospect of the passage of the TRASECA corridor through the territory of this country. The first step was the construction of the Baku-Supsa oil pipeline, as well as the operation of the sea route between the Georgian Poti and the Bulgarian Burgas. Economic cooperation between Georgia and Azerbaijan has also deepened with the operation of the Baku-Tbilisi-Ceyhan oil pipeline and the "South Caucasus Gas Pipeline" beginning in Shah Deniz.

The speed of Azerbaijan's economic growth largely depends on the rate of oil production and on the development of the oil refining industry. In turn, the expansion of the oil sector depends on the implementation of the transport corridor Europe-Asia. Within the framework of cooperation between Azerbaijan and Georgia, the Baku-Tbilisi-Kars railway will be the next step. Georgia is also interested in transit through its territory of Caspian oil and gas to the West. For Azerbaijan, Georgia is an

important country, since without this western neighbor, it would be much more difficult for Azerbaijan to develop in regional political and economic processes. Based on the economic peculiarities of Azerbaijan's oil and gas exports, we can say that Azerbaijan is more dependent on Georgia than Georgia itself from Azerbaijan, despite the fact that Azerbaijan is a more important trading partner for Georgia than Georgia for Azerbaijan. If for Azerbaijan the economic importance of Georgia as a trading partner is small, it is invaluable as a transport partner [21].

Having huge financial resources from the sale of energy carriers, Azerbaijan is trying to acquire objects of strategic importance on the territory of Georgia. Thanks to the implementation of many energy and transport projects on the territory of Georgia, Turkey and Azerbaijan are simultaneously creating a socio-economic basis for their own expansion, gradually placing this country in dependence. Azerbaijan is trying to establish control over the seaports of Georgia - Batumi and Poti. Azerbaijan is a major investor in the economy of Georgia. Georgia is just the first step in ambitious international investment projects in Azerbaijan. This country purchased the oil terminal of Kulaveri (near Poti) and plans to build an oil refinery with a capacity of 5-10 million tons.

In addition to the listed countries and regions, the vector of Azerbaijani interests has recently been sent to other regions as well. The increased role of China and the strengthening of its power in Eurasia is also becoming interesting for Azerbaijan. Two-thirds of imported oil China delivers from the Persian Gulf, while having good relations with Saudi Arabia and Iran. As the role of the United States in the Middle East strengthens, China tries to reduce its dependence on the Persian Gulf and pay attention to the energy resources of the Caspian. At the headquarters of the Chinese National Petroleum Corporation (CNPC) in Beijing, a roundtable was held on the theme "Oil and gas cooperation within the framework of "One Pipeline - One Way" in 2017. In this roundtable, it was mentioned that in the future, Azerbaijan plans to export oil to China through the Kazakh network KazMunayGaz [38].

For the sake of fairness, it should be noted that while perfectly perceiving geopolitical realities and skilfully using the contradictions between the superpowers,

Azerbaijan has successfully implemented many energy transit projects, developed alternative alternatives and is preparing to implement new projects.

Turkey is striving to become the "fourth gas artery" of the European Union, this is indicated by its participation in projects providing gas transit through Turkey - TANAR, TAP, AGRI (Azerbaijan-Georgian-Romanian project on transportation of liquefied gas). "Energy diplomacy" of Turkey has achieved the conclusion of contracts and the implementation of large enterprises. Ankara's ability to re-export Azerbaijani gas to Europe strengthens Turkey's position in its relationship with the EU. In order to increase their revenues and prevent the monopoly of Gazprom in the gas market, the Caspian countries want to take part in various pipeline projects. Among these countries, Azerbaijan, recently concluded with Turkey a new agreement on the supply of Azerbaijani natural gas both for its own use and for ensuring transit to Europe. Most of the gas pipeline was to pass through the territory of the Republic of Turkey. For the transportation of Caspian oil, bypassing Russia and Iran, the Baku-Tbilisi-Ceyhan pipeline, built by previous rulers, was built in 2006. This corridor construction project bypassing Armenia can both sever the South Caucasus and increase the chances for stabilization of relations, and this depends on the policies of the states.

Azerbaijan was not and will not be a space for the struggle of the world's centers of power. Our geography creates conditions for becoming a place of competition and struggle of geopolitical centers. When determining the place of Azerbaijan in the context of the European, Islamic and Turkic space, we see that in all regions the country occupies a place on the periphery, border position, which creates conditions for considering our territory as a sphere of influence and implementing various projects that do not always correspond to national interests. The policy of Azerbaijan is not to create conditions for external influence on the internal policy of the state, since the main purpose of this influence is to correct the foreign policy of Azerbaijan. What is unacceptable and counterproductive.

The EU is a major consumer of Azerbaijani oil, transported through Azerbaijan to the territory. The South Gas Corridor project is a strategic initiative for

transporting gas resources from the Caspian region, the Central Asia and the Black Sea to the European markets. This is a key instrument of safety in Europe. Infrastructure, the gas supply to the Caspian Sea basin, especially from the Shah Deniz-2, will be built on the basis of the already existing South Caucasus Transboundary Line passing through Azerbaijan through Georgia to Turkey. The Trans-Anatolian gas pipeline runs through the territory of Turkey and connects Georgia to Europe. A transshipment tube gas pipeline from the Turkish border to Italy through Greece and Albania. Shah Deniz-2, a gas giant gas pipeline in the Caspian Sea seaside, will also start the European gas market in 2020, with billions of cubic meters of gas a year.

In conclusion, I note that the political and economic future of Azerbaijan is increasingly associated with oil and gas geopolitics. Nevertheless, without the Central Asian and Caspian energy resources, the future of Azerbaijan is very vague.

### **2.3. Azerbaijan's oil and gas contracts on terms of geo-economic interactions**

Despite the presence of large oil and gas deposits in Azerbaijan, at the time of establishment SOCAR did not have sufficient financial resources to revive the country's oil industry. Therefore, the Azerbaijani government made the main emphasis on attracting foreign capital for the implementation of exploration and development projects for the largest new fields and promising structures. In January 1991, a tender was announced for the development of deposits, which were discovered in the 1980s. After lengthy negotiations on September 20, 1994, the first contract was signed in Baku, called the "Contract of the Century", with foreign oil companies to develop the Gunashli, Chirag and Azeri fields. To implement the contract, in early 1995, SOCAR and 10 foreign oil companies established the Azerbaijan International Operating Company - AIOC. According to the agreement, AIOC was the operator of the works under the contract, which was responsible for managing daily operations, carrying out oil and gas operations and their implementation, and coordinating all works. In 1999 BP became the operator of the project, which has the largest share in the contract. In accordance with the AIOC project, by the end of 1997, it completed work on the Baku-Novorossiysk export oil pipeline and on October 25, 1997 the first Azeri oil was sent to Novorossiysk.

After the Contract of the Century, Karabakh, Shahdeniz, Ashrafi-Dan Ulduzu, Lenkaran-Deniz, Talish-Deniz, Nakhchivan, Absheron, Oguz, Kurdashi, Inam and Araz-Alov-Sharg, and others (about 20 in all) were contracted one by one, which opened the doors of Azerbaijan to a greater number of foreign investors. Of the signed contracts, only one was concluded directly on open fields, the rest - on promising structures. To open deposits on these structures, it is necessary to carry out prospecting works, that is, to drill deep exploration wells, which is associated with a certain risk and financial costs. Search works are carried out to a greater extent at the expense of investment by foreign companies, which in case of receiving negative results reduces SOCAR losses [39].

The implementation of the signed oil contracts is at various stages. Along with the "Contract of the Century", the most successful contract was Shah Deniz, where, as a result of exploration, more than 1 trillion was found. cu.m. of gas.

Currently, Azerbaijan from year to year increases the export of oil, which was carried out in two directions - northern Baku-Grozny-Novorossiysk and western Baku-Supsa. Further, to ensure the annual export of about 50 million tons of Azerbaijani as well as transit East Caspian oil, the Main Export Pipeline (OET) was built along the Baku-Tbilisi-Ceyhan route. For the export of Azerbaijani gas to Turkey, the Baku-Tbilisi-Erzurum gas pipeline was also built. All these pipelines in various directions allow to avoid the risks of force majeure and ensure the political and economic independence of the country [39].

To date, 231 perspective structures have been identified in Azerbaijan (land and sea), prepared for drilling and 231 perspective structures, including 38.1% onshore, and 61.9% in the Azerbaijani sector of the Caspian. Of these, the number of seismic surveys prepared for deep drilling is 25.1%. In the republic, 69 deposits were identified, including 42 on land and 27 at sea. 61 fields were in operation, including 40 on land and 21 at sea [39].

Before gaining independence, about 1.4 billion tons of oil with condensate (of which about 400 million tons at sea) and about 500 billion cubic meters of gas were extracted from the bowels of the republic. The maximum oil production in Azerbaijan reached 23.4 million tons (1941), and gas 15 billion cubic meters (1981).

Now BP is the largest oil and gas operator in the Azerbaijani sector of the Caspian Sea, developing, in particular, a block of offshore oil fields Azeri-Chirag-Guneshli and gas condensate field Shah Deniz. According to the report prepared by BP, the proven oil reserves in Azerbaijan at the end of 2004 amounted to 1 billion tons, or 7 billion barrels., which is 0.6% of the world's proven oil reserves.

The outcomes and production rates of oil and gas products in the recent years – within 2017-2018 was as follows based on the international contracts signed in terms of cooperation between Azerbaijan and the other countries [40].

The volume of oil pumping through the Baku-Tbilisi-Ceyhan (BTC) pipeline in the first quarter of 2018 amounted to 8 million 258.6 thousand tons, which is 2.4% higher than the same period in 2017:

In January-March, 2018, 8 million 258.6 thousand tons of oil were pumped through the BTC pipeline, which is 81.6% of the total volume of oil transported through the main oil pipelines of Azerbaijan during the reporting period.

The pumping of transit oil in the first quarter of 2018 through the BTC pipeline amounted to 1 million 538.8 thousand tons (a 0.5% decrease compared to January-March 2017) [40].

The volume of oil pumping through the Baku-Tbilisi-Ceyhan (BTC) pipeline in 2017 was 33 million 755 thousand tons, including transit oil - 6 million 432.4 thousand tons.

At present, oil from the block of Azeri-Chirag-Gunashli fields and condensate from the Shah Deniz field are being pumped through the BTC oil pipeline. Also, starting from June 2010, the BTC pumping of Turkmen oil is carried out.

The length of the BTC pipeline is 1,768 thousand km, of which in Azerbaijan - 443 km, Georgia - 249 km, Turkey - 1.076 thousand km. The throughput capacity of the pipeline exceeds 50 million tons of oil per year.

The project participants are: BP (30.1%); SOCAR (25%); Chevron (8.9%); Statoil (8.71%); TPAO (6.53%); ENI (5%); Itochu (3.4%); ExxonMobil (2.5%); INPEX (2.5%), Total (5%) and ONGC (2.36%) [40].

The length of the BTC pipeline is 1,768 thousand km, of which in Azerbaijan - 443 km, Georgia - 249 km, Turkey - 1.076 thousand km. The throughput capacity of the pipeline exceeds 50 million tons of oil per year.

The export of Azerbaijani gas within Phase 1 of the Shah Deniz field development in the first quarter of 2018 amounted to 2 billion 46.2 million cubic meters, which is 8.3% higher than the same period last year according to the Interfax-Azerbaijan State Committee for Statistics.

The share of gas exports from the Shah Deniz field accounted for 30.7% of all gas transported by trunk gas pipelines in January-March 2018 [39].

According to statistics, in general, Azerbaijan's main gas pipelines in the first quarter of 2018 transported 6 billion 662.1 million cubic meters of gas, which is 7.1% higher than the same period last year

In 2017, the export of Azerbaijani gas within the Stage-1 development of the Shah Deniz field amounted to 7 billion 314.2 million cubic meters.

The contract for development of the Shah Deniz field was signed in Baku on June 4, 1996 and ratified by the Milli Majlis on October 17 of the same year. Participants in the Shah Deniz project are BP (operator, 28.8%), Petronas (15.5%), SOCAR (16.7%), LUKOIL (10%), NICO (10%), TPAO (19%).

At present, gas production from the Shah Deniz field is carried out within the framework of Stage-1.

Within the framework of "Stage-1" agreements were concluded on gas sales between Turkey, Azerbaijan and Georgia. For the export of Azerbaijani gas to Turkey, the South Caucasus pipeline with a length of 690 km (442 km in Azerbaijan and 248 km in Georgia) was built [39].

The Turkish "daughter" of SOCAR - Turkey Enerji A.S - has signed an agreement on the acquisition of a 7% stake in the Trans-Anatolian gas pipeline (TANAP) project.

The deal was completed in March 2018.

SOCAR Turkey Enerji A.S officially became a shareholder of the TANAP project with a share of 7%.

SOCAR Turkiye Enerji became a shareholder of TANAP with a 7% stake.

The shareholders of the TANAP project are SOCAR itself, BOTAS and BP.

SOCAR Turkey Enerji A.Ş, the Turkish subsidiary of the SOCAR State Oil Company of Azerbaijan, acquired a 7% stake in the Trans-Anatolian gas pipeline project (TANAP), Saltuk Dyuziyol, TANAP Consortium General Director, told journalists at the briefing in Eskisheher. SOCAR Turkey Enerji A.Ş has officially become a shareholder of the TANAP project. The deal to buy this stake was completed in late March 2018.

The shareholders of the TANAP project are SOCAR itself (51%), BOTAS (30%) and BP (12%) [39].

According to the Minister of Energy and Natural Resources of Turkey, Berat Albaiar, commissioning of the TANAP gas pipeline will take place in July 2018. In the first year, the volume of gas supplies to Turkey through TANAP will be 2 billion cubic meters, in the second year - 4 billion cubic meters, in the third year - 6 billion cubic meters. The 1,85 thousand km long gas pipeline is designed to transport Azerbaijani gas from the Shah Deniz field within the Stage-2 from the Georgian-Turkish border to the western borders of Turkey. The capacity of the gas pipeline will be at least 16 billion cubic meters, of which 10 billion will be sent to Europe, 6 billion cubic meters - to the western regions of Turkey. In the future, the capacity of the pipe will be brought to 24 billion cubic meters of gas per year, and then to 31 billion cubic meters. Assets of the State Oil Fund of Azerbaijan (SOFAZ) in the I quarter of 2018 increased by 5.1% to \$ 37 billion 631.7 million [39]. The assets of SOFAZ in January-March increased by 5.1% - to \$ 37 billion 631.7 million. The growth of assets took place due to higher income of the fund, including through revenues from the management of SOFAZ funds and from exchange rate differences in the currencies entering in the structure of the fund's investment portfolio. The fund's revenues in the first quarter of 2018 amounted to 4 billion 424.2 million manat, expenses - 2 billion 344.2 million manat. In the structure of the fund's revenues, revenues from the sale of Azerbaijan's profitable oil and gas in the first quarter amounted to 3 billion 533 million manat, transit revenues - 5.1 million manat, bonus payments - 765.2 million manat. The revenues from the management of the fund's assets for the reporting period amounted to 120.9 million manat. Extrabudgetary income of the fund, received from the exchange rate difference, amounted to 779.9 million manat.

In the structure of the fund's expenditures for January-March, 2018, the largest part was spent on transfers to the state budget - 2 billion 299 million manat. In addition, expenses for improving the living conditions of refugees amounted to 30.3 million manat, reconstruction of the Samur-Absheron irrigation system - 8.1 million

manat, construction of the Baku-Tbilisi-Kars railway - 1.4 million manat, to finance the State Program for the Education of Azerbaijani Youth abroad for the period 2007-2015 - 0.5 million manat, administrative expenses for fund management - 4.9 million manat [39]. The Oil Fund of Azerbaijan accumulates revenues from the sale of oil and gas contracts, in particular from the sale of profitable oil and gas of the state, transit tariffs for the transportation of oil and gas through the country, from the lease of state property, etc. The Oil Fund submits a report on its revenues and expenditures once a quarter. Transit of oil through pipelines in Georgia in January-March 2018 amounted to 69.9 million barrels, which is 2.8% more than the same period last year.

Over the three months of this year, 62 million barrels of oil were pumped through the main export pipeline Baku-Tbilisi-Ceyhan (BTC) to Turkey (2.5% increase), via the western direction WREP (Western Route Export Pipeline) from Baku to the Black Sea Supsa terminal - 7.9 million barrels (an increase of 5.5%). According to GOGC, the largest volume of oil transportation via BTC was carried out in January - 21.7 million barrels, in WREP - in March, 2.7 million barrels. In 2017 transit of oil through the territory of Georgia decreased by 0.9% compared to 2016 - up to 281.7 million barrels. BTC transported 253.1 million barrels (a decrease of 0.3%), WREP - 28.6 million barrels (a decrease of 56.1%). SOCAR export increased by 13% in the first quarter of 2018.

The State Oil Company of Azerbaijan in the first quarter of 2018 exported 5.7 million tons of oil. The State Oil Company of Azerbaijan (SOCAR) exported 5.7 million tons of oil in the first quarter of 2018, which is 13% more than in the same period last year. The increase in oil exports by 13% is due, inter alia, to the increase in the share of SOCAR in the project of developing the offshore block of the Azeri-Chirag-Gunashli fields to 25%. In January-March 2018, the company also exported 413,000 tons of petroleum products and petrochemical products. The export decreased slightly, due to an increase in demand for diesel in the domestic market by approximately 21%. The increase in domestic consumption of diesel fuel also led to an increase in its production in the first quarter by 6.4%.

## **CHAPTER III: PROSPECTS OF DEVELOPMENT GEO-ECONOMIC ASPECTS OF THE OIL AND GAS RESOURCES IN AZERBAIJAN**

### **3.1. Prospects for the development of the oil and gas complex of the Azerbaijan Republic within the framework of the EU energy space**

One of the main directions of Azerbaijan's foreign policy is the stable and effective establishment and development of relations with the European Union. The basis of this relationship was laid by the signing in 1996 of the Agreement on Partnership and Cooperation. The signing in 2009 of agreements on the initiative of the Eastern Partnership and on visas and readmission, which Azerbaijan joined, as well as cooperation in the energy sector, created the basis for further expansion of relations with the European Union. Azerbaijan plays an important role in ensuring the energy security of Europe, cooperation between Azerbaijan and the European Union in this sphere is of strategic importance. The "Southern Gas Corridor" project is one of the fine examples of our strategic cooperation in the energy sector. This project is included in the priority projects of the European Union, "the minister said. Noting the importance of the BTC for the development of relations between Azerbaijan and the European Union, the TAP project, the basis of which was laid down yesterday in Greece, is also another example of cooperation. The European Union receives mainly natural gas from the North Sea, Russia, the Persian Gulf countries and Algeria. The tasks of the energy policy of the European Union are: the receipt of Caspian energy carriers bypassing Russia; an increase in political and economic presence in African countries rich in oil and gas reserves; the development of Arctic resources in the near future. The West is interested in achieving a higher level of independence from OPEC and Russia in the matter of providing energy. The main concern of the countries of the European Union is a stable energy supply. The European Union is also interested in acquiring energy raw materials and therefore makes big investments in the organization of oil and gas supplies. The EU conducts its energy diplomacy through the creation of many funds and projects for this purpose, functioning within the framework of the TESIS and TRASECA programs. New routes of energy and transport importance have been created. Many of Azerbaijan's goals coincide with the

goals of the West. Very important is the question: does the Azeri gas have an alternative for Europe? There are doubts over gas reserves in Egypt and Qatar, and Iranian gas is not considered until the nuclear problem is solved. In Europe, the delivery of Iraqi gas bypassing Russia is also discussed. Although the United States hinders the delivery of Iranian gas to Europe, they are not opposed to the Europeans acquiring Central Asian gas and its delivery through the territory of Azerbaijan. At the same time, Europeans understand that without supplies of Iranian gas they will not be able to diversify the supply of this fuel and reduce dependence on Russia. Turkmen gas is still a dubious option, as it is being fought by Russia and China. And the Azerbaijani gas performs only a partial and limited role.

Azerbaijan is interested in deepening cooperation with European countries and in the implementation of regional projects. In relations with these countries, great importance is attached to the diversification and security of energy supply. Relations with the countries of Western Europe are especially important, since these countries are the main markets for oil exports. Equally important for Azerbaijan are relations with the Baltic countries, Eastern and South-Eastern Europe, which from the perspective of Azerbaijan are potential markets for their energy carriers.

Azerbaijan with sufficient activity realizes its energy interests. In Eastern Europe, SOCAR plans to build oil refineries, and such offers have already been received from Romania, Bulgaria and Poland. Particular importance is attached to relations with Romania, and did not obey Moscow's demands for accession to the South Stream. SOCAR even tried to acquire a 75% stake in the Romanian state oil company Rompetrol, but it lost to Kazakh KazMunaiGaz-y, although the Kazakhs lost \$ 15 million to the Azeri oil terminal in Batumi [17].

The creation and potential expansion of the transport corridor trasEka, which was initiated by the European Union, the launch of the BTA gas pipeline, the functioning of the BTC pipeline, the launch of the projects "Energocorridor Transcaspian - Black Sea" and "Southern Gas Corridor" within the framework of the "Baku Initiative", the project of connecting the Caspian region and the Central Asia and Europe, stipulating trade and economic development in the region, will increase

the reliability of energy supplies and transit systems. The beginning of the EU implementation of the Polish Swedish project "Eastern Partnership" is of exceptional importance. The project envisages in the future the signing of an agreement with the new states on associative membership and a free trade area, deep integration with the EU economy, conducting activities in the field of energy security and increasing financial assistance.

Now in the Azerbaijani sector of the Caspian Sea, 34 international companies from 15 countries work in oil and gas projects, their total investment is approaching \$ 60 billion. European companies such as Agip, BP, TotalFina, Elfakiten, together with other foreign companies, are actively involved in oil and gas production in the Azerbaijani sector of the Caspian Sea. The Republic of Azerbaijan is the only country in the South Caucasus that has rich hydrocarbon reserves, advanced fuel and energy infrastructure and a fully-powered energy system. The country's increasingly decisive role not only at the national and regional levels, but also in the global energy system, its presence in transnational energy markets and its active participation in Europe's energy security have a strong impact on its regional and planetary geopolitical, geo-economic stance. Azerbaijan's energy resources are also the basis of the dynamic development of all sectors of the national economy and serve as a decisive factor in the formation of the country's GDP and key financial and economic indicators. Therefore, the policy of efficient use of the available natural resources, fuel and energy potential is one of the main guarantees for sustainable economic development and economic security of the country in the background of the regional geopolitical and geoeconomic situation of the South Caucasus. In geopolitical literature, energy security of each country is regarded as one of the important components of its national security. Energy security is meant to protect the entire country, its citizens, the society, the economy from fuel and energy through external and internal threats. External threats include geopolitical, macroeconomic problems originating from outside, and internal security to issues directly related to the country's national energy sector. The key principles of ensuring energy security are: secure energy supply of strategic and important facilities; filling of consumed fuel resources; Diversification

of fuel and energy types; taking into account environmental requirements; prevention of inefficient use of energy resources; bringing energy resources to domestic and foreign markets, and creating free economic conditions for efficient export and so on. One of the main objectives of the energy policy of the Republic of Azerbaijan is to turn the country into one of the major energy exporters of the South Caucasus and the Caspian Basin. For this purpose, on the one hand, it is envisaged to increase electricity generation in the country and, on the other hand, to reconstruct or create a system for delivering that energy to foreign countries. At present, the main links of Azerbaijan's electricity systems to foreign countries are: Russia (330km of Derbent-Yashma line), Georgia (500kV AzDRES-Mukhranis Veli, 330kv Aghstafa-Garabani line), Turkey (154/220 sq. Km of "IqdirBabak" line) and Iran (230 sqm "Imishli-Parsabad", 220 sqm "Astara", 132 sqm "Araz", 132 sqm "Culfa" high voltage air lines and 11-kV cable line). Since 2003, the country's electro-power system has been expanding its existing generation capacity by 2018 due to the construction of numerous new thermal and hydroelectric power plants, modernization of existing energy blocks, and the use of alternative energy sources (small HPPs, wind, solar, thermal waters, etc.) is expected to reach more than 7,000 megawatts per year. It will both fully meet domestic needs and will increase the amount of energy sold abroad several times. Taking into consideration the increasing use of traditional energy sources in developed countries of the modern world and the use of environmentally-friendly alternative (renewable) energy sources (water, solar and wind energy, thermal waters, biomass energy) they are expanding from day one. The USA, Canada, Germany, Finland, Norway, Denmark, Spain, Japan and China occupy a leading position in this area. It should be noted that in developed countries, the share of renewable energy sources (including hydroelectric power plants) is 13.5 percent of total energy produced. Favorable geographical location and climatic conditions, as well as in developed countries of the world, make it possible to use environmentally friendly, alternative (renewable) energy sources in Azerbaijan. This means significantly reducing the amount of harmful emissions to the environment, as well as saving large volumes of fuel burned at thermal power plants. Attracting alternative

sources of energy to electricity and heat energy using the country's natural potential allows for progressive changes in the development of electric power industry. Wind energy is considered to be more profitable in terms of its cost value, ecological cleanness and inexhaustibility compared with other alternative energy sources, such as solar, hydroenergy, geothermal and biomass energy. The role of Azerbaijan in ensuring the future of EU energy security within the framework of the conference organized by the Labor Organization of the European Society of Azerbaijan (TEAS) was held in Manchester, England. Two well-known figures from the UK Labor Party, the shadow energy minister Tom Gratex and member of the Energy and Climate Change Committee, Graham Stringer, stressed Azerbaijan's importance in ensuring Europe's energy security. They noted that Azerbaijan, which contributes greatly to the energy security of many countries, has strengthened its position as a reliable and strategic partner in the world community. According to data from 2014, half of the UK's electricity is produced through natural gas. The production in Britain declines rapidly, and this decline has been 30 percent in the past three years. According to the National Energy System, due to the lack of capacity of the UK's outdated power plants to produce energy in the required amount of energy, winter breaks will be in the winter. The situation in Ukraine has raised the EU's energy security agenda. Russia implements 30 per cent of EU gas supplies. But his policy shows that the diversity of countries making the transfer is important. Even if the Russian gas is not transported to Europe, the slight increase in gas prices in the European Union will lead to the rise in prices for all energy carriers in the UK. In December 2013, British Foreign Secretary William Hague traveled to Azerbaijan to attend a ceremony of signing a gas pipeline agreement between the Government of Azerbaijan and the BP Shah Deniz Consortium for a length of \$ 39 billion and worth \$ 45 billion. This meant the transportation of Azerbaijani gas from the Shah Deniz 2 to the connecting pipeline in Italy and thus the Southern Gas Corridor, which led the former Prime Minister Tony Bler to consult the Shah Deniz Consortium, the Southern Gas Corridor (CQD) Europe The EU's strategy is to ensure its own natural gas safety, but the role of public and private stakeholders involved in the development of the Shahdeniz

natural gas and condensate field is indispensable. In general, the CQD ensures the transportation of gas through the Caspian basin to EU markets consisting mainly of three components - BTE-x, TANAP and TAP, which envisages construction of new pipelines and expansion of existing pipelines. In June, the consortium, which operates the Shah Deniz field, decided to take advantage of the Trans Adriatic Pipeline (TAP) to carry out the export of natural gas to European markets.

The pipeline was designed to provide access to smaller markets not only in EU markets, but also in the Balkans, and after several years of competition for several reasons: a strong financial and availability of technical capabilities; Relatively high prices for Italian "spot gas markets"; Prospects for transmitting Shah Deniz gas to western European markets via Fluxys transmission lines with 16% stake in TAP; The prospect of transporting Caspian Basin gas to new markets (Croatia, Bosnia and Herzegovina and Bosnia and Herzegovina) to be created in the Balkans in the future through the Ion-Adriatic Pipeline to be built (though these two projects are separate from each other); The possibility of using Albania's gas holders to ensure supply safety at peak times of gas demand; Last but not least, the acquisition of DESFA, a natural gas operator in Greece by SOCAR, will provide access to the Shahdeniz gas to Greece and other regional consumer markets without the need for the construction of additional gas pipelines. Based on the "neoliberal-institutional" approach, the 15-member EU, following the expansion of the mid-1990s, bordered on regions with severe security problems, including post-Soviet countries and fragmented socialist camps. So, in order to avoid these challenges, the EU abandoned the strategy of keeping the isolation and extermination threats out of the country, and turned them into a strategy of influencing them. This has led some of those countries to join the EU. However, the entry policy was not only applied to candidate countries, but also extended to non-candidate countries in the neighborhood. In practical terms, this is to export EU rules without opening prospective candidate nominals to neighboring countries. In addition, the policy of entry includes all areas of bilateral and multilateral relations, including energy security. In general, identifying rules at the Alliance level and applying them both

within the union and outside of the union have been tackled in a universal way, not on individual grounds, but on energy security threats. In other words, this is a "single measurement" strategy. Especially taking into account that in the past, the main cuts in gas supplies to European countries occurred outside of the Soviet Union (Russian gas supply problems through Ukraine in 2006-2009), then the implementation of the EU external energy management in this sense, internal regulations. A high-ranking EU official, with the same accords, recently stressed that the interests of the European Union and Russia coincide with the transit of energy carriers. The only difference is that Russia sees the exit routes in the construction of new gas pipelines and the "barrier" (problematic transit countries). The European Union, in its turn, is forbidden to include "transit barriers" into the EU's legal framework and resolve the issue in the legal framework. This approach is intended not only to the old energy corridors (eg the Ukrainian corridor), but also to new corridors, including the Southern Gas Corridor. From a practical point of view this strategy includes the application of the EU's energy legislation to the domestic legislation of the countries where the CQD is passed. The basis for the EU's natural gas sector legislation is the third energy package - the gas directive of 2009, which incorporates the two most essential requirements: Separation of property - separation of the supply, transportation and distribution of natural gas. In other words, the main purpose of this request is to ensure that monopolistic control over transmission and distribution lines of natural gas producers / suppliers (eg, BP, Statoil, Gazprom, SOCAR, DEPA, etc.) can prevent other suppliers from accessing the mentioned pipelines and do not compromise competition. Third party access - Ensure access to all the other suppliers on the mentioned pipelines. In general, the key point of this normative approach is to ensure that any regional and non-regional gas suppliers, regardless of who constructs and manages the pipeline, have access to the same pipelines equally and fairly.

### **3.2. Directions of integration oil and gas sector of Azerbaijan into international value chains**

The combination of falling commodity prices, growing volatility in the financial market and sluggish global demand in recent years have adversely affected growth performance in developing countries. On this complex background, high hopes are placed on the opportunities for trade and industrialization created by international production networks. However, as shown in the Trade and Development Report for 2016: structural transformation for inclusive and sustainable growth, evidence of a positive link between participation in global value chains and industrialization is inconclusive.

Although South Corridor can increase Azerbaijan's export earnings, it also increases dependence on this raw material. Despite the availability of a state oil fund in the country, this situation will again lead to an increase in the rate of the Azerbaijani manat, just as a decline in oil prices led to its devaluation. For this reason, as well as the inevitably increasing salaries, the international competitiveness of new enterprises created within the framework of the policy of economic diversification will decrease, which is likely to negatively affect their profitability, and Azerbaijan's import tariffs with their supposed protective character will not be reduced. [49]

Of course, Azerbaijan has ideas in this respect. In particular, since the end of 2016, several "road maps" for diversification and modernization have been created, the impetus for the compilation of which has probably become the reduction of the country's export revenues by almost two times. Along with improving infrastructure (the North-South route, energy supply), the focus is on industries that expand the value chain of oil and gas, that is, petrochemical complexes.

Despite all the contradictory tendencies of globalization and regionalization, especially in the post-crisis economic and new geopolitical context, the growing interdependence of national economies is an indisputable factor in the development of the modern world economy. Important chains for the economies of different countries are global chains of value creation (GCC), in which both developed and

developing countries participate, regardless of their level of technological development and per capita incomes. The GCC is often headed by giants-TNCs, for which the whole world is the market: they use the effect of economies of scale, which gives them an advantage over the local producer. However, smaller national companies, including small and medium-sized enterprises (SMEs), also participate in the GCC. In addition to direct economic benefits for these companies, participation in the GCC is likely to have a significant impact on economic growth, development, job creation and the distribution of value added among participants in the GCC. [62]

Despite the rapid growth of the share of the service sector in the added value created in the world, industry remains the main stimulating factor for the development of all sectors of the economy. The development of the industrial sector, which owns a 40 percent share in world energy consumption, determines the development, on the one hand, of the resource sectors of the economy, and on the other hand, of industrial-oriented services. In addition, industry is an important source for job creation.

For each manufacturing sector, the share of value added produced abroad is different. This indicator should be taken into account when developing a strategy for the development of production, trade or attracting investment. For oil and gas industry, the real global production chains has to be created in Azerbaijan. Then there will be the industries that process raw materials purchased at world sites, for example, the production of fuel.[58]

It may seem somewhat paradoxical, but we must recognize that the oil and gas industry has played and will play a major role in the economy for the next several decades in Azerbaijan. For 150 years our oil industry has been the foundation of the economy and it is not realistic to replace its role in the shortest possible time. Therefore, I am sure that our main competitiveness is in this sector for the time being.

In recent years, there has been an effort on the part of SOCAR to regenerate the country's petrochemical complex which was one of the first steps in order to improve the global value chains of this sector. The company is developing such projects as SOCAR Polimer, carbamide plant, and OGPC in its new and more optimal format.

I think this is a reasonable investment decision, especially if we bear in mind that even with oil prices twice that of today, the country's profit from gas exports to Europe from the second phase of the Shah Deniz project by 2019-2020 will bring us only a part of the profit that we earned from oil exports, especially at times of its peak prices.

This is the main reason why it is necessary to create added value within the country in petrochemicals, by processing the following redistribution in products.

Of course, the monetization of these products abroad will rest mainly on price spreads, transport costs when exporting products to international markets and tougher competition in the world petrochemical market. The current state of this market is characterized by a supply surplus and the creation of large-scale projects by cheap gas producers such as the United States, the Middle East and Russia.

The second factor of competitiveness in global value chain market is that we are a self-sufficient country in terms of energy resources and have largely ensured our energy independence. This was due to large-scale investments in the electrical industry and gasification. Although, in all likelihood, work in these areas should continue with a stronger emphasis on optimizing investments.

For example, it is unclear why investments in modernization of the SOCAR refinery have not been made so far and we have become importers of some types of petroleum products, mainly gasoline. There are also problems with providing energy-generating capacities with gas, which again is not very clear for a country that has enough gas resources and which in the near future will become a new important player in the European gas market. Here, as far as I can tell, the problem lies in the management, planning, and coordination of work between the main economic entities.

The forecast shows that global oil demand growth will weaken by approximately 0.7 percent by 2050 (30 percent less than the previous forecast) and the share of organic fuels in the overall energy sector will decline. Under these conditions, it is not anticipated that high oil prices will be reversed in the near future as oil prices are not expected to return to their previous high levels. The International

Monetary Fund predicts that Azerbaijan's economy will grow by 2-3% by 2025. This tempo is consistent with the observed growth rate over the past few years. But such a low level of growth is not enough to reach the goals of the economy, including the creation of jobs for the present and future generations. Therefore, with the lower oil prices in Azerbaijan, the economy will be at a higher rate of growth, based on new foundations.

The danger of oil dependence was proved by the crisis of 2008-2009, which lasted not very long due to the rapid rebound of oil prices.

The fact of the duration of low oil prices, coupled with the speed of development of alternative energy sources, and most importantly the electric motor for cars (since oil is mainly used in transport), radically differentiates the current situation from the previous one and is the reason why I am more inclined to call the current situation crisis, but a new reality.

Despite this, I am confident that the Azerbaijani economy can develop with steadily low oil prices, gradually going down in the long term by taking the place in global value chains.

Isolating the economy from the volatility of oil prices (jumps up and down) would give us a chance to avoid the negative consequences of the large rents that led to the so-called "Dutch disease" and a sharp devaluation that is quickly transferred to high inflation.

It seems to me that in order to achieve a competitive and sustainable economy, the first stage of which inevitably will be accompanied by a multitude of difficulties, a serious value shift in the whole society is needed.

First, both for the state and for citizens in general, long-term orientation is important, and not that which is fixed only for today and for a narrow goal of economic growth, whatever happens. I hope this will help us more out of today's situation and find our niche in the global value chain, especially in oil related industries.

I compiled a research model provided that the SOCAR brand of the Republic of Azerbaijan can join to the global value chain of Bridgestone which is the global

brand of tires and it is crystal clear fact that oil products has the broad rate of segmentation and content in the production of tire products. I prepared two research questions and based on this fact, suggest two hypotheses to the future scholars and researchers.

*Research question 1. Why Bridgestone brand producing passenger tires have to select SOCAR brand of Azerbaijan as a global value chain partner rather than the other countries?*

In this way, my suggested hypothesis is as follows:

*Hypothesis 1. Undoubtedly, our country aimed at an even greater improvement in the quality of petroleum products, and we can produce them at the level of Euro-3 and Euro-4 standards. But SOCAR aims to immediately move to the level of Euro-5. This the reason for selecting SOCAR as a subsidiary partner by Bridgestone global value chain.*

I am not qualified and aware whether my research model will be successful or valid, nevertheless this idea can broaden the horizon of future students who desire to study global value chain opportunities that Azerbaijan has potential to join to.

Lets consider firstly the tire products of Bridgestone and the newest technology of production of passenger tires, which came from the world of Formula 1, ensures the preservation of the original characteristics as the wear of the tread, the highest level of maneuverability, comfort and safety on both dry and wet roads. At a time when the warm season is coming to an end and the prudent drivers are beginning to look for winter tires, many tire manufacturers, having fully prepared the range of winter tires, begin a campaign to launch new products of the future spring-summer season. In the course of time, of the tire market, goes the eminent Japanese manufacturer Bridgestone, releasing more and more advanced products, including the latest development - Bridgestone Potenza Adrenalin RE003. At this time, the Japanese tire manufacturers made it possible not only to get acquainted with their new offspring in theory, but also to ride on sports cars, shod in a novelty.

Lets discuss my suggestion within the framework of joining Azerbaijan to the list of countries of Bridgestone global value chain. I thin that all the planned works

on the reconstruction of the old processing facilities of SOCAR, improvement of their quality indicators will allow to meet the needs of Azerbaijan in oil products before commissioning tire products of Bridgestone. Taking into account the growing volumes of oil products consumption in the country, it was decided to rebuild BNPZ, and also that it will continue its work for another 15 years. The plant will operate before the launch of a new oil refinery in the country, which is planned to be built within the framework of a project to create a complex for processing oil and gas and chemical production (60 kilometers from Baku). Therefore, the production capability rate and productivity potential of oil products is the second reason for Bridgestone to join SOCAR to its global value and supply chain environment. In this manner, the second research question occurs.

*Research question 2. Since, the production capability of oil products is essential in order to intensify the production and manufacture rate of Bridgestone tire products, in what way Bridgestone brand has to select SOCAR brand as an international value chain partner?*

My suggested and recommended hypothesis is as follows:

*Hypothesis 2. Oil products in the Republic of Azerbaijan are produced and manufactured within the total processing capability and it is the second vital reason for Bridgestone to select SOCAR as a subsidiary partner in international chain environment.*

To sum up, oil products in Azerbaijan are produced at two Baku refineries with a total processing capacity of 16 million tons of oil per year. Both enterprises are part of the State Oil Company of Azerbaijan and annually process about 7 million tons of oil produced by SOCAR. The Baku Oil Refinery (BNPZ) specializes in the production of light, and refinery "Azneftiyag" - dark types of petroleum products. Part of the products after the needs of the Azerbaijani market is exported. I would want to emphasize that Azerbaijan representative office of Bridgestone can be established as the first fully functional Bridgestone operating group in Azerbaijan. The Bridgestone Group of Azerbaijan (optional name that I defined) can own and operate several tire plants, five factories for the production of raw materials and equipment, including

diversified production facilities and other production bases in the Republic of Azerbaijan. Thanks to these databases to be established, as well as a large-scale distribution network, the activities of the Bridgestone Azerbaijan Group can cover the entire value chain in the Caucasus region. The increase in exports of value added can be due to a number of factors, but participation of SOCAR in global value chains of Bridgestone seems to play an important role.

The creation in Azerbaijan of an effective tire recycling system with the application of the Bridgestone experience based on the principle of "Responsibility of the producer and importer" can be one of the main tasks of global value chain model of Bridgestone brand. Azerbaijan oil refining and recycling experience is very essential point in this part that Bridgestone can also take benefit from this experience in parallel manner. The introduction of the European model of oil products utilization in Azerbaijan is also lobbied by the worldwide tire manufacturers, as the oil products have the essential role in the production of tire products.

The model "Responsibility of the producer and importer" for the utilization of tires, which can be used in Azerbaijan, could completely free the territories of these countries from the rubble of worn-out tires in 10-15 years. This model can allow manufacturers and importers of tires of Bridgestone to create a management company - a non-profit organization - to organize a system for collecting, transporting and recycling tires. First of all, it is crystal clear that these tires commissioning by using SOCAR owned oil products can be aimed at demanding consumers and belong to the premium segment, the share of which is relatively stable. Nevertheless, now the Japanese manufacturer has appeared lines, oriented to the middle price segment - cars with a price from \$ 20 000 to \$ 40 000, which are owned by young people (from 25 years). And here, of course, a great market potential and a tangible increase in sales also in Azerbaijan. Also, there is an increasing demand for tires for crossovers and all-terrain vehicles, which is natural with an increase in the share of these cars in the country's fleet.

So, what can the two participant members in this global value chain take benefit from? Yes, I would want to emphasize that among imported tires, Bridgestone

brand can be an undoubted sales leader. This company has a very wide range of tire products of various brands: Bridgestone offers not only passenger tires, but also freight, as well as tires for various special equipment. In the segment of tires produced in all partner countries of global value chain, Bridgestone is the strongest player and it is our benefit as a subsidiary partner to participate in this international value and supply chain network. I would not say here only about the merits of us as an importer. We can work with Bridgestone for long-term period and share the principle of friendliness to the customer: our dealers can provide maximum opportunities for a comfortable business. This means that we can make it easier for them to access the goods and information in terms of high production capacity of oil products by SOCAR, and in general, we can simplify our interaction. And it will work in a chain: in the same way our partners can build their trustful and loyal relationships with tire buyers. For example, Bridgestone will proud to have become pioneers in the Azerbaijan market to promote a full-fledged tire warranty: now this model, tested by the other partner countries, can be successfully used in Azerbaijan as well. The guarantee for any Bridgestone products is provided by certified dealer centers and services: a modern tire is a high-tech product that requires thorough qualification of personnel and the right equipment.

### **3.3. Main directions for government support of transnationalization oil sector enterprises of Azerbaijan**

Significant investments in the community were identified when the BTC pipeline was built. On behalf of all four limited liability societies, BP is guided by the Community Investment Program [44]. The above program is mainly regulated by the public-owned investments at the stage of construction. BP has contracted with international NGOs, not only in Azerbaijan but also in Georgia and Turkey, as well as with the Project for the Protection of Children to implement projects across pipelines. In the course of the construction phase, the BTC pipeline construction campaign should be noted by several NGOs as a result of BP's environmental pollution, insufficient infrastructure damage, and social and economic downturn. At the same time, it should be justified that the right of ownership of land plots by BP has been exploited by law enforcement agencies. Taking into account the transition from the build process to operations, BP is currently heading two major CSR initiatives on behalf of its consortium partners. The first is the Next Societies, which are concentrated in the two-kilometer corridor, including the BTC oil pipeline and the parallel South Caucasus Pipeline, as terminals and compressor stations. Social investments are funded by shares of oil companies listed in the pipeline consortium, implemented by BP. BP's business activities are not explicitly linked to business activities, but are consistent with the fact that during the implementation of investment programs owned by BP in local communities on the basis of BP, the next community-owned program is to eliminate non-technical risks in oil and gas activities concentrated. Such projects are supported by local communities in pipeline protection. BP engages with local or international NGOs on current community investment [43]. Projects do not use the company's logo. The trend here is that the project should not be in the public eye. They operate instead of identifying pipeline projects. The resources of the company by oil companies can be redirected to the share of the consortium; this process was carried out by Statoil and Unocal. Contrary to the most traditional micro-level CSR projects, which are meant to finance the construction of school and health clinics, the purpose of the next programs of

communities is to develop and improve the skills and abilities of local communities in this area. The purpose of the group of activities selected by the initiators in each society is to identify the needs and to consider the important ones. In this case, BP representatives and societies may need to plan and implement development projects in a transparent and efficient manner [42]. BP's goal is to engage with local government agencies without any involvement, with community-based investments to be a trainee experience. The program usually involves the involvement of regional regulators. Compared to community-specific investments, it is possible to organize large-scale corruption-related corruption problems, transparency in the society, and direct the poor community to the appropriate direction, based on the community's next programs. It is noted that there are deficiencies in certain areas. In this regard, we need to be informed of the real impacts of the next programs of societies, and we should not only act in that direction. In the study of Chad Cameroon's pipe project in Africa, Pegg has discovered that the World Bank's operating procedures have been designed to direct the disadvantages of large-scale oil production and that gaps in the implementation process have been determined. Any decision on the implementation of the next program of societies in Azerbaijan should be considered ahead of time. However, this is a fact that the program activities are determined by society. The BTC pipeline and other BP operations are limited to macro-level results of the program. Impacts on National and Regional Development The second initiative of the CSR is that BP operates on behalf of its consortium partners and implements the Regional Development Initiative. This initiative was fully operational in 2005 after the contract was signed in 2003 and contracted with financial commitments, internal management structure, operating instructions, three year strategy and all other companies. The purpose of this initiative is to attract oil and gas partners to long-term business activities in the Caspian region and to support the approved socio-economic development. Transition from oil and gas to operation is the case with the future programs of societies. This process is carried out by BP on behalf of four limited liability companies that involve foreign oil companies and the state-owned oil company, SOCAR [37]. The initiative covers Georgia, Turkey and Azerbaijan by

providing 50% of the financial aid to the latter to fully cover projects. Except for the community's next programs, this project is concentrated directly on macro-level, large-scale, covering the entire country and across the region. Regarding BP's office, it is an investment that is different from ancient philanthropy. This is usually the case of the key leaders, the permanent members of the European Bank for Reconstruction and Development (EBRD) and the World Bank. Basically, compensation from oil companies is achieved. International financial institutions sign contracts in this direction, taking into account the decline in their strength in Azerbaijan. The corporation with oil companies is one of the new tools to expand the programs and will not be against the state. Their involvement provokes coordination among oil companies. Future programs for societies and the proposed budget for the Regional Development Initiative are estimated to cost about \$ 20 million a year. The Regional Development Initiative envisages reaching maximum development trends by focusing on the three topics listed below: Enterprise Development, Efficient Governance and Energy Efficiency [38]. This direction has been on the development of enterprises. However, BP is generally expected to have an important potential for effective management of property owned by civil society, enhancing the effect of the law, as well as expert opinions and assistance. CSM results from foreign oil companies in other countries are the lack of specialist staff created by mass companies. Except for oil companies that manages CSR activities and implements development plans in Azerbaijan, BP is involved by external oil companies specialists. The Regional Development Initiative is unique. This Initiative unites all the oil companies listed in all four limited liability societies led by BP in the long term common form of CSR in order to involve issues related to social organization. All selected projects are explored by all consortium partners. BP and its partners have begun a long-term initiative, as PSAs, which will last for 20 years. So here is an unplanned period for the overall CSR project [38]. We can re-define that the CSR agenda in Azerbaijan has expanded from micro level to macro level. Although any idea that involves the involvement of the Regional Development Initiative is already too late. Impact on Local Business Development As described above, the area

designated for enterprise development is one of the three focal areas of the new initiative to improve the region. However, all foreign companies have identified areas for several years in Azerbaijan. In 2000, the establishment of the Enterprise Development Commission (EDC) was set up to improve local business activities by cooperating with Statoil, UK, based on International Notification. By providing a forum for discussion of the common interests of multinational oil companies and local companies, the idea is to attract a large number of local companies in the oil sector in Azerbaijan. Specifically, EDC, which incorporates small and medium-sized enterprises, may provide its own support to oil companies to provide their services to providers and subcontractors. EDC was re-formulated in 2002 as a Business Development Alliance. The informal union of the mentioned companies was officially canceled in 2004. One reason for this is the organization of an Enterprise Center in 2002 on behalf of its consortium partners in order to improve local businesses [40]. Within the framework of the new regional development scheme, official contacts with the business consortium, BP and its partners aim to help local suppliers enter the credit activity and develop microfinance schemes. In parallel, a new tool has been developed that will enable local communities to benefit from BP and partner contracts. In light of the criticisms, foreign oil companies have not been able to utilize domestic industry tools. However, BP has achieved considerable success by working with local companies, such as its oil industry partners. According to BP, in line with its local suppliers in 2005, BP's third-largest income in the country after the UK and the United States was spent on BP. In addition, BP intends to double the value of the contracts placed by companies located in Azerbaijan within five years (2010), covering an annual \$ 250 million. This process is envisaged by limited liability companies of small, medium and local level and the amount spent by local entrepreneurship companies is over \$ 500 million. As a result, BP has a definite transition to local companies operating as subcontractors in the oil sector, and significant goals have been achieved to attract local business initiatives. Despite the results and targets, Azerbaijan should develop in non-oil sector. While oil revenues

are uncertain for the future, the situation of local companies depends on contracts with foreign oil companies [41].

As we know that British BP is a conductor of Azerbaijan's interests not only in the UK, but also in other countries, I would want to focus on the fact that success in the oil and gas sector of Azerbaijan is largely based on cooperation with BP, whose projects have become evidence of the "Western vector" of the foreign policy pursued by Azerbaijan. British BP has been a symbol of the efficiency of the development of Azerbaijani oil and gas fields for more than a quarter of a century.

Before my suggestions on SOCAR's benefits to be established in the other countries and partners of global value chain, I would tend to focus on some interesting facts. SOCAR Trading is a much more active and flexible system for selling crude oil that adapts to short-term market opportunities or crashes in oil markets than existing sales systems. I think that SOCAR Trading can realize additional benefits that will most likely remain in the hands of foreign traders if SOCAR will not sell oil directly to end users. The creation of additional profits can be the result of a clear strategy. In particular, the trade in crude oil of other companies can allow SOCAR to improve its understanding of the oil market and the balance of production and consumption of the other companies dealing with the production of crude oil which can be added to the global value chain of SOCAR in the countries rather than Azerbaijan.

In addition, direct marketing will allow to sell at the maximum prices acceptable to the relevant processors, knowing well the availability and prices of alternative light oil for the other global value chain partners of SOCAR. Finally, by shipping cargo to the Asia-Pacific region, SOCAR Trading can eliminate the excess of light oil in the Mediterranean Sea.

The key moment is the creation by SOCAR of active management of sales of Azerbaijani oil with delivery directly to end users, the other partners of international value chain and the future subsidiary partners. This can be reflected primarily in the active development of relations with profitable customers based on international market knowledge and the optimal evaluation of the timing of oil sales, taking into

account the requirements of oil refining. As a result, important goals can be achieved, such as supply and demand management, as well as the positioning of high-quality light oil by SOCAR in the other member countries.

It is crystal clear that the activities of SOCAR is organized very effectively compared to most similar companies in the world, and the possibility of gaining additional value was realized during the Libyan crisis. And to this end, the other companies who targets to join to the list of global value chain of SOCAR can get professional and specialized support from the experience of SOCAR in Azerbaijan.

I would want to emphasize that SOCAR has chosen the most effective way to create additional opportunities. In particular, the establishment of joint ventures with experienced traders can be beneficial in the other countries being in the list of global value chain of SOCAR. I want to support my idea with the fact that SOCAR Trading has become a respected player in the international oil market. Today, SOCAR Trading is a well-organized player in the oil trade market, respected by its competitors, positioning the growth of the trading business and thus strengthening the business of the parent company.

Recall that SOCAR Trading, headquartered in Geneva, was established in late 2007 by the State Oil Company of Azerbaijan (SOCAR), with the co-creation of Valery Golovushkin (founder of LUKoil Trading in Geneva) and Anar Aliyev (a large businessman who has proven himself in the oil industry). So, establishment of the other subsidiaries of SOCAR in other countries also can assist the parent company in the field of international investment.

The scope of SOCAR Trading global value chain now covers the countries of Europe, Asia and America. The company has representative offices in the USA, Turkey, the UAE, Egypt, Singapore and other countries. All of these partners can take benefit from the experience of SOCAR in Azerbaijan especially in oil refinery sector.

In this section, I would want some drawbacks and improper movements within the investment policy of SOCAR in other partner countries and to expand the number of partners in global value chain is essential in this point. This problem has

to be solved in the long-term policy and partnership environment agreed mutually between SOCAR brand and its partner in global value chain. When solving this problem, the below-mentioned fact has to be considered very accurately by both parties: Azerbaijan has a geoeconomic importance for Britain and Europe, considering it as a beacon of economic stability in Central Asia, and from the point of view of security and diversification of sources and routes of energy supplies, its role as a gateway to the Caspian region, the stability of the Azerbaijani economy and the banking sector in front of face of the global financial crisis, as well as its rapid growth in recent years.

My suggestion is in this way that for the competitiveness of the leading oil companies in the world market in terms of key indicators, SOCAR has to improve the following sectors in its investment projects realized based on transnationalization level in the other partner countries of global value chain:

1. Sales volumes, profit and profitability.
2. The volume of reserves and oil production.
3. Production and marketing of petroleum products.
4. Level of investment activity.
5. Updates of funds, technological development.
6. The level of international business activity.

I am confident that the solution of this task will contribute to the implementation of three promising strategic directions - ensuring sustainable growth in production, its efficiency and quality of management. For this purpose, the System Implementation Program can be created, the first stage of which has to be aimed at consolidating subsidiaries. Strengthening the functions of regional branches has to occur simultaneously with the restructuring of the corporate center, with the consolidation of its functions of strategic and coordinating planning, financial and administrative control, personnel policy and common ties. Based on the realization of its potential, SOCAR can plan to become one of the world's leading oil companies. To solve this task, SOCAR needs have significant hydrocarbon resources, both proven and promising. Therefore, it actively can increase the volume of highly

productive oil reserves within Azerbaijan and the other partner countries of global value chain of SOCAR.

The main issue is that SOCAR has to implement a new marketing strategy, based on the creation of a multipolar network of oil refining centers and the development of new sales regions especially in Central Asia regions. To improve the quality and change of the range of petroleum products, a deep reconstruction of the plants has to be continued, as well as the construction of product pipelines in order to reduce transportation costs. As defined by the UN Transnational Corporations Commission, "The Transnational Corporation is a complex that uses an international approach in its activities and proposes the formation of a transnational production, trade and financial complex with a single decision-making center in the home country and with branches in other countries." Based on this definition, SOCAR has to approach the level of TNCs in many respects not only in Azerbaijan, as well as, the other value and supply chain partners of SOCAR.

The essential keypoint in the investment projects implemented by SOCAR in Azerbaijan can be in the manner that acquisition of assets outside of Azerbaijan can allow SOCAR to more efficiently increase production volumes, allocating risks to regional units. International, regional business diversification can also the dependence of the company on the domestic market conditions, export quotas and transport restrictions, provide access to new technologies, increase the efficiency of the company's operations as a result of competition with world leaders in the oil industry of Azerbaijan. Participation in foreign projects located on the territory of other countries can also expand the export capabilities of the company in the other value chain partners of SOCAR, "bringing closer" the buyer. In the result of discussion these facts, I want to focus on the approach that creates misunderstanding in my brain. It is clear that the creation of oil refineries and petrochemical industries abroad has both supporters and opponents. Supporters of this trend believe that in the context of globalization it is necessary to create their own enterprises in different regions, which not only makes them more competitive, but also leads to an increase in the company's capitalization in international stock markets. In addition, due to their

foreign activities, they can become a locomotive to promote the products of domestic producers to the world market by providing orders for products of related industries, primarily engineering, and attracting domestic service companies as contractors. So, I think that SOCAR has to consider expansion to other countries as its top priority. Therefore, outside Azerbaijan, SOCAR has to process crude oil at large-scale refineries in order to the fact that this company has the potential to apply the experiences of different countries in Azerbaijan and vice-versa. Implementing the strategy of development of oil refining abroad SOCAR has to concentrate its efforts on two interrelated directions - the production of competitive products and its sale through its own sales network. Proceeding from the principled position of SOCAR - to coordinate any major project with the interests of Azerbaijan and the region - a program can be developed to overcome the crisis situation of these refineries, ensuring stable supplies of raw materials for them. The SOCAR's goal in the other partner global value chain countries has to turn them into highly efficient enterprises that produce environmentally friendly products that provide jobs for the local population of Azerbaijan within the international network.

To sum up, the activities of SOCAR on the world market show that the transformation of a national Azerbaijan company into a transnational one in the other partner countries of SOCAR's global value chain is possible, that Azerbaijan's economic interests should not be confined within its borders. Since its inception, SOCAR has to set itself the goal of becoming a world-class company. An important factor for achieving this goal is the cooperation with foreign partners. The company has to build its international activities on the basis of agreements to be signed between the Republic of Azerbaijan and the other governments of the countries on whose territory it operates.

## Conclusion

It is important to take into account that the period of internal geo-economic uncertainty in Azerbaijan proceeded de facto in the context of the already begun implementation of the Baku-Tbilisi-Ceyhan project. Due to this, as well as a number of the geo-economic and geostrategic features discussed above, the "hereditary" format of the transfer of power in the republic was actually approved by the United States and a number of European states (Great Britain, France, etc.) objectively interested in the maximum continuity of the political course.

Developed by the Austrian energy giant OMV, this geo-economic complex assumes the construction of a strategic gas pipeline along the Azerbaijan-Georgia-Turkey-Bulgaria route (with Serbia-Montenegro branches) - Romania-Hungary-Austria.

In connection with these, it is obvious that the US decision to lift restrictions on trade with Azerbaijan (abolition of the Jackson-Vanik amendment), adopted in February 2008, can be viewed in a dual way: from the economic perspective, as a step towards optimizing the industrial and technological component of the US-Azerbaijan energy cooperation; in the political perspective - as an intensification of the vector for long-term support of the Aliyev regime.

In conclusion of the analysis of geo-economic (energy), a number of conclusions can be drawn:

1) The energy (oil) component, which has become the dominant branch of the economy of post-Soviet Azerbaijan (more than 70% of industrial production), has a significant, increasingly increasing influence on the internal political processes in the country, including the processes of legitimization and re-institutionalization of the current political regime.

2) The process of growth of the energy sector coincided in the temporal plan with the transition of the Azerbaijani political system from the phase of unstructured conflict to a phase of institutionalization of the autocratic configuration. Factors of reduction of internal political conflict and continuity of power contributed to increase

of investment attractiveness of Azerbaijan as an object of allocation of financial assets of leading Western TNCs.

3) Geo-economic interests (as a consequence of them - investments) of Western political and economic actors acted as a key factor in international legitimization and internal stabilization of Heydar Aliyev's "hereditary" regime, I.Aliyev.

4) The "oil" profile of the Azerbaijani policy is actively used as a political technology - a tool for internal competition. It promotes active growth of shadow political practices of the ruling regime, narrowing of the public political field, criminalization of political and economic decisions.

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## **Abstract**

The research paper talks about the theoretical aspects of geoeconomic's, the current state of geoeconomic aspects of the usage oil and gas resources in Azerbaijan and prospects of development geoeconomic aspects of the oil and gas resources in Azerbaijan. It is obvious that economic main factors of creating relationship and improve current connection between countries. That is why the importance of economic accepted all world countries. In this cause, research paper directed different area economic and improvement these economic relations. In this work, importance of geo-economic relationship, neighboring and other principles was imaging exactly. The research paper heavily focused on analyses of geo-economic oil and gas situation in Azerbaijan. Problems of development of geo-economic, the main direction of export of oil and gas resources of Azerbaijan and model of the Azerbaijan oil and gas market: expectations and realities take great part in my research paper. Thus this work generalized all main points, problems, and tendencies of oil and gas geo-economics of Azerbaijan. Globalization and transnational tendencies in global geo-economics, one of the most important topics of contemporary geo-economic theory, are the essential requirement of the states and their important aspect. This research has been discussed in the context of oil and gas resources from the contemporary problem of macroeconomic theory, such as the types of capital exports, the competitive advantage, the current state of TMCs, transnational tendencies in global geo-economics, and the impact of these geo-economic indicators on Azerbaijan. All of this has identified the relevance of the research subject, and has set significant requirements for more accurate definition of trans-migration relationships.

Therefore, the research finds that the principle and policy of proper and effective use of current natural resources, including fuel and energy potential, is that the geo-economic development of the state and the geo-economic development of the state in the context of the geopolitical and geo-economic situation of the South Caucasus in local and regional context - creates the most important safeguards for economic security.

## Xülasə

Tədqiqat işi geoiqtisadiyyatın nəzəri aspektlərindən, Azərbaycanda neft və qaz resurslarının istifadəsinin geoiqtisadiyyatından və eləcə də Azərbaycanda neft-qaz resurslarının istifadəsinin inkişaf aspektlərindən bəhs edir.

Aydındır ki, iqtisadiyyat ölkələr arasında əlaqələr yaratmaq və mövcud münasibətlərin inkişafı üçün olduqca vacib amildir. Buna görə də iqtisadiyyatın vacibliyi bütün dünya ölkələri tərəfindən qəbul olunub. Bu halda tədqiqat işi iqtisadiyyatın müxtəlif meyllərinə və əlaqələrin inkişafına yönəlmişdir. Tədqiqat işi əsasən Azərbaycanda geoiqtisadi neft-qaz vəziyyətinin təhlilinə fokuslanmışdır. Mənim tədqiqat işimdə həmçinin, geoiqtisadiyyatın inkişaf problemləri, Azərbaycanın neft - qaz ehtiyatlarının xarici istiqamətləri və Azərbaycan neft – qaz bazarının mövcud olan və gözlənilən modeli öz hərtərəfli izahını tapmışdır. Beləliklə, bu iş Azərbaycanda neft - qaz geoiqtisadiyyatın bütün əsas nöqtələrini, problemlərini və meyllərini ümumiləşdirir.

Çağdaş geo-iqtisadi nəzəriyyənin çox vacib mövzularından biri olan qloballaşma və dünya geo-iqtisadiyyatında vacib transmilli tendensiyalar dövlətlərin zəruri tələbi və vacib istiqamətidir. Kapital ixracının növləri, rəqabət üstünlüyünə nail olunması, TMK-ların çağdaş vəziyyəti, dünya geo-iqtisadiyyatında transmilliləşmə meylləri və həmçinin bu geo-iqtisadi göstiricilərin Azərbaycana olan təsirləri kimi makrogeo-iqtisadi nəzəriyyənin çağdaş problemlərindən neft-qaz ehtiyatları çərçivəsində bu tədqiqat işində danışılmışdır. Bütün bunlar tədqiqat mövzusunun aktuallığını müəyyən etmiş, həmçinin, transmilliləşmə əlaqələrinin daha düzgün müəyyənləşdirilməsinin qarşısına əhəmiyyətli tələblər qoymuşdur.

Odur ki, tədqiqat işi sübut edir ki, cari təbii ehtiyatlardan, o cümlədən, yanacaq-enerji potensialından düzgün və səmərəli istifadə edilməsi prinsipi və siyasəti Cənubi Qafqazın lokal və regional çərçivədə geosiyasi və geo-iqtisadi vəziyyəti mühitində dövlətin davamlı geo-iqtisadi inkişaf səviyyəsinin və geo-iqtisadi təhlükəsizliyinin ən vacib təminatlarını yaradır.

## Резюме

В исследовании исследуются теоретические аспекты геоэкономики, текущее состояние геоэкономических аспектов использования нефтегазовых ресурсов Азербайджана и перспективы развития геоэкономических аспектов нефтегазовых ресурсов в Азербайджане. Очевидно, что экономические основные факторы создания отношений и улучшения текущей связи между странами. Вот почему значение экономики принимало все страны мира. В этой статье исследовательский документ направил разные области экономики и улучшил эти экономические отношения. В этой работе точно отражалось значение геоэкономических отношений, соседних и других принципов. Исследовательская работа в значительной степени была сосредоточена на анализе геоэкономической нефтегазовой ситуации в Азербайджане. Проблемы разработки геоэкономики, основного направления экспорта нефтегазовых ресурсов Азербайджана и модели азербайджанского нефтегазового рынка: ожидания и реалии имеют большое значение в моей исследовательской работе.

Поэтому, кто хочет получить информацию о геоэкономической ситуации в нефтегазовом секторе Азербайджана, можно прочитать эту исследовательскую работу. Глобализация и транснациональные тенденции в глобальной геоэкономике, одна из важнейших тем современной геоэкономической теории, являются важнейшим требованием государств и их важного аспекта. Поэтому исследования показывают, что принцип и политика надлежащего и эффективного использования текущих природных ресурсов, в том числе топливно-энергетического потенциала, заключается в том, что геоэкономическое развитие государства и геоэкономическое развитие государства в контексте геополитической и геоэкономической ситуации на Южном Кавказе в местном и региональном контексте - создает важнейшие гарантии экономической безопасности.