

The perspectives of foreign economic relations of Azerbaijan with EU

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INTRODUCTION

Actuality of the study. In the context of increasingly expanding integration processes, the formation of the national economy of the Republic of Azerbaijan and its future development are largely conditioned by the role of foreign economic factors, the development of cooperation with the countries of the world, and the achievement, in the most rational form, of integrating it into the world economy. After gaining independence, foreign economic relations turned into dynamically developing, expanding in scope, geography and structure of the economy of Azerbaijan. Deepening and expanding economic cooperation with the countries of the world, developing on a qualitatively new basis economic ties with the republics that make up the post-Soviet space, forms one of the priority areas of Azerbaijan's foreign economic strategy.

The quantitative and qualitative characteristics of modern world economic relations show the growing interdependence of national economies, while demonstrating the advantage of international integration development. Azerbaijan occupies one of the key places in the modern world economic system, as it has not only huge reserves of natural resources, minerals, but also significant scientific and technical potential.

It is necessary to clearly present the features of the current stage of economic life and the fact that no country can exist without integration into the world economic system. This is one of the conditions for the effective development of any economy. To expand foreign economic relations, it is necessary not only to win new markets, but also to maintain old, established relations with the former republics.

Economic ties are of special importance for Azerbaijan and are promising, in terms of geopolitical, socio-economic interests of Azerbaijan and the European Union.

Economic cooperation with the European Union countries, as one of the main partners in Azerbaijan's foreign economic relations, has become an objective necessity from the point of view of the multilateral nature of these ties and the

satisfaction of national interests, and has determined the development of relations as a special research problem.

Purpose of the study.The main goal of the study is to study the current state and development of economic relations between Azerbaijan and the European Union in a comprehensive manner, taking into account their evolution over the past historical period, and to identify ways to increase the economic efficiency of mutual trade, investment and production cooperation, and to identify the main priorities of economic relations and prospects their development.

The tasks related to the achievement of the main objectives of the dissertation research are as follows:

- Study of foreign economic relations of Azerbaijan from the point of view of integration into the world economy and national interests;
- Study of geo-economic factors of interrelations between the European Union and Azerbaijan;
- Definition and system analysis of priority areas of economic relations with the European Union;
- Development of a model of economic cooperation that combines trade, production and investment ties and stimulates the development of economic ties between countries in new directions;
- Identification of optimal development and ways to improve multi-sectoral cooperation between countries;
- Study of the current state and problems of development of joint business activity at the micro level, as well as at the level of priority sectors of the economy of the republic;
- Study of problems of development of multilateral cooperation in the framework of the European Union;
- Assessment of prospects and identification of new trends in the development of economic cooperation relations.

The object of study is priority sectors of the economy of Azerbaijan, areas of activity developing as new and promising areas of cooperation in the Azerbaijani-European Union relations.

The subject of the study is the factors that influence the EU's cooperation with Azerbaijan.

The level of studying the problem. Theoretical and methodological bases for the study of integration processes and the need for trade and economic cooperation for the development of the state economy were developed by Azerbaijan and foreign scientists: Bayramov A., Huseynova H., Aliyev A.A., A.Y.Rzayev Mammadov Z., Arbatov A.G., Belov V.B., Butorina O.V., Gladkov I.S., Glinkina S.P., Lebedeva L.F., Piskulov Y.V., Potyomkina O.Y., Pylin A.G, Spartacus A.N., Turayeva M.O., Fedorov V.P., Khasbulatov R.I., Schweizer V.Y., Becher D., Brogi G., Getmanchuk A. and others. They emphasize the importance and necessity of developing further cooperation between Azerbaijan and the EU countries.

The theoretical and methodological basis of the research is classical and modern economic concepts, scientific works of Azerbaijani and Western economists, as well as a number of recent studies conducted by international economic organizations, laws and regulations, acts adopted in the Republic of Azerbaijan and the European Union. In the paradigmatic aspect, the methodological basis of the research is based on neoliberalism, as well as on the pluralistic and institutional concept of integration cooperation. The methodological apparatus of research consists and is formed from methods of system and factor analysis, economic-mathematical method and modeling, historical and logical methods, as well as comparisons and statistical analysis.

Based on the results of the system study of the current state and the development of economic relations between Azerbaijan and the European Union, concrete proposals and recommendations are given, necessary measures are taken to organize economic cooperation among the countries of the European Union, to increase the effectiveness of interconnections and expand new opportunities for cooperation.

Based on the study of economic relations and the scale of trade and economic ties in conditions of independence, as well as the strengthening of the role of geo-economic factors of interdependence, the feasibility of a trade, investment and reproductive model for the development of economic relations between Azerbaijan and the European Union has been scientifically substantiated.

The information base of the study is presented by the data of the World Trade Organization (WTO), the General Agreement on Trade in Services (GATS), the State Statistics Committee of the Republic of Azerbaijan, and the State Customs Committee of the Republic of Azerbaijan.

Scientific novelty of the thesis. The scientific novelty of the study is a comprehensive assessment of the economic ties between Azerbaijan and the EU.

Structure and scope of work. The thesis is presented on 75 pages, consists of an introduction, three chapters, conclusion, a list of literature and applications.

CHAPTER I: THE ANALYSIS OF THE EXTERNAL ECONOMIC ACTIVITY IN THE EAST

1.1. The strategy of the external economic policy of the European Union in relation to the countries of the post-Soviet space in the framework of the “Unified Neighborhood Policy”

Since the accession of the countries of Central and Eastern Europe, as well as the Baltic States to the European Union in 2004, the eastern direction has played an important role in shaping its foreign policy course. The strengthening of the dialogue

with the countries located on the eastern borders of the European Union was directly related to Brussels' desire to reduce the level of threats to the West from the new EU member states that were not particularly stable. Such preventive measures of Brussels contributed to the emergence of the "European Neighborhood Policy" (ENP), and then the "Eastern Partnership" program.

The disintegration of the socialist bloc and later the USSR contributed to the activation of the integration processes that united the Eastern European countries with the countries of Western Europe. The desire to secure their borders from illegal migration, and EU citizens - from "non-traditional security risks" such as international terrorism, organized crime and drug trafficking, and help build new member states in a relatively safe and economically stable society pushed the European Union countries to develop a number of special programs with Central and Eastern Europe, the South Caucasus, Russia and the Baltic countries. The main goal and essence of these programs was to expand the integration ties of various levels between the countries of the continent in breadth and depth, regulating their relations with the countries of the European Union in the future.

The history of interstate cooperation at the political, economic, cultural, social levels has been measured for centuries, but only in the second half of the 20th century the integration processes in the world became more structured. A kind of "pioneers" of this process were the states of Western Europe, which created mechanisms for inter-state interaction, or in other words - the institutionalization of cooperation.

The refusal of Western European countries from the new destructive and bloody wars in Europe, as well as the need to establish economic cooperation, united the states of Western Europe into a single economic, political and ideological union, which in time became one of the main political centers of the world.

But what is integration and what is it for? The term "integration" comes from the Latin *integratio*, which means reunification, the unification of whole previously disparate parts and elements. Many experts have tried and tried to answer this question, but we will use the formulation of French specialists P.F. Gonídez and R. Sharvan. "Integration, in their opinion, is both a process and a state that includes the

tendency to replace disunity in international relations, which are formed from the activities of independent units, with new more or less broad associations.[7, p.68]

At the level of individual consciousness, integration is called upon to create loyalty and commitment to a new association, and at the structural level - the participation of everyone in its support and development. That is, integration is the emergence of a new community of previously disparate parts, for participation in which states voluntarily transfer part of their sovereignty "into a common pot" of integrating states. Based on this concept, the European Union arose. Thus, Western European countries succeeded in creating an intergovernmental education, in which the main role in the management, determination of directions and principles of the activities of states is performed not by national governments, but by general interstate institutions.

Integration processes can take place as "in breadth", as a result of increasing the number of participants, and "deep", by intensifying cooperation in various fields. According to the expert on European integration Borko Yu.A., "In the binomial" deepening - expansion "the leading beginning is a deepening, i.e. process of economic (political, etc.) integration as such. It creates and strengthens the gravitational field as it develops. However, expansion, in turn, increases the overall potential of the regional grouping and, thereby, the strength of its attraction. " Without enlargement, in spite of the fact that it to some extent inhibits the deepening, the process of regular transformation of the institutional structure of the European Union, that is, the deepening of integration, is impossible. It is the "expansion" and "deepening", two comparatively isolated but closely related processes, that determine the dynamics of the development of the European Union.

The swift expansion of the European Union in 2004 required the EU leaders to develop a new tool for political and economic interaction with the states of the nearest periphery, which would be based on the principle "more than partnership, but less than membership." A key component of this principle is the search for an optimal model for balancing the desire to spread European norms and principles and abandoning the expansion policy. That is, the European Union, "tired" of the

expansion processes, took the path of developing a completely different format of interaction with neighboring countries, called the "European Neighborhood Policy."

The idea of creating a format for "neighborly" cooperation appeared back in April 2002. It was then that the EU Council launched the "neighborhood" process, later transformed into the "European Neighborhood Policy" program. The first document on the basis of which the new cooperation program developed was the joint letter of Javier Solana (former EU High Representative for Foreign Policy and Security) and Chris Patten (former representative of the European Commission), sent on August 7, 2002 to the Council of the European Union. In the letter "Greater Europe", or as it is also called "Greater Europe", the geographical scope was outlined, the goals of developing relations with future neighbors were set and the instruments of cooperation were determined. [12, p.9] The authors identified three border regions with the EU - the Mediterranean, Balkan and Eastern (Russia, Ukraine, Belarus and Moldova). In their opinion, it was the Eastern region that could have the greatest impact on the further development of the European Union.

According to the joint letter of H. Solana and K. Patten, the EU policy towards these regions should vary depending on the prospect of their further membership in the European Union. That is, for the Balkan states, accession to the European Union is a universally recognized goal, and for the Mediterranean countries - such a prospect is almost completely excluded. As for the states of the western flank of the CIS, for them the prospect of membership in the EU is not denied, but at the same time it is not confirmed. It was for the specificization of relations with the countries of the Eastern region that a "neighborhood" program was planned, proposing a new ambitious but achievable cooperation framework that did not envisage the possibility of EU membership, but also did not block more opportunities in the long term.

The European Union, encouraging familiarity with European norms and standards, supports the policy of "Europeanization" of neighboring states.

The first strategy is aimed at encouraging from outside, and often also in coercion, to political, economic and social transformations of states, which in the near

future are preparing to join the European Union. To these countries, fairly stringent requirements apply.

The second strategy involves the approximation and "pull-up" to the level of social and economic development of the EU through various instruments of EU influence on neighboring states. This strategy applies to the former Soviet republics (Azerbaijan, Armenia, Georgia, Belarus, Moldova and Ukraine), the neighbors of the southern flank of Europe (the former North African colonies) participating in the "neighborhood" policy, as well as Russia, whose relations are beyond framework of standard scenarios.

The third strategy is designed to encourage subregional economic integration in Latin America and Africa to help create interregional economic integration on the principles of economic liberalism.

Finally, the fourth strategy is to strengthen the EU's influence in the format of existing international organizations with the aim of holding an agenda for the benefit of the organization.

The implementation of the policy of Europeanization of the EU shows that at present diplomacy of "soft power" is capable of more effectively influencing the development and adoption of global solutions than classical "power" diplomacy. At the same time, the absence in the near future of the accession of the Eastern and Mediterranean regions to neighboring countries significantly slows down the process of their "Europeanization".

Following the joint letter of H. Solana and K. Patten followed the statements of European officials in favor of a new program of cooperation. On November 18, 2002, the Council of the European Union supported the initiative of a new cooperation with neighboring states. The priority role of Russia as a key partner of the EU was especially highlighted. Russia was seen as a participant in the new "neighborhood" policy because of its geographical location (taking into account the fact that it is an integral part of the region) and political influence on neighboring states.

Cooperation with the eastern neighbor countries was a priority in this initiative, but the December speech (2002) Romano Prodi in Brussels put before the program

new goals: "The" ring of friends "surrounding the European Union should extend from Morocco to Russia and the Black Sea." This was a clear hint at the need to familiarize the countries of the southern Mediterranean with the "neighborhood" program. The official decision to include the southern Mediterranean countries in the new EU initiative was taken at a summit in Copenhagen on 12-13 December 2002. [24, p.57]

The accession of the countries of the southern Mediterranean to the new EU program was a logical justification for preserving the existing balance of power within the EU, or rather, to differentiate the spheres of interests of Germany and France. So, in the sphere of interests of Germany are the countries of Eastern Europe, and France and Italy support their Mediterranean neighbors. This differentiation of areas of interest led to a change in the name of the program, instead of "Expanded Europe", the name "Greater Europe - New Neighborhood" appeared, clarifying the geographical scope of cooperation and neighborhood.

However, the association of such different regions into one common program caused a number of critical statements regarding the perception of the geographical framework of Europe and the understanding of the essence of "neighborhood". According to the expert of the European Center for Political Studies (CEPS) Michael Emerson, under "Greater Europe" is to understand a certain space that unites the member states of the Council of Europe (47 member states) and having a common history and culture. And the category of "new neighbors" should include the countries of the Greater Middle East, including the countries participating in the Barcelona process, as well as the state of the Persian Gulf. However, according to the idea of the leaders of the European Union, the program of "neighborhood" was to include all states that have common land or sea borders with the EU.

After a long and difficult preparatory work, the European Commission on 11 March 2003 announced its neighborhood strategy - "Greater Europe - New Neighbors: A New Framework for Relations with the Eastern and Southern Neighbors of the EU". On the basis of this document, the main goals and objectives of the "European Neighborhood Policy" were formulated. Later, on June 17, 2003, at

the next EU summit held in Athens, the need to implement the "Greater Europe - New Neighborhood" initiative was stressed to address common challenges and strengthen core European values, such as freedom, democracy, human rights and the rule of law. rights.

In the original version of the program, 14 states bordered on the "neighbor belt": Mediterranean and some Middle Eastern states - Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Tunisia, Syria, the Palestinian National Authority and Eastern European countries - Belarus, Ukraine, Moldova and Russia. It is noteworthy that the RF practically immediately refused to take part in the "European Neighborhood Policy", considering that the format of such relations is not acceptable for Russia. The Russian Federation, in cooperation with Europe, preferred a bilateral cooperation format based on the principles of equality and partnership. Russia's special position was taken into account by its partners. At the Russia-EU Summit held in St. Petersburg in May 2003, it was decided to create a special format for cooperation on the basis of the so-called "four spaces": "

- economic;
- Internal security and justice;
- external security;
- science and education. [11, p.73]

For other neighboring countries, the European Commission in July 2003 adopted a new document - "Towards a New Neighborhood Instrument", which addressed the main sources and tools for financing the program. For the post-Soviet partners, funding was to be provided through the TACIS program, for the countries of the southern Mediterranean, the MEDA program was proposed, and for the interested EU member states INTERREG (Trans-European Cooperation for Balanced Development) for interregional cooperation.

However, in January 2007, the European Commission decided to merge existing financing programs into one common program. This decision by the EU helped improve financial control over the policy of "neighborhood". Thus, in 2007 a

new funding mechanism was established - the European Neighborhood and Partnership Instrument (ENPI).

Immediately after the accession of 10 new states to the European Union on May 1, 2004, the European Commission published a Strategic Paper on the European Neighborhood Policy, which contained the basic principles and conditions for the EU's work with neighboring countries. The main stated objective of the program was to strengthen stability and security on the European continent in order to "avoid the emergence of new dividing lines in Europe" and in the approximation of the neighboring states to the political and value norms of the European Union. According to the Strategic Paper, the European Union, by involving neighboring states in European values such as democracy, human rights, the rule of law, good governance, market economy principles and sustainable development, pursued political goals to strengthen its influence in neighboring states.

At the heart of the "European Neighborhood Policy" is a differentiated approach to neighboring states, and the basic principle of international activity of the EU is the principle of political conditioning. According to the principle of political conditioning, the European Union in exchange for respect for democratic norms and human rights is ready to provide its foreign partners with economic (financial assistance or a favorable trade and economic regime) and political (special relations or the status of a member state) bonuses. Thus, the level of interaction between the European Union and neighboring countries within the framework of the "neighborhood" program directly depends on the extent to which these countries share the basic values of the EU and how they are ready to ensure their implementation. But as it was said above, neither the "European Neighborhood Policy" nor the observance of European values do not give the neighboring countries clear guarantees of integration into the European Union. The lack of a prospect of EU membership gave grounds to believe that with the start of the development of the "new neighborhood" program, the European Union abandoned the access / non-entry dilemma, on the basis of which the EU's foreign policy for neighboring states was based for a long time.

The document "European Neighborhood Policy published on May 12, 2004. Strategy and Country Reports "identified the main areas of cooperation within the" neighborhood ". These include:

- political dialogue and reforms;
- Trade and measures to prepare the partner countries for the gradual strengthening of their positions in the EU internal market;
- justice and domestic policy;
- energy, transport, information and public communications;
- environment, research and innovation;
- social policy and contacts between people;
- interstate, regional and cross-border cooperation;
- interaction on key foreign policy issues, such as the fight against terrorism and the nonproliferation of weapons of mass destruction..[31, p.94]

All these directions are more or less reflected in the development of individual Action Plans. The Action Plan is the main mechanism for the implementation of the "European Neighborhood Policy", developed by the European Union bodies for each country individually. In the Action Plan, the identification of the main priorities for each neighboring country depends on specific circumstances, such as: geographical location, political and economic situation, the level of relations with the EU and with neighboring states, etc. All these factors were taken into account in drawing up joint Action Plans for the successful conduct political and economic reforms in the partner countries. Along with the observance of "common European values", the Action Plans provide for the adoption by neighboring countries of their obligations to observe the norms of international law and to work together to resolve regional conflicts.

Although the Action Plans have been reviewed and approved by the joint cooperation management bodies - the Councils for Cooperation with the EU, they actually reflect the unilateral wishes and recommendations of the EU addressed to a particular country, and even contain direct requirements regarding the need for changes in certain spheres policy and management. According to the experts of the

Swiss Center for Comparative and International Studies F. Schimmelfenning and S. Lavenx, the EU's relations with neighboring countries have a hierarchical form and are more vertically oriented - "top-down" than the nature of the relative equality of partners.

The developed Action Plans did not form a legal basis for interaction with neighboring countries, they merely supplemented the previously adopted Basic Partnership and Cooperation Agreements and Association Agreements (signed with the countries of the southern Mediterranean). That is, in fact, the Action Plans were not international legal instruments, but represented only joint programs of action of the EU with states that voluntarily accept the principles of the "European Neighborhood Policy." These were their kind of "protocols of intent" or "partnership for reform", which had no legal force.

Depending on the country for which the Plan was developed, its validity varied and could be calculated for 3-5 years. After the expiry of the Action Plan, new individual bilateral agreements were signed, or so-called "enhanced agreements", the scope of which could be much wider than the existing agreements.

However, the conclusion of such agreements with partner neighbors was possible only if the partner country successfully implemented the previous EU recommendations. The European Commissioner for Enlargement and the European Neighborhood Policy Stefan Fule also said: "The European Neighborhood Policy is a win-win game: the bolder the reformist ambitions of our partners, the stronger our response."

It is worth noting that the Action Plans are standard documents, which in many respects repeat the provisions previously included in the Partnership and Cooperation Agreements. But each Action Plan contains a section called "Priorities for cooperation", which reflects the specific interests of the EU, implemented in the policy towards a particular country.

Prior to the adoption of the bilateral Action Plan, the European Commission prepared a report on each individual country, analyzing the political, economic, social situation, the state of political institutions, the reforms that had been implemented,

etc. The report allowed us to assess which areas needed special attention, which area needed in-depth reforms. After the approval of the Report, the Council of Ministers of the EU entered a new stage - the coordination of the main priorities of the Action Plan for the short and medium term. The EU regularly monitored the implementation of the objectives set out in the Action Plans, but it itself unilaterally determined the criteria for conducting the assessment without taking into account the views of representatives of the country that was inspected. As for the results of the implementation of the Action Plans, they were published by the European Commission in special Country Progress Reports.

Carrying out an active foreign policy towards the neighboring countries in general and Azerbaijan, in particular, the European Union is trying through the "neighborhood" program to show its political activity and at minimal cost to turn its economic and socio-cultural appeal into political influence over a vast space.

Inclusion of Azerbaijan in the "European Neighborhood Policy" contributed to the transition to a completely new level of relations between Brussels and Baku. Let us examine in more detail the influence of the Neighborhood Policy on the Republic of Azerbaijan.

Accession of Azerbaijan to the program "European Neighborhood Policy" contributed to a number of democratic and economic reforms in the country. The Azerbaijani authorities followed with great attention the course of the adoption of decisions on the inclusion of the country in the "neighborhood" program. On March 22, 2004, at the meeting of the Azerbaijani President Ilham Aliyev with the EU Special Representative for the South Caucasus, Heikki Talvitie, it was stated that the European Union had agreed in principle to the inclusion of Azerbaijan in the new EU program. And already on May 18, 2004, immediately after the European Commission published the European Neighborhood Policy Strategy, the President of Azerbaijan met in Brussels with the President of the European Commission, Romano Prodi. During the meeting, the sides discussed such important issues for the AR as the prospects for the settlement of the Nagorno-Karabakh conflict, socio-political and economic reforms in Azerbaijan. Moreover, at this meeting the Protocol was signed,

which extended the term of the Partnership and Cooperation Agreement between the EU and Azerbaijan from 1996..[48, p.26]

The holding of bilateral meetings at the highest level allowed the European Union to take a final decision on the inclusion of Azerbaijan in the "European Neighborhood Policy". And already on June 14, 2004, Azerbaijan, along with Armenia and Georgia, officially became a participant in the "neighborhood" program. However, in order to participate fully in the program, Baku, in accordance with the EU's conditionality principle, was to demonstrate to the Union institutions a serious intention to observe principles such as respect for human rights, ensuring the rule of law, observance of international law in foreign policy, economic and social transformations in country and others.

On 2 March 2005, the European Commission issued an Appeal to the Council of the European Union "European Neighborhood Policy - Recommendations for Armenia, Azerbaijan, Georgia, Egypt and Lebanon", in which Azerbaijan was urged to strengthen the fight against corruption and fraud, to strengthen the rule of law and democratic control, to continue modernization of the public sector, create effective and transparent governance and support reforms in favor of a market economy.

The European Commission outlined the same problems in the Country Report, which was supposed to identify the areas that needed to be reformed. The report consisted of the introduction of two significant parts in terms of volume. The introduction was purely fact-finding, emphasizing the importance of the decision taken by the EU to include the countries of the South Caucasus in the policy of "neighborhood". In the introduction it was noted that "each country gets the same opportunities for development of cooperation with the European Union, by developing a plan of action and taking into account the aspirations of the individual countries to cooperate in compliance with European values." As for the first part of the document, it was devoted to political issues, such as: democracy and the rule of law; human rights (fundamental rights and freedoms, women's and children's rights); international relations (interaction with Russia, the United States, Turkey, Iran, Georgia and international organizations); legal and regulatory relations (migration,

trafficking in human beings and drugs, organized crime and money laundering). In this part of the document, special attention was given to the negative consequences of the Armenian-Azerbaijani Nagorno-Karabakh conflict, among which are mentioned the large number of internally displaced persons, mined fields and the continuing firefight. It was also stressed that conflicts in the South Caucasus hamper the development of regional cooperation.

In the second part of the Report, the socio-economic situation in Azerbaijan was analyzed. In the field of view of the European Commission were such areas as: macro-economic and social forecasts (inflation, finance, monetary policy, social policy, health policy, poverty reduction strategy, unemployment, sustainable development, education); public sector reforms (state involvement in economic processes, privatization, private sector development, financial sector, insurance); trade and market relations (the issue of Azerbaijan's accession to the WTO, agriculture, veterinary and phytosanitary control, customs, taxation, protection of intellectual and private property, state control of finances); information society, environmental protection, science and education. Particularly stressed was the need to develop the transport sector, which was assisted by the TRACECA program, and the energy sector. The Report noted the special role of Azerbaijan in the development and subsequent transportation of energy resources of the Caspian region to European markets.

As the analysis of the adopted document shows, not a single sector of the political, economic and social life of Azerbaijan has not been left without the attention of the European Union. According to Erwan Lanon, professor of the European College, compared to the situation in Armenia and Georgia, the report on Azerbaijan, despite the unresolved problem of Nagorno-Karabakh, creates a positive impression of the country's development, but Azerbaijan should not stop at the achieved ..[50, p.137]

It is worth noting that the Azerbaijani leadership, striving to get into the format of the "euro-neighborhood", took the recommendations of the European Union quite seriously. Since 2004, state measures to combat corruption have been taken on an

ongoing basis. Thus, on January 13, 2004, the Milli Majlis of Azerbaijan adopted the "Law on Combating Corruption". It was followed by the next step - September 3, 2004. President of Azerbaijan Ilham Aliyev approved the "State Program on Combating Corruption (2004-2006)". And on July 28, 2007, the President approved the "National Strategy for Improving Transparency and Fighting Corruption" and "Action Plan (2007-2011)". The developed strategy was aimed at improving legislation; stimulation of discipline and conscientious attitude to the state civil service (when hiring, promoting the career ladder, raising wages, etc.); use of law enforcement practices in relation to the anti-corruption law and the judiciary; socio-economic sphere (control over the expenditure of public funds, purchases for state needs, licensing and other business regulation, taxes and customs, education and health); raising public awareness; the international cooperation.

The strategy for Azerbaijan pointed to the main priorities of cooperation for the period 2007-2013, which complemented the EU-Azerbaijan Action Plan. For their implementation, the European Commission has developed national Indicative Programs (NIDs) for the period 2007-2010. and 2011-2013, which determined the main objectives of the Commission for these periods and identified the financial resources of the programs.

Summarizing the above, it can be stated that the "European Neighborhood Policy" was a certain format of the EU's interaction with neighboring countries, including with Azerbaijan, in which the main goals were to support democratic and economic transformations in neighboring countries. However, under the guise of democratic reforms, quite different goals and interests of the European Union were often concealed. For example, for the EU, the energy resources of the country, its exceptionally advantageous strategic position, were of special interest in relations with Azerbaijan, and only then on the priority scale were issues of democracy, etc.

In addition, Azerbaijan's economic self-sufficiency, to a large extent, reduces the effectiveness of the EU's application of the financial leverage of pressure, often used to implement its recommendations. A similar opinion is shared by the employee of the Institute for Security Studies of the EU Damien Helly, who drew attention to

the fact that "Azerbaijan, unlike other countries (for example, Moldova) does not ask the European Union for financial assistance." Thus, the EU lacks an effective financial leverage and the principled position of the Azerbaijani authorities, based on the national interests of the country, often leave the recommendations of the EU without due attention. But at the same time, the actual lack of progress in carrying out democratic reforms in Azerbaijan does not prevent the parties from continuing constructive political, economic and energy dialogue.

1.2. Evolution of the European Union's foreign economic policy towards Azerbaijan

The interest of the European Union in the South Caucasus region is directly related to the availability of energy resources in the Caspian area and to the settlement of regional conflicts. The hydrocarbon reserves of Azerbaijan and its strategic location at the crossroads of transit routes from Asia to Europe predetermined the European Union's special interest in the country. From 1991 to 2004, the relationship between the European Union and the Republic of Azerbaijan was built mainly on the basis of humanitarian and technical assistance programs (TACIS, INOGATE, TRACECA) developed by the EU to provide economic and other assistance to post-Soviet states. In the same period, the regulatory and legal framework for bilateral relations is being formed, which was fixed by the signing in 1996 of the Agreement on Partnership and Cooperation between the EU and Azerbaijan.

It is noteworthy that Europe's contemporary interest in the Caucasus has its own background. In the first half of the XIX century. This region was the object of a focused policy of England and France. The first attempted to turn the Caucasus into a barrier to the possible advance of Russia to Iran, Turkey and India, and the second - occasionally used this territory against England and Russia to solve its own colonial and imperial tasks in the Middle East. The tense international atmosphere around the Caucasus persisted until the suppression of the Shamil movement in Chechnya and Dagestan in 1859. Only after that, the West realized that it was not reasonable to rely

on the use of intra-Caucasian forces in anti-Russian plans and Europe de facto had to recognize the Caucasus as Russia's imperial possession. Since then, European politics in this region has become purely economic in character, and the Russian Empire has even begun to encourage the development of the Caucasian economic space by Western capital.

After the oil capped powerful fountains in the vicinity of Baku (Balakhany, Sabunchi and Ramany) in 1872, Western countries began to invest their capital in the development of the oil industry in the Caspian. The penetration of foreign capital into the Baku oil production began with the arrival of the Nobel brothers to the Caucasus, who in 1875 bought extensive Balakhaninskoye deposits and built their refinery, and two years later tied them with an oil pipeline. Following the Nobels in 1892 in the oil industry of the region appeared the Rothschilds, who founded the company "Binbo". They engaged in the construction of small oil tankers for the transportation of oil through the Caspian Sea and its subsequent transfer to barges along the Volga. The Rothschilds also invested in the construction of a railway from Baku to Batumi and the construction of an oil pipeline that was completed in 1905. British companies also contributed to the development of the Caspian-Caucasian oil industry. The presence of foreign companies in the Caucasus continued until 1917..[42, p.91]

The collapse of the USSR and the formation of new independent states again aroused the interest of European countries in the Caucasus. Despite the "passive" presence in the region in the early 1990s, the European Union gradually began to become an active player in the South Caucasus.

The situation changed somewhat after the entry into force on 1 November 1993 of the Maastricht Treaty. The European Union was faced with the need to develop a clear pan-European strategy towards the Caucasus-Caspian region. In this regard, the Commission of the EU in 1994 began to develop a "pan-European position" in relation to the Caucasus-Caspian region. This idea was reflected in the appeals to the Council and the Parliament of the European Union published by the European Commission: "Relations with the Transcaucasian republics - the strategy of the European Union" and "Relations with the Central Asian Republics - the strategy of

the European Union". Both documents underscored the need to strengthen energy cooperation with the countries of the Caucasus-Caspian region. The factor of access to the energy resources of the Caspian Sea has become decisive in the EU's relations with the states of the South Caucasus and Central Asia. If these regions are not rich in energy resources, it seems unlikely that the European Union has paid so much attention to them. He could fully confine himself to closer cooperation with the states of the European part of the former USSR.

Paying close attention to security issues in the South Caucasus (Transcaucasia), the EU in the early 1990s. considered this region as an integral part of a wider Caucasian complex, including the Russian North Caucasus. According to I. Bolgovoy, "this speaks about the problem of perception of the South Caucasus as a separate region". At the same time, it is also remarkable that the North Caucasus has never been considered separately by the EU, but only as part of Russia. The perception of the EU changed after the adoption of the document on the "pan-European position". Since then, the South Caucasus has been viewed by the European Union as an independent whole region, consisting of three independent states - Azerbaijan, Armenia and Georgia. The complexity of the perception of the South Caucasus region was reflected in its name. So, in all official documents of the EU the term "Transcaucasia" was used and only in the late 1990s. he was replaced by "the states of the South Caucasus."

The invitation of the countries of the South Caucasus to join the Energy Charter indicated the EU's interest in the transit possibilities of these states and especially in the energy potential of Azerbaijan, which possesses significant oil and gas reserves. As the famous American political scientist Z. Brzezinski said, "Azerbaijan is a cork in a vessel containing the riches of the basin of the Caspian Sea and Central Asia." After the signing of a contract with an international consortium on the joint development of Azerbaijani oil fields in the region on September 20, 1994, the positions of European oil companies (BP - Great Britain, Total - France, ENI - Italy) increased significantly.

In search of ways out of the extremely difficult situation created in the first years of its independence, Azerbaijan sought to establish partnership relations with Western European countries and their interstate structures, hoping for their experience and assistance in solving their acute problems. Especially such as the preservation and strengthening of state independence, the peaceful settlement of the Armenian-Azerbaijani Nagorno-Karabakh conflict and the implementation of reforms in the field of market economy. The Azerbaijani leadership hoped for the receipt of major foreign investment in the country's economy.

Establishment of diplomatic relations with the world's leading states, establishing ties with international and regional organizations opened a wide road to Azerbaijan for its systematic integration into the world community. Thus, by early 1993 Azerbaijan had already been recognized by more than 130 states of the world and international organizations, including, as mentioned above, the European Community.

Relations with the European Community were initially built only through technical and humanitarian programs. During the period 1991-2001, The EU provided assistance to Azerbaijan for 333.9 million euros, thereby becoming the main international donor of Azerbaijan. I must say that after the adoption of the 907 amendment to the "Freedom Support Act" in 1992, Azerbaijan was left without humanitarian and economic assistance by one of the main donors of the post-Soviet countries - the United States..[36, p.82]

In early 1995, the EU Commission began to explore the possibilities for starting negotiations on concluding bilateral Partnership and Cooperation Agreements (PCAs) with the South Caucasus states. For this purpose, joint committees of representatives of Azerbaijan, Armenia, Georgia and the European Union were established. These agreements were aimed at creating an institutional framework for cooperation between the European Union and the countries of the region in all areas, except military and security. On 15 December 1995, the European Commission initialed the Partnership and Cooperation Agreements with the South Caucasus States, thus preparing them for formal signing.

On April 22, 1996 in Luxembourg, a bilateral agreement on partnership and cooperation between the European Union and Azerbaijan was signed with a preliminary term of 10 years. The signing of the Partnership and Cooperation Agreement was aimed at creating a legal framework for closer cooperation between the EU and Azerbaijan. It is noteworthy that before the signing of this Agreement, relations between the EU and the countries of the region were built on the basis of the Agreement on Trade, Commercial and Economic Cooperation signed between the European Community and the Soviet Union in 1989.

For successful implementation of the Partnership and Cooperation Agreement, the Council of Cooperation "European Union - Azerbaijan" and the Cooperation Committee "European Union - Azerbaijan" were established, the regular meetings of which were held at the ministerial level. The Cooperation Council and the Cooperation Committee consisted of members of the Government of Azerbaijan, members of the EU Council and members of the EU Commission. The Cooperation Council "EU-Azerbaijan" defined the main areas of cooperation. The chairmanship was carried out alternately by representatives of Azerbaijan and the European Union. As for the Cooperation Committee, he assisted the Cooperation Council in fulfilling its duties, in number and by preparing its meetings. The Committee for Cooperation also had subcommittees on trade, economic and legal issues; on energy, transport and the environment; on issues of justice, freedom, security, human rights and democracy; on employment and social issues, public health, education, education and youth, culture, the information society and audiovisual policy, science and technology.

The signing of the Partnership and Cooperation Agreement facilitated the opening in 2000 of the Permanent Mission of Azerbaijan to the European Union (Brussels). The establishment of diplomatic relations testified to the revision of the EU position towards Azerbaijan and the role it occupies in the region.

In the alignment of forces in the South Caucasus and the Caspian Sea area, undoubtedly, one of the key roles will be played by Azerbaijan. The country is the owner of three important factors - geography, geology and geopolitics (geography,

geology, geopolitics). Azerbaijan not only possesses significant hydrocarbon resources, but also occupies a very favorable position on the way of oil and gas transportation to the west from the Caspian basin. In addition, the geographical position of Azerbaijan allows it to be a link between the South Caucasus and Central Asia, Europe and Asia, Russia and the Middle East.

Significant humanitarian assistance to the countries of the South Caucasus was provided by the European Community Humanitarian Aid Office (ECHO). Established in March 1992, ECHO mainly dealt with the consequences of the crisis in agriculture caused by the collapse of the Soviet centralized economic system and provided food aid to refugees and internally displaced persons. Its role was invaluable in helping post-conflict regions. Within the framework of ECHO, a number of Azerbaijani settlements suffered as a result of military actions between Azerbaijan and Armenia due to Nagorno-Karabakh were restored. Special programs for clearing mine fields in the Agdam and Fizuli regions of Azerbaijan were also implemented. For 2000-2002. the EU's demining costs amounted to 2820 thousand euros. The ECHO program provided food aid to refugees, provided medicines and collected warm clothes and shoes for families in need..[23, p.132]

In Azerbaijan, within the framework of the National Action Program, support was provided to the development of the country's energy sector. Thanks to this support, the company - a manufacturer of oil equipment - "Azerbaijanneftehimash" was able to switch to international standards, in accordance with the standards of the American Petroleum Institute (API). Assistance was provided in the development of energy legislation, especially as it affected the taxation and financing of the oil and gas industries, including the transfer of know-how to these industries. Together with the European Bank for Reconstruction and Development (EBRD), a feasibility study for the rehabilitation of underground gas storage facilities (Kalmas and Karadag) was carried out in Azerbaijan. In 2001, the TACIS program assisted in the establishment of the Ministry of Fuel and Energy of Azerbaijan.

In January 2007, the TACIS program was replaced by the European Neighborhood and Partnership Instrument (ENPI) program, which became the main

financial mechanism for providing assistance to the countries of the Caucasus-Caspian region. It is worth noting that over the period from 1991 to the end of 2006, over 7.3 billion euros were spent in the TACIS program for the implementation of projects in the post-Soviet space. The TACIS program was the first instrument of cooperation between the European Union and Azerbaijan..[4, p.143]

As for regional programs, they were aimed not at a particular country, but in the region as a whole. The TACIS program at the regional level sought to strengthen regional cooperation among the countries of the South Caucasus through its two regional programs - INOGATE and TRACECA. The EU also rendered invaluable assistance in the reconstruction of the settlements of Azerbaijan, which suffered from military operations. Funds were allocated for the reconstruction of the technical and social infrastructure of the settlements of Agdam and Fizuli districts, electricity and water supply, irrigation facilities were restored, major repairs were done in 11 schools and 16 towns for refugees and internally displaced persons were laid.

Despite the obvious advantages of the above programs, from the very beginning, their implementation faced a number of difficulties. First of all, it was connected with certain obstacles within the European Union. The participation of Member States in the implementation of programs and the apparent political rivalry between them had a negative impact on their implementation. Not all the countries of the European Union approved the TRACECA program, preferring the Europe-Caucasus-Asia transport corridor, other alternative routes. Thus, for example, northern countries, instead of developing the TRACECA program, preferred to deepen their relations with

Russia, and not to spoil them, building a transport corridor without her participation. In addition, despite the obvious interest shown by the European countries to the Caucasus-Caspian region, the EU in the early 1990s, there was no single pan-European strategy for the region, which also hampered the normal implementation of programs.

Analyzing the dynamics of relations between the European Union and Azerbaijan for the period of 1991 - 2004, as it seems to us, two stages can be

distinguished. The first stage began after the recognition of Azerbaijan's independence and lasted until the signing of the Partnership and Cooperation Agreement (1996). It was at this time that considerable humanitarian and financial assistance was provided to Azerbaijan from the EU side in the framework of programs specially created for this purpose - ECHO, TACIS, INOGATE, TRACECA. Under the guise of economic assistance to the countries of the region, the EU successfully promoted its political interests and strengthened its positions in the post-Soviet space.

The strategic importance of Azerbaijan has increased especially after its accession on 25 January 2001 to the European International Organization - the Council of Europe. Azerbaijan's aspiration to observe basic European fundamental values - respect for human rights, democracy and the rule of law was positively assessed and

European Union, which served to further the development of multilateral relations. However, the key moment of the new stage of cooperation with international organizations, including the EU, was the events that changed the entire world geopolitical order - the events of September 11, 2001, when hijacked planes crashed into the buildings of the World Trade Center in New York and the Pentagon in Washington. This terrorist act has put many security issues in a different light. The era of the struggle against international terrorism began, in which Azerbaijan has become an important link in the operations of the antiterrorist alliance in Afghanistan. The Allies used the Azerbaijani territory to transport military cargo between NATO forces in Europe and the peacekeeping forces in Afghanistan.

The combination of all these factors led to the fact that the Republic of Azerbaijan for a short time turned into a significant regional player, in close cooperation with which the European Union was also interested. Thus, the international upheavals of recent years, the process of EU enlargement to the east, and the growing concern about the energy security of Europe have become decisive in the transition to a new stage of cooperation, called the European Neighborhood Policy.

Fact	14796	4975	3621	5770	4498	4686	4956	5248	5576	5289	5416
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Source: stat.gov.az

It is clear from the table that oil extraction has been overcome in many years, more than it was anticipated in the years 2008, 2009, 2010, 2012, 2013, 2016 and 2017. The highest indicator of non-fulfillment of the plan is in 2011.

Gas production has been fulfilled more than it was envisioned in the plan in 2007, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017. Only in 2008, gas production was lower than expected. The reason for this is the 2008 financial crisis.

At the same time, the global financial crisis and the decline in the world oil prices by 3-4 times in the last two years, the devaluation of the manat, the role of the oil factor in the development of the national economy and the decline in GDP in our trading partners reflect the balance of payments and non- the necessity to develop and implement the relevant strategic roadmap for sustainable development, by deforming the factors of the economic development, the criteria, the driving force, the principles, the mechanisms of realization, the global deficit of the nature of the economic development as a whole.

Strategic road maps on key national economies and sectors of the economy will ensure competitiveness, inclusivity and social welfare of the economy on the basis of sustainable economic development in Azerbaijan. Responding to global challenges, as a result of investment attraction, free competition environment, market access and human capital development, Azerbaijan will strengthen its position in the world economy and enter the high income countries group. In accordance with the Presidential Decree No. 1897 of 16 March 2016 on "Approval of the Main Directions of the Strategic Road Map for Major Sectors of the National Economy and Economy", and 12 Strategic Road Map on 11 Sectors of the Economy was prepared: By the decree of president of az republic of 6 dec 2016; Azerbaijan's economic developing ment strategy as well as long term oytlook till 2025 year was established According to degree Strategic road maps have been established For the following directions

1. National economic perspectives;

2. Development of oil and gas industry(including chemical commodities);
3. Production and development of agricultural industry;
4. Production of retail productions on the level of small and medium enterprises;
5. Development of manufacturing and heavy industry;
6. Development of specialized tourism industry;
7. Development of logistics and trading;
8. Development of telecommunication, information technologies, as well as utilities (electricity, water, gas) industries.
9. Affordable immovable property sustainability
10. Trainings and professional education
11. Development of financial services.

The Strategic Roadmap for the National Economy Perspective consists of a long-term vision for the period up to 2025 and a target view for the post-2025 period, through the 2020 economic development strategy and action plan, covering short, medium and long-term periods. The Strategic Roadmap will provide opportunities for communication and co-operation of all factors contributing to economic development, including local and international private sector representatives. Public investments will play the role of a catalyst, and the locomotive of economic development will be the private sector.

The Road Map has set clear priorities, and these very priorities by definition do not accept the monopoly. Moreover, a number of tasks that are reflected there, on the contrary, serve to expand and ramify the network, which helps to limit opportunities for monopolization and makes the industry commercially attractive to the private sector. After all, it is commercial attractiveness and availability of certain guarantees that can cause mass involvement in this sector.

In the development of this industry, a whole complex of diverse questions reveals itself: logistics, taxation, relations with representatives of local executive power, "national" features of the work of local "auditors" - representatives of various services, personal qualities of owners of tour companies and tour facilities, etc. Such intertwining of various factors on which the nature and quality of tourism

development depends, did not allow achieving quick results. The "road map" just serves to remove these objectively existing issues.

Table2

**Structure of commodity trade of EU countries with Azerbaijan in 2017
(million euros per year)**

	EU import from Azerbaijan	EU export to Azerbaijan
Machinery and transport equipment	31	1106
Mineral fuels, lubricants, and similar materials	9690	20
Various industrial products	4	544
Industrial goods classified mainly by the type of material	7	268
Food products and live animals	17	95
Non-food raw materials (except fuel)	4	15
Chemical products and similar products not included in other categories	8	215
Drinks and tobacco	1	72
Animal and vegetable oils, fats	0	3

The products currently produced in Azerbaijan are increasing in the world market and the number of countries receiving these goods is increasing. As the structure of foreign trade has changed, the contents of its trading partners have changed. That is, if the number of trading partners of the country was 84 in 1997 and 121 in 1999.

If the preliminary Azerbaijani trade partners were CIS countries, now this rate has changed for the benefit of the European Union countries. Among the CIS countries, Russia is the country with the largest number of trade associations with Azerbaijan. The share of this country in Azerbaijan trade coin is 50%. The reason why Russia has a big advantage compared to other CIS countries is that this country has a big market for agricultural products of Azerbaijan. The economic trade relations that existed between Azerbaijan and Russia have also contributed to this increase.

Azerbaijan, European Union, United States, Norway, Canada, Turkey, Switzerland and the Generalized Preferences of Japan has entered the system, it is also the Azerbaijani origin of goods allows to be included in the fee-free or low in these markets.

Azerbaijan Republic has signed Free Trade Agreement with Russia, Kazakhstan, Ukraine, Moldova, Belarus, Kyrgyzstan, Uzbekistan, Turkmenistan, Tajikistan. Only in the agreements signed with Russia and Kazakhstan, alcoholic beverages and tobacco products are exempted from the free trade regime.

The location of Azerbaijan in a very favorable geographical position at the crossroads of Asia and Europe provides the environment for establishing a significant part of the foreign trade volume with the countries located in these continents. In 2011, 67.8% of export-import transactions were made in Europe and 22.6% in Asia-Pacific countries. Foreign trade turnover in Italy, Russia, France, USA, Germany, Turkey 's is seen to be of great importance. Thus, in 2011 foreign trade turnover of 26.4%-Italy, France- 12.8%, Russia 7.8%-, 6.7% of the US, 4%, 8- Turkey, Ukraine 4% , 3.8% were with Germany. [3, p.52]

At foreign trade centers, Italy stands at 35.2% in exports and Russia stands at 16.8% in imports.

As the country's economy develops, the import-export structure also becomes richer. In recent years, the list of important products exported abroad has increased. If goods were exported from Azerbaijan in 1218 names in 2003, this number increased to 2082 in 2011. Most of the goods sent to foreign countries are mineral products, and crude oil and petroleum processing products. In addition, non-petroleum products have been exported from foodstuffs, low-value metals and products made therefrom, plastic masses, rubber, rubber and articles made of them, chemical industry products, pearls, precious stones and metals, products made from them, woven materials. At the same time, tea, oil and margarine, sugar, pasta products, fruit and vegetable canvases were also of special weight during the export of food products from Azerbaijan.

Investments made by the state for agricultural purposes are now turning itself into openness. That is, compared to last years, the importation of some agricultural products to my country has decreased. This means that the power of producing agriculture and food products to meet the needs of the country's population has increased.

Another thing that is noteworthy is that, although the weight of the food products brought to the country in 1995 was 41.6 in the foreign trade branch, according to the results of 2010, this figure was equal to 18,6. This is not random either. Because this country has special measures in this area, important state programs are accepted. In this respect, the State Program for the safe supply of the population with food products in the Republic of Azerbaijan between 2008 and 2015, approved on 25 August 2008, is of special importance.

Imported goods include transportation vehicles and their spare parts, electronic equipments, vehicles for land, air and water transportation, food products, low value metals and products made therefrom, chemical industry products, furniture and their parts, pharmaceutical products.

The robust characterization of the new period socio - economic development, which started in 2002, has led to the rise of the foreign trade corps, with the end of the transition to the market economy and the rightful participation of the country in the international business sector. At the moment, 85% of the special section title is allowed to expand the volume of trade corps made with foreign countries. In other words, nowadays, competitive goods produced in the private sector of Azerbaijan are finding more and more buyers in the foreign market. Determination of the structure of the production, the direction of the investment made and the examination of internal and external demand have a positive impact on the acceleration of the economic growth and provide opportunities for reducing import dependency.

In the last 10 years, the content of the foreign trade column has changed as well. That is, the products produced in the new production areas gradually compress and export similar foreign commodities sold in the domestic market, and in some cases exports are also managed.

The increase in the dynamic of the foreign trade branch is as follows:

In 2003, the volume of commercial transactions made with 129 countries by the republic's residents and non-residents amounted to 5217881.0 thousand dollars. In this process, 1218 goods were exported and 5266 goods were imported.

The volume of commercial transactions made with 137 countries during 2005 was 8547276.0 thousand dollars. 2102 names are exported per year, 5740 items are imported and a positive balance for export-import transactions amounts to 146483.6 thousand dollars.

In 2006, the volume of commercial transactions with 140 countries was 11637208.6 thousand dollars. 2242 goods exported by name, 5935 goods by name were imported and positive balance for export-import transactions amounted to 1107016.9 thousand dollars..[20, p.63]

The volume of commercial transactions made with 138 countries in 2007 has been 11766862.9 thousand dollars. 2454 exports of goods by name, 6755 goods by name were imported and positive balance for export-import transactions amounted to 349735.9 thousand dollars.

In 2008, the volume of commercial transactions made with 141 countries by residents and non-residents of the republic was 54919697.3 thousand dollars. During this period, 2127 goods were exported by name, 5893 goods by name were imported and positive balance for export-import transactions amounted to 40592761.4 thousand dollars.

According to the results of 2010, Azerbaijan's foreign trade account amounted to 27,924 billion dollars. Export volume of goods was 21,324 billion dollars and imports were 6,599 billion dollars. The positive balance in the foreign trade portal amounted to \$ 14,725 billion. Azerbaijan exported 2186 goods by name, 6057 goods by name were imported.

In 2011, Azerbaijan's foreign trade account increased by 29.92% compared to 2010 and constituted 36,326 billion dollars. The volume of goods exported from the country has been 26.57 billion dollars, which is 24.39% more than the figures of 2010. Import volume was equal to 9,755 billion dollars. This amounted to 47.81%

more than in 2010. Generally, in 2011, 2082 names were exported from Azerbaijan, while goods of 6233 names were imported. Positive balance of commercial turnover was equal to 16,814 billion dollars. During 2000-2010, Azerbaijan repeatedly tried to become a transit country for the supply of Central Asian and Middle Eastern gas to Europe. In June 2007, the EU's Regional Strategy Paper on Assistance to the Countries of Central Asia was adopted in the period 2007-2013, 8 in which the diversification of fuel supplies was declared one of the main objectives of the EU's international policy. The sharp increase in oil and gas production in Azerbaijan coincided in time with rising prices for hydrocarbons. In 1991, Brent cost 38.2 dollars per barrel, in 2010 - 86.4 dollars per barrel.¹⁴ As a result, the combination of the effect of the low base of the 1990s and the growth in production and prices for hydrocarbons led to a staggering GDP growth countries. If in the 1990s average annual GDP growth rates were negative, then in 2000 it was 14.6%, and in some years this figure exceeded 20%: in 2005 (26.4%), 2006 (34.5%) and in 2007 (25%)¹⁵. Non-oil GDP also grew, but its growth rates did not exceed 15% of GDP per year. Such indicators are a rarity for economic history, although oil-producing countries, especially small ones, sometimes show similar dynamics. From 1992 to 2014 Azerbaijan's GDP in current dollars increased from 1.2 to 75.3 billion dollars (a record among the former Soviet republics), while GDP per capita increased from 159 dollars in 1992 to 8,000 in 2014 (2.3 thousand of them per capita - pure oil and gas exports).

In 2013 non-oil imports were 21,4 % on Eurozone. Non-oil production for Kazakhstan was 3%, Brazil 4,1 %, China 5,7 %, Ukraine 5,9%, Iran 2,3%, Turkey 15,3%, Russia 15,2%. In 2014 non-oil imports from Eurozone declined. This was 18,5% compared to 2013. In some other countries, an increase or decrease in imports is observed in 2014 compared to 2013.

When we look at the non-oil export process in 2013 and 2017, we see that there has been no change in the percentage of exports to the Eurozone during these years. The highest percentage of exports is to Russia and Turkey.(diagram 1 and 2).[55]

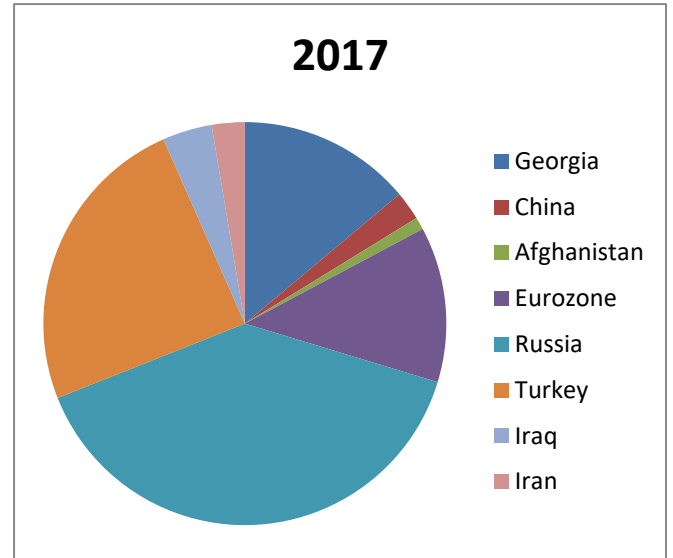
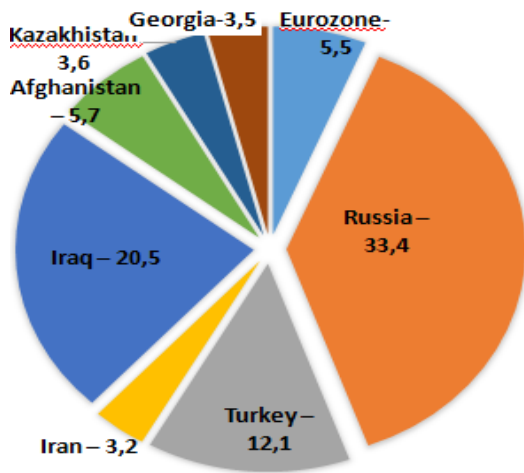


Diagram 1. Non-oil export in 2013 **Diagram 2. Non-oil export in 2017**

The main export products for the non-oil sector in 2015 and 2016 are shown in the following table.[55]

Table 3

Non-oil export: Eurozone countries

2015	2016
Germany 1.2 % (\$ million)	2.5 % (\$ million)
• Forest nuts - 8.2	10.1
• Small cars - 0.1	0.8
Italy 2.4 % (\$ million)	2.2 % (\$ million)
• Forest nuts - 12.4	9.7
• Aluminum tiles - 1.1	1.1
Slovenia 1.1 % (\$ million)	0.4 % (\$ million)
Methanol (methyl alcohol) - 9.4	2.2
France 0.4 % (\$ million)	0.4 % (\$ million)
Methanol (methyl alcohol) - 0.4	0.6
Spain 0.2 % (\$ million)	0.2 % (\$ million)
Methanol (methyl alcohol) - 1.2	1.2

The volume of import-export in Azerbaijan and from Azerbaijan in 2016 is shown in the table below.

Table 4**Import and export figures for 2016**

Countries	Import, thousand USA dollar	Export, thousand USA dollar	Saldo (export- import), thousand USA dollar
By EU countries – total	1823296	3 951 634,00	2 128 338,00
Germany	234,1	610 831,4	610 597,30
Austria	63 069,5	112 651,9	49 582,40
Belgium	55 002,5	6 454,8	-48 547,70
Bulgaria	39 423,4	386,3	-39 037,10
United Kingdom of Great Britain and Northern Ireland	495 215,3	57 239,6	-437 975,70
Czech Republic	101 942,9	214 366,2	112 423,30
Denmark	22 207,5	106,9	-22 100,60
Estonia	2 424,1	660,7	-1 763,40
Finland	12 624,0	269,8	-12 354,20
France	150 410,9	493 644,2	343 233,30
Croatia	51 182,5	233 539,1	182 356,60
Ireland	17 591,8	23 410,9	5 819,10
Spain	50 673,9	128 243,2	77 569,30
Sweden	67 886,1	340,8	-67 545,30
Italy	332 186,1	1 559 979,5	1 227 793,40
Cyprus	583,7	1 113,8	530,10
Latvia	7 895,6	853,4	-7 042,20
Lithuania	14 861,3	2 398,6	-12 462,70
Luxembourg	3 432,8	9 580,1	6 147,30
Hungary	40 149,5	911,0	-39 238,50
Malta	112,8	106 276,8	106 164,00
The Netherlands	75 635,1	38 295,9	-37 339,20
Poland	70 162,7	4 821,3	-65 341,40
Portugal	10 989,9	257 147,3	246 157,40
Romania	86 503,8	83 316,1	-3 187,70
Slovakia	21 480,0	130,8	-21 349,20
Slovenia	14 098,2	4 172,5	-9 925,70
Greece	15 316,0	491,1	-14 824,90

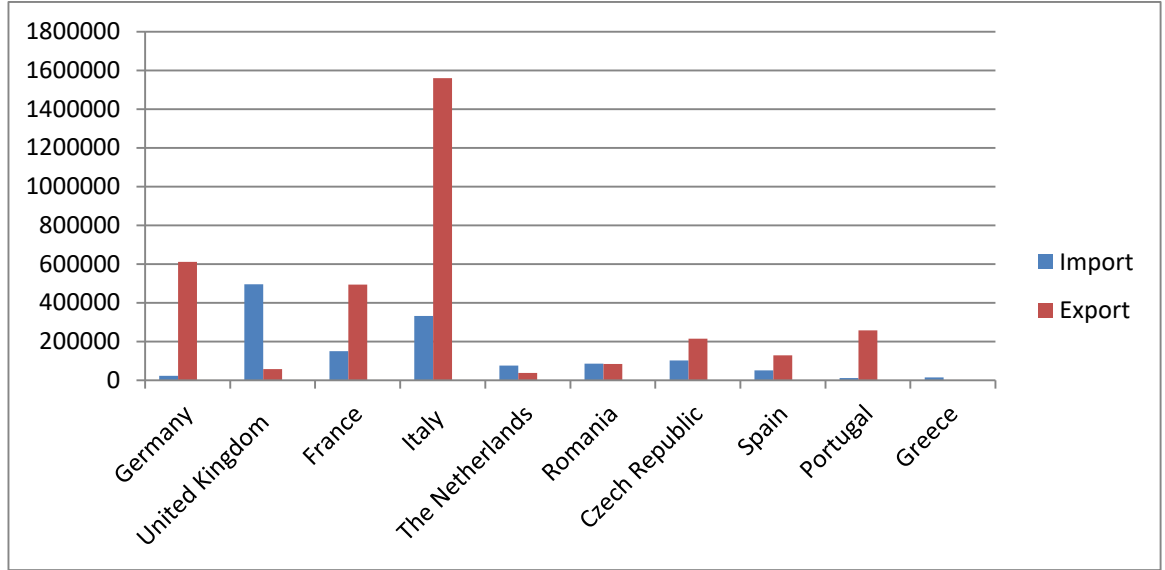
stat.gov.az

As we seen from the table Italy has more export volume than other countries. But more imporr has United Kingdom of Great Britain and Northern Ireland.

If we look at Azerbaijan's foreign trade turnover in recent years, the share of EU countries is higher than the share of CIS countries. By comparing the 2015 foreign

trade figures in 2016, we see that by the end of 2016, the foreign trade turnover has increased in other countries, with the exception of EU countries. (table 4, 5) .[55]

Let's take a look at the following diagrams to see which of the countries most imported and exported by Azerbaijan among the countries listed in the table.



	Import	Export
Germany	23410.1	610,831.40
United Kingdom	495,215.30	57,239.60
France	150,410.90	493,644.20
Italy	332,186.10	1,559,979.50
The Netherlands	75,635.10	38,295.90
Romania	86,503.80	83,316.10
Czech Republic	101,942.90	214,366.20
Spain	50,673.90	128,243.20
Portugal	10,989.90	257,147.30
Greece	15,316.00	491.1

Diagram 7. The countries with the highest import and export for Azerbaijan

Trade relations between Azerbaijan and the EU are currently regulated by the Partnership and Cooperation Agreement. The EU ranks first among Azerbaijan's

trade partners. According to the figures for January-September 2016, the EU's share in the foreign trade turnover of Azerbaijan was 37.12% (\$ 4.730 billion).

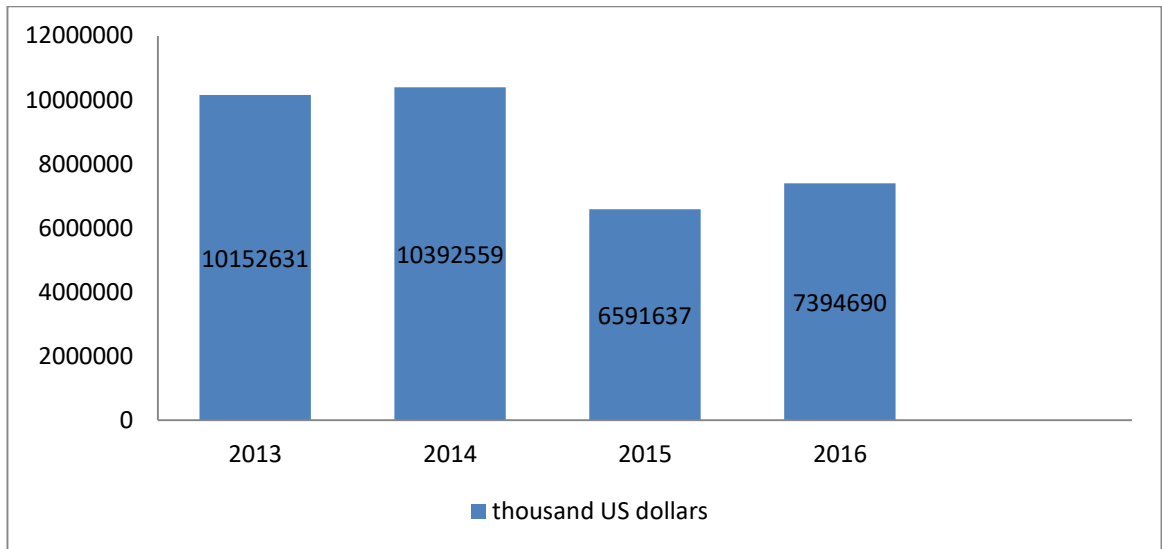
Generally, over the past five years, foreign trade relations with the EU countries have been formed in the following dynamics. (table 4 and diagram 8)

Table 5

Dynamics of trade relations with the EU countries in 2013-2016 (thousand US dollar)

Countries	2012	2013	2014	2015	2016
Austria	399482,7	345546,3	407346,5	112651,9	137552,9
United Kingdom	84363,6	126447,9	10417,9	79918,6	41202,7
Germany	1356735,3	1925563,4	1223961,8	610831,4	450462,0
Spain	74910,8	0,0	316057,4	495148,7	258765,5
Italy	5989658,2	4805617,6	2254330,5	4333747,1	4406425,2
France	1131117,5	1523482,8	864101,1	626433,9	337371,1
Finland	16,4	30,8	189,2	269,8	748,4
Czech Republic	215918,4	592036,2	549516,3	214366,2	556854,9
Croatia	213251,2	311673,3	199208,6	264015,3	174262,9
Estonia	771,2	222,9	253,4	660,7	700,0
İreland	34587,0	47,8	52235,8	23410,9	5,5
Latvia	2366,6	845,5	800,5	853,4	2028,1
Lithuania	2207,8	702,7	512,9	2398,6	2304,5
Luxembourg	208,2	159,0	179,8	9580,1	15552,9
Malta	36,9	86270,5	141929,3	130031,4	36886,6
Netherlands	18606,3	19135,4	101792,1	38295,9	86670,1
Poland	10221,7	16329,8	6509,0	4821,3	8706,5
Portugal	525759,4	552149,5	368874,4	331278,9	446343,3
Romania	92388,5	86252,7	83934,5	111673,0	267229,9
Slovakia	4,0	31,6	55,6	130,8	89,9
Slovenia	19,1	13,2	9429,9	4172,5	5274,4
Total	10152631	10392559	6591637	7394690	7235437

Diagram 8. Dynamics of trade relations with the EU countries in 2013-2016



As we seen from diagram dynamics of trade relations with the EU countries in 2015 and 2016 was decreased than in 2013 and 2014.

In Azerbaijan, there are a number of mandatory measures implemented at the state level, studies on the prevention of monopoly and ensuring equal rights of all natural and legal persons in the importation and exportation of strategic products, correct identification of internal market marketing, simplification of customs relations, liberalization of foreign trade, the creation of a favorable investment climate creates a backdrop for the future of the foreign trade volume.

Over the last five years, the Government of the Republic of Azerbaijan has concluded agreements on cooperation in the field of tourism between the Republic of Moldova, the Republic of Belorussia, the State of Qatar, the Republic of Kazakhstan, the Republic of Kazakhstan, the Hashemite Kingdom of Jordan, the Republic of France, the Republic of Tajikistan, the Arab Republic of Egypt and the Republic of Lithuania.

Taking into account that the establishment and development of multilateral cooperation relations is one of the priorities of tourism policy, the Ministry of Culture and Tourism continues to work efficiently and effectively in the direction of organizing multilateral co-operation with international organizations in the field of tourism, active participation in programs in the field of tourism, active participation in international events, as well as preparation of new proposals and projects, and signing cooperation documents with the World Tourism Organization (WTO), the

Council of Europe, the Organization of the Islamic Conference (OIC), the Tourism Council of the Commonwealth of Independent States (CIS), for Democracy and Economic Development - GUAM, the Organization of the Black Sea Economic Cooperation (BSEC), the Organization for Economic Co-operation and Development (ECO).

Signed by the President of the country Ilham Aliyev, the "Strategic Roadmap for the Development of Tourism" removed all doubts as to the future of this sphere and determined the strategic priorities for the development of this sector.

The advantage or strength of this "strategic map" is that it took into account almost all the "pain points" that took place in the domestic tourism. The functional synthesis, which tourism has, makes this industry not only a priority, but also a strategically important direction in ensuring stable development of the state.

In general, if we evaluate tourism relations with the EU countries in the last five years, we may encounter the information provided by the table below, coming from the data of the statistical committee.

Table 6

Number of tourists sent from Azerbaijan in 2012-2016 (thousand person)

	2012	2013	2014	2015	2016
TOTAL	3874,4	4284,7	4244,3	4 095,8	4 281,9
including for the purposes of the travel:					
for tourism purposes	2828,9	3306,7	3319,4	3 256,2	3 592,1
recreation, entertainment tourism	897,6	1053,9	1014,7	1 045,2	1 096,1
business tourism	1172,3	1290,9	1277,8	1 185,3	1 371,6
treatment tourism	116,5	169,0	169,8	140,0	192,7
religious tourism	66,2	82,5	117,8	133,5	127,1
relatives, friends' visit	443,5	579,9	565,0	592,6	613,9
for other tourism purposes	132,8	130,5	174,3	159,6	190,7
for other purposes	1045,5	978,0	924,9	839,6	689,8

As it is seen from the table, the number of tourists sent for tourism purposes have increased in 2016.

Table 7

The number of tourists arrived to Azerbaijan in 2012-2016 (person)

Countries	2012	2013	2014	2015	2016
TOTAL	2 484 048	2 508 904	2 297 804	2 006 176	2248773
Including of them EU countries					
Great Britain	29 125	32 841	33 563	34 892	29 514
Germany	16 445	13 920	13 838	15 210	13 042
Spain	1685	2321	3 000	3 355	2 445
Italy	6 767	8 566	9 605	10 379	8 654
France	5 870	5 919	6 858	6 637	5 785
Finland	902	935	913	1 234	1 016
Austria	3 499	2 567	2 884	2 770	2 417
Belgium	2 255	1 725	1 908	2 098	1 603
Bulgaria	2 231	2 028	2 324	2 253	1 531
Croatia	1 092	1 126	1 326	1 635	1 185
Denmark	1 099	1 087	1 027	1 178	1 060
Estonia	791	787	878	1 017	844
Greece	1 213	1 320	1 712	2 112	1 276
Hungary	950	1825	2 536	1 650	1 747
Ireland	969	1068	1 326	1 443	1 190
Latvia	1 875	1 731	1 750	1 967	1 566
Lithuania	1 698	1 797	1 743	1 621	1 344
Luxembourg	460	498	413	490	322
Malta	84	114	153	270	120
Netherlands	3 970	4 036	4 425	4 714	3 764
Poland	3 168	3 716	4 209	3 473	3 014
Portugal	512	773	735	983	872
Romania	1 678	2 053	2 052	1 967	1 427
Slovakia	622	659	783	1 111	797
Slovenia	491	675	646	701	611
Sweden	2 012	1 857	1 874	1 955	2 003
Czech Republic	1 279	1 497	1 709	1 845	1 785
Total of from EU countries	92 742	97 441	104 190	108 960	90 934

It appears from this table that in general, there is a decline in the number of tourists taken in the past two years. The reason for this is the devaluation and the price of the prices.

The dynamics of adopted and sent tourists in the last five years will be as follows.

As we seen from table arrived touristes is more in 2015, the reason for this is European Games 2015.

2.2. Directions and features of energy cooperation between Azerbaijan and EU countries

Twenty four years ago, on September 20, Azerbaijan and a consortium of 11 oil companies representing six countries signed the largest production sharing agreement (PSA), which was dubbed the "contract of the century."

The signatories agreed to jointly develop hydrocarbons at three large offshore fields in the Azerbaijani sector of the Caspian Basin: Azeri, Chirag and the deepwater part of Guneshli (ACG). The reserves of ACG are five billion barrels of oil or 70% of all the oil reserves of Azerbaijan.

The 1994 oil contract provided stability and created a sense of national identity. At the same time, although it brought a huge financial return, the government chose to use the proceeds in such a way that the country was even more dependent on oil and became less democratic.

Priority was given to the infrastructure, rather than the development of human resources. Sometimes the first developed at the expense of the second. In short, the government failed to invest oil wealth in building strong political institutions on a broad basis.

The positive result of the ACG contract, if you look back, was the provision of political stability and economic independence in the conditions of the crisis of the 90s. In the context of internal strife and war over Nagorno-Karabakh, the signing of the ACG agreement helped restore much-needed order and political stability.

Since the contract needed long-term investments, foreign companies - British BP, American Chevron and Exxon, Norwegian Statoil, Turkish TPAO, Russia's Lukoil, later withdrawn from the project, and some others - were interested in a stable investment climate and secure property rights.

Interested in this were the governments of the countries that represented these companies. The involvement of all leading international players in the project corresponded to Azerbaijan's foreign policy goals - to bring the geopolitical interests of the leading powers into balance.

Having strategic energy sources, Azerbaijan and especially the Caspian Basin is an alternative geographical area with a geopolitical key position in terms of securing energy supply security, which is equivalent to the European Union's national security. It also has an alternative transport route to remove the European Union's excessive dependence on Russia from energy imports. One of the global power centers developed by Azerbaijan's political and economic relations after it regains its independence is the European Union. Political and economic instability occurred in Azerbaijan in the first years of its independence. There was a need for further development of relations with the European Union in resolving this instability. In particular, relations between the EU and Azerbaijan have been developed within the framework of programs such as TASIC, TRACECA, INOGATE and ECHO. The most important reason for the development of Azerbaijan-EU relations is the energy resources that Azerbaijan has. That is, the EU is going to reduce its dependence on Russia and diversify its resources in order to provide energy security. For this reason, the EU attaches importance to energy cooperation with Azerbaijan. The main objective of this work is to explore the energy potential of Azerbaijan and to investigate the effect of this actor on the EU's energy security. This article deals with the energy factor in Azerbaijan-EU relations and the profile of Azerbaijan in the energy security of Europe. As the main result of the research based on the method of analysis and comparison of statistical data, Azerbaijan's policy towards the EU is that the energy factor is important and that the EU needs energy resources of the Caspian Basin.

When we examine Azerbaijan-European Union relations, we see that the energy factor has a very important place. As such, while establishing the Action Plan between Azerbaijan and the European Union, one of the most important strategic goals of the cooperation was to strengthen regional co-operation in the field of energy and transport. The European Union and Azerbaijan signed a Memorandum of Understanding on the Strategic Partnership in the Energy Sector in 2006 and made the first addition to the development of energy relations. The Memorandum signed

between the parties has set a number of goals for the development of energy cooperation. It is possible to list these goals as follows;

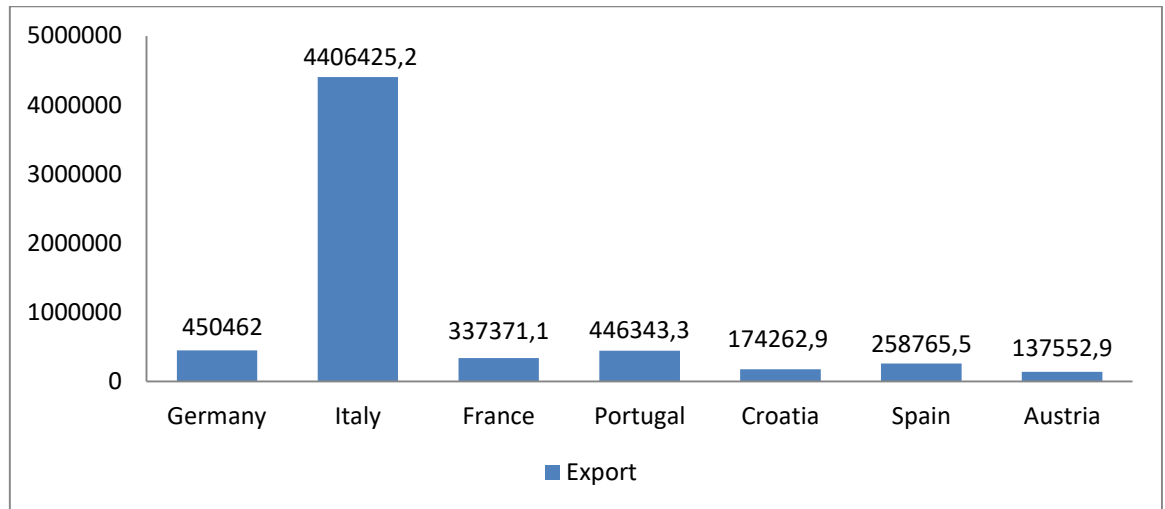
- To establish a program to harmonize the Azerbaijani legislation in the energy field with the EU acquis.
- Strengthening the safety and security of exports and transport routes of energy resources to the EU from the Azerbaijan and Caspian basin.
- Establishing an energy demand management policy in Azerbaijan, including energy conservation, renewable energy and climate change measures based on the Kyoto Protocol.
- Developing co-operation in the field of technology and creating expert exchange programs for bringing those specialist staff to the country. [28, p.150]

These targets continue to be realized within the framework of cooperation in Azerbaijan-European Union energy field.

The EU has also moved to the Caspian Basin to meet its energy needs. In the Caspian Basin, Azerbaijan is one of the countries with the most important strategic position in meeting the EU's energy needs and ensuring energy security. It is to say that Azerbaijan is a key state for the EU, which has a geopolitical prescription in the Caspian about the production of oil and natural gas resources and the move to Europe. For many years, Azerbaijan has played an important role in ensuring the energy security of the EU, and its foundations were laid by the "Asrın Agreement" signed on 20 September 1994. Thus, the Azerbaijani oil and natural gas contracts signed by the Azerbaijani oil and natural gas producers began to be transported to Europe via the BTC oil pipeline and the BTE natural gas pipeline, playing an important strategic role in ensuring the energy security of Europe.

From the diagram below, we can see countries which Azerbaijan export most the oil in 2016 most of all.

Diagram 9. Countries in which Azerbaijan exports oil most of all



As it is seen from the diagram, Italy has the largest export share among EU countries. But Austria has the least export share among EU countries.

When we examine EU-Azerbaijani relations, we see that the most important dimension of mutual cooperation is energy. As a matter of fact, in all the documents that the EU has signed with Azerbaijan and in all the programs Azerbaijan participated, the issue of energy has been dealt with under a separate title. On the other hand, between 2006 and 2007, Azerbaijan participated in three major energy efficiency events in Europe and the fourth was organized by Azerbaijan and headed to Baku in November 2008. As a result of these activities, the participation of Azerbaijan in the "South Corridor" energy project, which is proposed for the provision of energy security of Europe, was envisaged.

The objectives of the European Energy Security Strategy, published by the EU on May 28, 2014, are to improve relations with existing suppliers and to find new sources. In this context, the passage of the TANAP natural gas pipeline in the framework of the "Southern Corridor" energy project is an important factor in ensuring the energy security of Europe. [3, p.51] As a matter of fact, TANAP project is one of the important developments in terms of EU energy security. In 2011, Azerbaijan and Turkey, oil companies, the Star Refinery in the groundbreaking ceremony were the first attempts for the realization of TANAP project. The groundbreaking ceremony for the project was held on 17 March 2015 in Kars. TANAP gas pipeline via Shahdeniz-2 through Georgia natural gas extracted from the line through Turkey was increase to Europe. It is planned that the first natural gas

flow from the pipeline, which is considered to be the end of 2018, will be realized as 16 billion m by 2020. At the same time, it is targeted to achieve 23 billion m³ of natural gas flow in 2023 and 31 billion m³ in 2026. With the realization of the TANAP project, Azerbaijan's role in Europe's energy security will be further increased.

On February 29, 2016, the second meeting of the "Southern Corridor" Advisory Council was held in Baku. During this meeting Azerbaijan President İlham Aliyev accepted the European Commission energy chief Maros Shevchenko. Expressing satisfaction with the progress of cooperation between Azerbaijan and the EU, İlham Aliyev also said that the TANAP project, which was launched last year, has important place in the realization of the southern gas corridor energy sarcophagus.

If we make a general assessment, we see that energy as an important factor in Azerbaijani-EU relations is impressive. Because, one of the most important factors that affect Azerbaijani foreign policy after independence is economic size. In this context, Azerbaijan is trying to use the energy sector effectively in order to protect its independence, to eliminate security threats and to promote the development of the country's economy.

We also see that the energy factor has an important place in the foreign policy strategy implemented by the European Union. Thus, the external dependence of the EU on energy makes the issue of energy security more important in foreign policy. The need for reliable energy sources and routes raises the geostrategic importance of the Caspian Basin and Azerbaijan for the EU. The energy issue in the EU's strategy for the region and especially for Azerbaijan remains the main agenda.

As a result, Azerbaijan's strategic role in the energy security system of the EU and the countries of the region is increasing every day. Southern Gas Corridor and Azerbaijan's role as transit country in the transportation of Turkmenistan and Iranian natural gas to Europe in the coming periods proves that this country is a geostrategic key country position in providing European energy security.

After Azerbaijan gained independence, contracts were signed to develop Azeri, Azeri, Chirag and Guneshli oil fields, as well as the Shah Deniz gas field. For the export of hydrocarbons to world markets, an oil strategy was developed, according to which transportation of "early" Azeri oil via Russia via the Baku-Novorossiysk highway and through the territory of Georgia, along the Baku-Supsa route, and then through the main pipeline through Turkish territory to the Ceyhan port . In accordance with the oil strategy, the following pipelines were restored and rebuilt: the Northern Export Route, the Western Export Route, Baku-Tbilisi-Ceyhan and the South Caucasus Gas.

The Northern Export Route-Baku-Novorossiysk pipeline route runs from the Sangachal terminal, along the Caspian Sea coast through Russia to the port of Novorossiysk. The length of 1,400 km, the diameter of 21 "/ 530 mm, the throughput of 115,000 barrels per day (15,750 tons per day) was put into operation in 1997 to accept the " early oil "from the Chirag field. The pipeline existed since Soviet times. The disadvantages of the pipeline are high transportation costs, limited throughput, and the fact that expensive Azerbaijani oil is mixed with cheap Siberian oil.

The Western Export Route-Baku-Supsa pipeline route runs from the Sangachal terminal, through the territory of Azerbaijan and Georgia to the terminal in Supsa on the Black Sea coast. The pipeline was originally intended for oil exports in the framework of the Early Production project, which envisages the development of the Chirag field. The length of 837 km, diameter 21 "/ 530 mm, capacity 115 000 barrels per day (15,750 tons per day) was put into operation on April 17, 1999. During construction, the elements of the old Soviet product pipeline Baku-Batumi (150 km) were used.

Construction of the pipeline The Main Export Pipeline - Baku-Tbilisi-Ceyhan (MAE) was the largest energy project in the world. He gave the Azeri oil to the world markets via the Turkish port of Ceyhan. The route of the pipeline allowed to bypass the Bosphorus Strait, and, thus, the flow of tankers through this strait did not increase, thereby reducing the risk to the environment.

The South Caucasus Pipeline (SKP) - Baku-Tbilisi-Erzurum was laid to deliver Azerbaijani gas from the Shah Deniz field to the European markets through Turkey. Shareholders of SKK Co. are: BP (technical operator - 25.5%), Statoil (commercial operator - 25.5%), State Oil Company of Azerbaijan (SOCAR - 10%), NICO (10%), Total (10%) and TPAO (9%).

The length of the UCT is 690 km (442 km - Azerbaijan section, 248 km - Georgian). The diameter of the pipes is 42 inches. The maximum capacity of the pipeline is 20 billion cubic meters of gas per year. It was put into operation in May 2006.

On the territory of Azerbaijan and Georgia, the South Stream gas pipeline runs parallel to the BTC pipeline (10-28 meters). In a number of places, the possibility of simultaneous laying of the pipes of the South Stream and BTC pipeline was used, which made it possible to minimize the impact on the environment or susceptibility to geographical hazards.

Nabucco is an unrealized project of a 3300 km long gas pipeline from Turkmenistan and Azerbaijan to the EU countries, primarily Austria and Germany. The design capacity is 26-32 billion cubic meters of gas per year. The project cost was estimated at 7.9 billion euros [1]. In late February 2011, the Guardian newspaper reported that, according to BP's own estimates, the real cost of the project is about 14 billion euros [2], the rise in price is due to rising prices for raw materials, in particular, iron ore, necessary for the smelting of metal for pipes.

On June 28, 2013 it was announced that the Nabucco project was closed, the Trans-Adriatic gas pipeline is now the priority project, and the transportation of gas from the Shah Deniz field from Azerbaijan in general is in question. However, it is possible that the Nabucco project will eventually be implemented in a somewhat modified form. For example, the partner and analyst of the consulting agency RusEnergy Michael Krutikhin believes that in order to implement Nabucco in any form, it is necessary to build jumpers through Turkey to Bulgaria, and there are already jumper links with neighboring countries, so it will be easy to connect the

route with Romania, and further with Austria through Hungary. If this can be achieved, then Nabucco will be able to function, as planned.

At present, SOCAR supplies oil from Azerbaijan to more than 30 countries of Europe, Asia and America.

A quarter of all oil exports from Azerbaijan in 2017 fell to Italy, a quarter of the export of petroleum products - to Malta, almost a quarter of petrochemical exports - to the Netherlands.

In 2017, the total volume of Azeri oil exports amounted to 35 million tons. Italy (25%), Germany (13%), Indonesia (10%), Israel (9%) and France (8%) became the largest buyers. Of the total volume of Azeri oil exports, SOCAR accounted for 22.1 million tons.

In 2017, 1.9 million tons of oil products and 241,000 tons of petrochemical products were exported from Azerbaijan: a quarter of the total export of oil products by SOCAR last year was in Malta, 16% in Turkey, 14% in Georgia, 10% in Gibraltar and 9 % To Italy.

The development of the energy sector in Azerbaijan is not limited to our borders. We have seven pipelines. Three of them transport oil: two of them lead to the Black, one to the Mediterranean. The number of gas pipelines is four, for which we can transport gas in all directions - Georgia, Turkey, Iran and Russia. Meanwhile, gas production in Azerbaijan in 2017 amounted to 21 billion 91 million cubic meters (a decline of 5.3% compared to the same period last year). At the same time, in the reporting period, 13 billion 509.7 million cubic meters of gas were produced in the country (a decline of 4.1%).

The largest market for his country will be Europe, where "the need for natural gas will increase, and Azerbaijan is the only new energy source for Europe. Currently, all other sources are being used to supply Europe with gas. Azerbaijan is a new source, located near, the reserves are large, it has the potential, sufficient for the next decades. "Baku is closely cooperating with the European Commission, including several meetings of the Consultative Council of the Southern Gas Corridor with the participation of the Vice-Presidents of the European Commission.

In this regard, it may be recalled that the Nabucco and White Stream projects initiated by the West in the mid-1990s and the early 2000s envisaged the growing export of gas (including liquefied) from Azerbaijan to Eastern and Central Europe, as well as to Ukraine and to Belarus. But all these plans have not received practical implementation, not even because of high capital intensity, but because of the lack of export resources of Azerbaijani gas. It is possible that the same will happen in the so-called "Southern Gas Corridor" (SGC), supported by the same EU (separately - Poland and other countries), the US and Turkey.

Over the past 10 years, investments from the European Union (EU) in Azerbaijan totaled \$ 21 billion. The European Union and Azerbaijan have extensive cooperation within the framework of various programs, and the EU has provided 595 million euros to our country since 1992. Collaboration is implemented through Twinning, TAIEX, SIGMA, budget support, and technical assistance projects.

To date, work on 45 Twinning projects has been carried out. Of these, 29 projects have been successfully completed, 13 projects are under implementation, and 3 projects are under preparation. Azerbaijan is the leader in the Twinning projects.

EU countries are the major foreign trade partners of Azerbaijan. Over the past 10 years, more than half of foreign direct investment in Azerbaijan and 35.3 per cent of direct foreign investment in the non-oil sector fell to the membership of this organization.

In 2016 the share of the EU in the foreign trade of Azerbaijan was 35%, and in 2017 - 38%. Over the past 10 years, the European Union has invested about \$ 20 billion in capital in Azerbaijan. [55]

There are currently over 1,300 EU countries firms in Azerbaijan. Elimination of double taxation with 23 member states of this organization, agreements on protection and promotion of investments with 17 member states, strategic partnership declarations with seven member states and intergovernmental commission with 13 member countries. There are chambers of commerce between Azerbaijan and a number of EU countries. Over the past 5 years, 123 business meetings and other events were held with EU member states.

Azerbaijan plays an important role in ensuring Europe's energy security, and our country cooperates with the EU on the Baku-Tbilisi-Ceyhan project. The Southern Gas Corridor project is one of the successful examples of strategic cooperation in the field of energy. 93 percent of Shah Deniz 2, 93 percent, South Caucasus Pipeline Expansion, 85 percent, TANAP 72 percent, and TAP - 42 percent.

Azerbaijan also cooperates with the EU within the framework of Twinning, TAIEX, SIGMA, Technical Assistance, Budget Support Instruments, and has provided EUR 582m from Azerbaijan since 1992.

So far, \$ 800 million has been invested in industrial parks in Azerbaijan. To date, 154 entrepreneurs have been issued investment incentive certificates, which allows them to invest about 1.5 billion manat in the economy. Over 4 months of the current year, transit cargoes crossed the country by 23 percent. Expansion of non-oil exports is one of the priorities and trade representatives of Azerbaijan to Russia, China and the United Arab Emirates have already been appointed. It is also planned to appoint Azerbaijani trade representatives to EU countries.

The economic reforms in Azerbaijan give real results. In the first four months of this year, the non-oil industry grew by 2.8%, agriculture by 3.2%, trade turnover by 11.5%, exports by 41%, non-oil exports by 23%. During this period, foreign exchange reserves increased by \$ 1.3 billion and amounted to \$ 39 billion. As of April 1, foreign exchange reserves are 3.2 times more than foreign debt. Azerbaijan ranks 37th among 138 countries in the Global Competitiveness Report (2016-2017) and the first among the CIS countries for several years. [56]

It is advisable to consider the trade turnover of the EU as a whole in order to analyze the commodity structure of imports and exports between Azerbaijan and the EU.

In the commodity structure of EU imports, machinery and transport equipment (29.5%), mineral fuels, lubricants and similar products (25.4%), various industrial products (13.5%) and chemical products (9.2%). Interestingly, the main part of the EU exports is those products. Thus, exports of machinery and transport equipment (42.5%), chemical products (17.5%), mainly industrial goods classified by type of

material (12.7%), and various industrial products (10.4%) dominate the EU exports.[56]

The landscape characteristic for EU imports and exports creates the content of mutual trade between the EU and Azerbaijan. As already mentioned, the table below shows that, as in the world trade, fuel and mining products in Azerbaijan's exports to Europe (from Europe's imports from Azerbaijan) dominate in the import of Azerbaijan from Europe (in Europe's export to Europe).

It should be noted that Azerbaijan has a 0.6% share in the total import of the EU but has 2.5% share in imports of mineral fuels. Azerbaijan is the 8th country in terms of its specific weight in imports of EU fuel products. These facts once again show that Azerbaijan, which is considered a small country for the total volume of its economy, plays an important role in providing Azerbaijan with EU energy products. At the same time, this fact also shows that Azerbaijan has not sufficiently benefited from the EU's preferential trade policy. Thus, 58.5% of the privileges granted to non-oil sector products in Azerbaijan were used at best.

As you know, the stagnation of the energy sector on the basis of Azerbaijan's trade with Europe is related to energy projects that our country successfully accomplishes with European countries. The "Contract of the Century" signed in 1994 laid the foundation for successful cooperation with the European countries, as well as other leading countries in the energy sector.

The "Contract of the Century", valued as the biggest event in the history of Azerbaijan's oil industry and having significant political and economic importance, was signed on the development of Azeri, Chirag and Guneshli (ACG) fields located in the Azerbaijani sector of the Caspian Sea. In addition to the United Kingdom and Norway, the US, Japan, Russia, Saudi Arabia and Turkey have agreed to invest in large-scale investments in the oil industry in Azerbaijan. Thus, this agreement has resulted in the signing of 26 more contracts with 41 oil companies representing 19 countries. In the "Contract of the Century", BP UK has a 34.14% shareholding as a project operator. Norwegian Statoil has a stake of 8.56% in this project. Thus, the

European countries are the main participants of the largest energy project on the development of oil fields in Azerbaijan.

2.3. The EU's investment cooperation with Azerbaijan

The share of European Union countries among foreign investors in the non-oil sector of Azerbaijan is 36.5%. These are mainly Great Britain, the Netherlands, Germany, France and Italy. Withdrawal of double taxation with 20 EU countries, and agreements with 17 countries on investment promotion and mutual protection have been signed and measures are being taken in this direction.

Statistical calculations show that, according to current figures, Azerbaijan holds the 33rd place in the EU import, the 60th in exports and 39th in the total trade turnover. In addition, 5% of CIS exports to the EU and 1.6% of the CIS countries' import from the EU fall to Azerbaijan.

Attraction of foreign investments into the economy of the country is an important component of the strategy of economic development of the Republic of Azerbaijan. Political stability and economic development of the country in recent years have contributed to the growing interest of foreign countries in investing long-term investments in the economy of Azerbaijan. To date, important laws have been adopted in the republic related to the inviolability of property, the protection of the rights and interests of investors, the creation of the same working conditions for local and foreign entrepreneurs, the unhindered use of the profits received, thereby creating a legal framework. At present two laws regulate investment activity in the Republic of Azerbaijan: the Law of the Republic of Azerbaijan on Investment Activity, confirmed by the Decree of the President of the Republic of Azerbaijan No. 952 of January 13, 1995 and confirmed by the Decree of the President of the Republic of Azerbaijan No. 57 of January 15, 1992 "The Law Azerbaijan Republic on protection of foreign investments ". In addition, the government of the Republic of Azerbaijan signed bilateral agreements with a number of countries on the abolition of double taxation, encouragement and bilateral protection of investments. All the responsibility related to the conversion of profits into another currency or with reinvestment was abolished, a single exchange rate was formed on the basis of the principles of a

market economy. These events have increased the interest of foreign investors, international financial institutions and economic organizations to Azerbaijan.

At the moment, measures are being taken in the country to consistently implement economic reforms, improve the business environment, develop the non-oil sector on an equal footing with the oil sector. In order to attract investments into the economy of the Republic of Azerbaijan, the government pursues an "open window" policy.

In recent years, the process of Azerbaijan's integration into the world economy has intensified. In 1995-2011, more than 60% (about US \$ 63 billion) accounted for foreign investments from investments aimed at the country's economy in the amount of 119 billion US dollars. If in 1995-2002 the volume of foreign investments was equal to 9 billion US dollars, in 2003-2011 this figure increased 6 times and amounted to 54 billion. Out of all foreign investments aimed at the economy of the country in 1995-2011, 25.5 billion was directed to the development of the non-oil sector, and 37.5 billion - to the development of the oil sector. The main spheres of attraction of enterprises of joint and foreign investments operating in the non-oil sector are the industrial, construction, transport and market sectors. In the establishment of fully foreign and joint investment enterprises, the share of Turkish entrepreneurs is 27.6%, entrepreneurs from Great Britain - 11.7%, Russia - 6.8%, Iran - 6.2%, the USA - 5.9%, Germany - 2.9%.

Table 9

Investments aimed at the economy of the country (million US dollars)

Investments aimed at the economy of the country (million US dollars)			
	2003-2011	2012-2016	2003-2016 (Total)
All investments	106247,8	114902,0	221149,8
Domestic investments	52443,2	61469,2	113912,4
<i>Oil sector</i>	9024,1	114,79	9138,89
<i>Non-oil sector</i>	43419,2	9066,79	52485,99

Foreign investments	53804,5	53432,8	107237,3
<i>Oil sector</i>	31333	0	31333
<i>Non-oil sector</i>	22471,5	14137,18	36608,68

Table 10

Spent on the country's economy investments in the oil and non-oil sectors (million US dollars)			
	2003-2011	2012-2016	2003-2016 (Total)
Oil sector	40357,2	114,79	40471,99
Non-oil sector	65890,7	23203,97	89094,67

Table 11

Foreign investments directed to the economy of the country (million US dollars)			
	2003-2011	2012-2016	2003-2016 (total)
Total foreign investments	53804,5	107237,3	161041,8
Financial loans	14684,4	496526,66	511211,1
<i>Of these, the oil sector</i>	727,8	0	727,8
Investments directly	34264,2	81604,8	115869
Bonus of oil	192,8	0	192,8
Portfolio investment	781,7	7578,7	8360,4
Other investments	3881,4	7343,1	11224,5

In order to implement the required measures to accelerate the development of entrepreneurship in the country, improve the rationality of the business environment and simplify the procedures for starting entrepreneurship, the President of the Republic of Azerbaijan signed an order of October 25, 2007 "On measures to ensure the organization of business entities on the principle of" Single Window ". According to this decree, the Ministry of Taxes of the Republic of Azerbaijan was appointed as a

single state registration body on the principle of a "single window", and from January 1, 2008, Azerbaijan started using this system. After the introduction of this number of procedures for starting business activities from 15 to 1, and the time spent from 30 days was reduced to 3 days. Entrepreneurs can exchange documentation with tax authorities and banks through the newly established Internet Tax Administration. In addition, for the purpose of receiving, viewing and responding to questions and appeals of businessmen on tax legislation, the telephone information service is functioning 195. According to the "single window" system, all persons engaged in commercial activities must be registered with the Ministry of Taxes of the Republic of Azerbaijan.

In order to improve the business environment in the Republic of Azerbaijan, increase of state care in this sphere in the country there are a number of structures:

Azerbaijan Investment Company

- In 2006, the Azerbaijan Investment Company was established to regulate the single policy of the state policy implemented in the sphere of support of business development, as well as to ensure the growth of the investment attractiveness of the republic. The main objectives of the company was to ensure the promotion of investment in the economy of the state and work to eliminate existing problems in this area. The purpose of the company's investment activity is mainly participation in shares of the charter capital of joint-stock companies and other commercial organizations operating in the non-oil sector of the country's economy, including the implementation of long-term investment deposits through the purchase of shares.

In 2003, the Azerbaijan Export and Investment Promotion Foundation (AZPROMO) was established with the aim of increasing the country's export potential through the development of local production, as well as encouraging the attraction of investments. The fund, playing the role of a bridge between investors, local producers and the government, carries out very significant activities in building a dialogue between the public and private sectors. AZPROMO assists foreign investors in implementing their investment projects, combating local bureaucracy and simplifying their arrival in Azerbaijan.

Azerbaijan's advantages for foreign investors:

1. Fertile conditions for foreign investors:
 - The highest indicator in the region of foreign direct investment is direct.
 - Legal support for investors.
2. Rapidly developing and open economy:
 - Annual GDP growth of 26.4%.
 - The annual growth of foreign market turnover in 19.8%.
 - Average import level: 5.7%.
3. Broad opportunities in the non-oil sector:
 - High growth in most areas of economic activity over the past 5 years: industrial - 7,5, construction - 3,8, market - 3,5, transport and communications - 2,9, social services - 2,8, agricultural - 2, 1 time.
 - Tax concessions to producers of agricultural products.
4. Natural reserves: minerals and fertile lands.
5. Advantageous strategic position:
 - Direct access to Central Asia and the Caspian.
 - Participation in international commercial initiatives (Great Silk Road, North-South Corridor).
 - Factor of expanding Europe and accession to the New Neighborhood Policy.
6. Competitive local workforce.

Authoritative international organizations always highly appreciate the rapid social and economic development of Azerbaijan, the measures implemented in the country to improve the business environment and other achievements of the country. In the report of the World Bank and the International Finance Corporation "Doing business - 2012", Azerbaijan ranked 66th among 183 countries. Due to the simplicity of registration of property and the parameters of starting business, Azerbaijan is also included in the leading group among world countries. The Republic of Azerbaijan, which achieved success in the sphere of crediting, working capacity and other spheres of activity, is on a par with highly developed states. So, according to 10 different indicators, according to the report on real estate registration prepared for 183

countries, Azerbaijan ranks 9th. At the same time, 4 procedures are provided for the transfer of property in Azerbaijan, which are carried out within 11 working days, the fee for these procedures is 0.2% of the value of the property. These indicators are among the best in the region. For comparison, it is worth noting that in the countries of Eastern Europe, where Azerbaijan belongs, and in Middle Asia, the property is spent on average 37, in Turkey - 44, Russia - 45, Bulgaria - 66, Romania - 70, Iran - 163, in Ukraine - 166 days. Azerbaijan ranked 18th among 183 countries in the rating of the beginning of business activity. To begin business activities in Azerbaijan, six procedures are required. These take 8 days and require payments of 2.7% of the total capital. The minimum capital is not established. In Azerbaijan, these indicators are better than in the countries of Central and Eastern Europe, in which the procedure takes 11 days. In addition, the number of procedures for starting an entrepreneurial activity is less than in the countries above the specified regions.

The situation with the Azerbaijani economy is also highly appreciated by international rating agencies. So, in December 2011, the rating agency Standard & Poor's raised one-year long-term sovereign credit rating of Azerbaijan in foreign and domestic currencies, thereby raising it to the level of "BBB-" and conferring on Azerbaijan an investment rating. The agency also raised the short-term sovereign credit rating of Azerbaijan in foreign and domestic currencies by one step, thereby raising it from the "B" level to the "A-3" level. At the same time, Fitch Ratings retained long-term sovereign credit rating of Azerbaijan in foreign and domestic currencies at the level of "BBB-" with a "positive" outlook. Agency "Moody's" on the level of "Ba1" assigned to Azerbaijan, the outlook for the sovereign rating changed from "stable" to "positive".

All of the above shows once again that Azerbaijan as a developed state is constantly in the center of attention of the world's leading investors. Since 1995, \$ 233 billion has been invested in the Azerbaijani economy, of which \$ 111 billion was spent on foreign investments. More than 8,000 foreign companies currently work in Azerbaijan, which is an indicator of the success of the state's investment policy.

The Azerbaijani elite is ambivalent in its approach towards EU-led initiatives. It wants to be part of these projects, but without significantly changing the country's system of governance. By contrast, cooperation with the EEU or China does not require reform or involve criticism of Azerbaijani policies. Beijing's ability to pump investment into Azerbaijan and stave off financial crisis, with no reform agreements attached, may push the country towards China and away from the EU.

The oil windfall made the government bold in recent years, and led it to ignore the demands of international institutions such as the Council of Europe and the International Monetary Fund (IMF). However, the recent drop in oil prices has had a big impact on the economy. The years of massive investment and spending are over, and the population is feeling the effects of a decreased level of income. This, in turn, affects their political and economic expectations, and could lead to riots or protests if the situation becomes bad enough.

The EU should be decisive when involving Azerbaijan in its projects, making large investments that can outbid Russia, while bearing in mind that its projects will only be successful if they are planned with the peculiarities and interests of Azerbaijani society in mind. Meanwhile, the Russian-led EEU has little chance of success from an economic perspective. It lacks both financial and economic stamina. However, the political manipulation of instability in the region, and the stirring up of fears of a new "Orange Revolution", may attract the political establishment of Azerbaijan.

CHAPTER III: PROSPECTS FOR FORMING NEW FORMS OF EXTERNAL ECONOMIC COOPERATION OF THE EU WITH AZERBAIJAN

3.1. The main directions of cooperation of the European Union in the context of Eurasian integration

To become a realistic proposal, the idea of intensifying economic cooperation between the EU and the Eurasian Economic Union (EAEU) will depend on significant improvements in the geopolitical context between the EU and Russia. Despite the uncertainties associated with this, the political and scientific community is invited to anticipate and analyze the prospects, opportunities and challenges associated with the development of economic partnerships. In fact, our starting point is that all parties involved in the project will benefit from the implementation of the concept of cooperation "Lisbon-Vladivostok".

In this context, within this research initiative, IIASA and its partner institutions have long been looking at EU-EAEU cooperation. It is especially important to bring together officials and experts from the EU and EAEU to engage in constructive dialogue, aiming to prepare a mutually agreed basis for future initiatives that, as soon as the political context sufficiently improves, towards the implementation of the Lisbon-Vladivostok concept. In particular, this will be based on scientific evidence concerning the restoration of the destroyed economic relations between the EU and Russia. Noting this serious political tension, we are eager to wait, working with the hypothesis, to expect better times, when all the conflicting parties work together towards a new set of joint approaches, including the liberalization of trade and the creation of integration processes on the wider Eurasian continent. We believe that this bright stage of relations should be prepared in advance.

It can be argued that, given the necessary conditions, an agreement on deeper economic cooperation, including integration between the EU and EAEA, could become a reality in the next decade by the mid-2020s. However, this will require the resolution of current political disputes and economic / trade problems between the EU and Russia. Over the next decade, the task of the scientific community and policy-makers should be to pave the way for the substantiation of the negotiations.

IIASA aims to study and develop plausible future conditions for a holistic assessment over the next few years.

The envisaged EU-EAEU cooperation agreement should be comprehensive, given the scale, structure and intertwined nature of relations between the EU, Russia and the countries of their joint wide neighborhood. Such an agreement can include a large number of different aspects: from trade in goods and services to free movement of capital and people, including simplification of issuing visas and residence permits, as well as the development of cross-border and transit infrastructure, institutional relations and structures, intellectual property rights rules, public procurement, public company policies and other cross-cutting regulatory issues. Due to the huge volume of related issues, discussion of the expected agreement or set of agreements could be called a "mega deal". Since the importance of various aspects is likely to be different for both parties, mutual concessions and compromises will necessarily be interrelated. In particular, because of the current export structure, EAEU may be interested not just in the free trade agreement as such, but in a comprehensive agreement with the EU that goes beyond the free trade agreement. It is likely that such deep cooperation cannot be established in one step, but built gradually, in several stages.

It is expected that political relations between the EU and Russia will return to a more constructive path, with the termination of mutual sanctions, as well as the weakening of relations between Ukraine and Russia. This is a hypothetical context in which it becomes relevant to study medium- and long-term opportunities for constructive initiatives between the parties. The first question concerns the possible establishment of official relations between the EU and EAEU. For the sake of fairness, it should be noted that the IIASA Eurasian Integration Challenges project is currently the main and perhaps the only unofficial forum where there were contacts between experts from both the European Commission and the Eurasian Economic Commission.

Assuming that the necessary political conditions will be created, the first step is likely to be the start of an official dialogue between the two commissions to consider

a possible agenda of issues of mutual interest. It can be based on actual or planned EAEU activities, comparing them with numerous EU agreements with third countries: trade policy, trade regulation policy, infrastructure for transport corridors, etc. These programs are well known and structured. An open question is always the development of which items on the agenda can be moved beyond the dialogue, to a higher level of operational and legally binding obligations. Assuming that the necessary conditions will be ensured, the current review of the EU Neighborhood Policy can be an opportunity to initiate a dialogue between the EU-EAEA.

The next step would be to identify the main elements that could give the proposed cooperation project a critical mass. An inevitable candidate will be the preparation of negotiations on a free trade zone between the EU and EAEA. This will cause a number of legal and economic problems, as well as political considerations. From the point of view of international law, the main problem is the WTO requirement that member states should enter into free trade agreements with other WTO members to ensure compliance with most-favored-nation (MFN) obligations. On this issue, Kazakhstan's accession to the WTO in December 2015 is an important factor, as Russia, Armenia and Kyrgyzstan are WTO members. It just leaves Belarus, which, it seems, is still far behind. However, Belarus recently expressed some interest in a more open and modern structure of trade policy with third countries. The EU certainly welcomes this development. This also corresponds to the interests of the large members of EAEU (Russia and Kazakhstan) who are striving to create an FTA network with third parties.

As for the fundamental interests in the FTA between the EU and EAEU, this has been the subject of considerable analysis and debate, with some clear conclusions already reached. For the EU, the FTA with EAEU will be an attractive proposition from an economic point of view, as it will give preferential access to an important export market. However, this will require significant progress in resolving the Ukrainian crisis. On the EAEU side, the picture is more complicated. Russian experts, in particular, often refer to the asymmetry of this proposal, which is considered favorable for the EU, since Russian exports to the EU - mostly raw

materials - are no longer billed or almost so. There is a counter argument that external liberalization will be an integral part of comprehensive strategies of economic restructuring and modernization, which are extremely necessary for both Russia and Kazakhstan to restore competitiveness and growth dynamics. Although there is no clear result in this important discussion, it still proposes to think about what other components of the proposed FTA will bring important benefits to Russia.

As for the energy sector, current events are clearly moving towards mutual diversification of supplies and markets on the side of both the EU and Russia, far apart. This deviates from the simple logic of economic geography, but, apparently, is an irreversible development based on geopolitical considerations and security considerations. The EU is surrounded by sources of alternative gas supplies, while Russia seeks to tap the huge potential of the Chinese market. However, there are different degrees in which such diversification can occur. Moreover, on the whole, it can be judged that a certain reduction in the relations between monopolists and monopoly suppliers between the EU and Russia will ultimately be a healthier political proposal. On the other hand, this does not exclude that the EU and Russia will better agree with each other regarding the terms of gas supplies. As already mentioned, the European Commission is currently engaged in a major antitrust case initiated by some EU member states against Gazprom. There is also some opposition to the expansion of the Nord Stream project and uncertainty about the South / Turkish Stream project. Such cases can in principle lead to negotiation decisions. Although it is still beyond the scope of the work done to analyze how these problems can be solved, the important point is that some more cooperative *modus vivendi* is definitely desirable for the future. Perhaps the solution to the issue of competition policy and geopolitical considerations can be resolved by exploring alternative solutions for a new settlement in the field of energy security.

If the idea of a FTA were pursued, then there are some unavoidable actions that must accompany the removal of tariffs, primarily with respect to non-tariff barriers (NTBs) in the field of technical standards for industrial products, as well as sanitary and phytosanitary standards for the agro-food sector. There are also other important

topics, such as competition policy, public procurement, rules on public companies, intellectual property rights and liberalization of service sectors. It has already been mentioned that the positive economic impact of a reduction in NTBs can be very substantial, in fact considerably exceeding the consequences of lowering the remaining import tariffs. These are all complex areas that currently underpin all global and interregional trade agreements. Although negotiations in these areas are often extremely complex, as the current EU-US talks on TTIP confirm, [56, p.28] they nevertheless are amenable to compromise solutions.

Here it is worth paying attention to the new Agreement on enhanced partnership and cooperation between the EU and Kazakhstan, signed at the summit in Astana on December 21, 2015. The relevant point is that the structure of this agreement has the same classical agenda (for the EU) economic and political issues that invariably manifest in its external association and cooperation agreements. This new agreement between the EU and Kazakhstan is certainly not as close as DCFTA between the EU and Ukraine, Moldova and Georgia, and cannot include aspects of free trade, given that Kazakhstan is a member of EAEU. Nevertheless, he seeks to develop cooperation on a broad agenda and illustrates the problems that arise for bilateral relations between the EU and any member state of the EAEA. In particular, both the EU and Russia have for many years tried to agree on a new agreement to replace their agreement on partnership and cooperation in 1994, and within the framework of the resumption of constructive relations between the two sides, these negotiations are likely to be resumed. In this case, there will be a question of coherence between the two agreements with Russia on a bilateral basis, as well as with the EAEA on a multilateral basis. It is here that the EU-Kazakhstan agreement is the actual first test case.

Expecting more constructive changes, there were two tripartite processes between Ukraine, Russia and the European Commission, including one on trade policy proposed by Russia to address the alleged negative consequences of the implementation of the EU-Ukraine DKMST, which, however, failed in December 2015.

The second process for the supply and transit of gas from Russia through Ukraine to the EU continues. It is to be hoped that at some stage circumstances will allow constructive trade policy negotiations between the three signatory countries and EAEA, without doubt, also involving the European Commission to address compatibility issues between the DCFTA and the possible FTAs of the three countries with EAEU. One possible option might be a potential wider free trade agreement between the EU and EAEU. [57, p.29]

Finally, recently, there are other important problems that can be called a possible agenda for "Greater Eurasia", which concerns not only the EU and EAEU, but also future relations with both the main players in Asia, in particular with China, as the immediate neighbor of the EAEU. [58] The possible development of relations between the three major economies of the EU, EAEU and China raises more questions than answers, not least because the inclusion of China radically changes the economic aspects in Eurasia. As an example of possible content, there are some important events: "One belt in one way" in China as a basic idea and a new Asian Investment Bank, the development of railway and automobile communications and Russian-Chinese energy supply projects. One of the most tangible topics is that of transport corridors between Europe and Asia, with Russia and Kazakhstan occupying prominent places on the map of Eurasia: from the point of view of the EU and East Asia, there is interest in diversified transport corridors.

This leads to the question "how about the rest of Asia?", Which others can be included in the future initiatives of Greater Eurasia? The first discussions at IIASA showed that while the focus should be on EU-EAEU and China, the discussion should also cover relations and possible links with Japan and the Republic of Korea. In addition, similar issues arise for Southeast Asian and Indian countries, as there are relevant organizations that seek to provide some answers, such as the Shanghai Cooperation Organization and the Asia-Europe Meeting (ASEM). For the countries of the Asia-Pacific region, the main means of meeting their energy needs will be an increase in energy imports. Russia and the Eurasian Economic Union are in a better position to supply oil and gas. The main energy resources can come from Eastern

Siberia and the Far East. Potentially, they can meet the needs of the Republic of Korea and Japan in coal, oil and gas. With the development of railways and sea routes (the Northern Sea Route, etc.), the transporters will support these processes. EAEU, especially the Russian Far East, will benefit greatly from the transfer of technology from the Republic of Korea and Japan. Trade and investment cooperation with the countries of the Asia-Pacific region belongs to strategic priorities for Russia and the EAEA. In general, the range of possible topics and their respective plausible geographic contours deserves a deeper study. As a starting point, we declare that the states involved have common interests with respect to trade flows, investment flows and the development of cross-border transport and energy infrastructure.

In this context, an important role is played by the discussion platform created by IISA, and some preliminary conclusions, which we summarized in this report. They also require a more fundamental long-term research project. Details of such a new and expanded Eurasian project will be set out in a separate document that is in preparation, covering the potential phase II. It is expected that the studies will be focused on two dimensions. The first of these is a fundamental theory, which will address the following research questions: What is the future of regional integration? What are the consequences of growing regionalism? What are the ways to improve the efficiency of regional organizations and narrow gaps in implementation? What is the impact of integration and disintegration on economic development, industrial and scientific cooperation and welfare? The purpose of this component is a systematic theoretical evaluation of various options for economic integration, disintegration and various forms of economic cooperation, primarily at the regional level. The second component is policy-oriented. It will aim to identify possible options for closer cooperation between the EU and EEAU, extended to an analysis of relations with both China and complementing research results through sectoral road map projects and policy recommendations.

Azerbaijan's largest trading partner today is not Russia but the EU. In 2011–2014, between 48 and 52 percent of Azerbaijan's exports went to the EU, while between 26 and 32 percent of imports came from there.⁵ According to one of the

experts interviewed for this paper, “if the Eurasian Union offers a model of regional economic cooperation, then there are many benefits such as cross-border trade, customs, labour, investments.

By contrast, the EU plays an important role in Azerbaijan’s trade. For a number of years, over 50 percent of the country’s foreign trade has been with EU countries – much higher than the level of trade with Russia or its partners.¹⁰ The EU is positively viewed in the country and is considered the most desirable region for study and travel.

Chinese investments and projects are also positively viewed in the country. The public and the political establishment believe that China does not have political interests in the region, due to its geographical distance. Chinese projects are therefore considered in purely economic terms. China also has enormous funds for the implementation of projects, lessening the burden on Azerbaijan. With falling oil prices and fewer cash reserves in the country, Chinese investments could be critical. Meanwhile, China is perceived as a country that delivers and implements projects with a quick turnaround.¹¹ In contrast to the US and the EU, which are constrained by bureaucratic hurdles, and Russia, which puts politics ahead of economics, China is considered to be a reliable partner. Experts noted that “if China negotiates a project and investments, and credit agreements [are] signed, no obstacle stands in its way. Additionally, no countries can compete in terms of resources to provide an alternative to China.”

The Chinese OBOR initiative was enthusiastically greeted by the political establishment, though the public is not aware of many of these Chinese projects. Chinese investment helps to fill the funding gap in Azerbaijan’s strategic plan, allowing many projects to go ahead that would otherwise have struggled to find financing. In August 2015, the first container to take the OBOR route, or Silk Road, travelled the more than 4,000km from China in a record six days, arriving at the newly constructed Baku International Sea Trade Port. This signalled a new era in regional transport links.

China, together with partners from Azerbaijan and Kazakhstan, was a major player in implementing the project. It demonstrated to Chinese partners that cargo could reach Europe much faster via the Silk Road than by sea or by transiting through Russia. Both Kazakhstan and Azerbaijan used the project to encourage Chinese establishments to begin infrastructure in their territories so they could reap the benefits. Azerbaijani authorities believe that by 2020 some 300,000–400,000 containers will be transported via this route, bringing billions of profits.

Though it is attracted to China's east–west corridor, Azerbaijan does not reject the idea of a north–south corridor from Russia to Iran. Azerbaijan was in favour of this project, but both Russia and Iran lacked much interest in pushing it forward. However, the economic crisis, sanctions against Russia, and the opening of Iranian markets may offer the opportunity to revitalise the project. On 7 April 2016, the foreign ministers of Azerbaijan, Iran, and Russia met in Baku to discuss the north–south transport corridor. On 20 April, Azerbaijan and Iran launched construction of an 8km-long railway linking the borders of Iran and Azerbaijan, due to be completed by the end of the year. Meanwhile, the Iranians have accelerated work on the construction of the Rasht–Astara railway to link the rail systems of Iran, Russia, and Azerbaijan, allowing Russian goods to reach the Persian Gulf faster. Baku has already given Iran a \$500 million loan to complete the project.

The differences in the political structure and ideology of China and the EU, as well as their diverging approaches towards domestic issues such as human rights, makes this problematic for the EU. Close relations with the EU make the Azerbaijani elite uncomfortable, and they are irritated by its criticism over human rights violations, corruption, and the absence of reform. The establishment understands that continued movement towards the EU will force Azerbaijani elites to carry out significant reform of the public administration, respect human rights, and open up local markets. This all points to the further democratisation of the country, which could undermine the current government.

3.2. The perspectives economic relations of Azerbaijan with EU

Complex analysis shows that the Republic of Azerbaijan and the EU have quite a number of interrelated interests in terms of economic integration, and these interests require the development and deepening of economic cooperation between the parties. These factors can be grouped as follows:

- Necessity of development of regional and international cooperation in ensuring modern socio-economic development in the country;
- Azerbaijan's location on the same continents as the EU, and in this connection its geopolitical and geo-economic position is directly related to the European political and economic space;
- Intensive expansion of the EU's scope and influence, turning the EU into one of the major centers of economic and political power in the world;
- Azerbaijan has extensive export potential which is important for EU countries;
- Necessity of Azerbaijan to obtain high technology and technology from EU countries for the development of the national economy;
- Progressive farming and management applied in EU countries
the necessity of mastering the experience of Azerbaijan;
- There is a high demand for large-scale foreign investment in the modernization and development of existing production and infrastructure facilities in the country, as well as the creation of new areas;
- The strategic geopolitical and geo-economic situation of the EU in the Caucasus and the Caspian region have interests;
- Favorable conditions in the country for the high-quality products produced in EU countries, as well as the growing demand in the Azerbaijani market for modern technological and technical equipment and so on.

Azerbaijan's economic integration interests with Europe are conditioned by factors such as the geopolitical and geo-economic position of the country, historical traditions and the features of socio-economic development. Through the integration of Azerbaijan into the AIM, on the one hand, to meet the needs of the population

more fully, to form an efficient structure of the economy, to acquire modern techniques and technologies, to adopt advanced farming and management experience, etc. to solve such internal socio-economic problems more easily, and, on the other hand, to extend the boundaries of the economic space it has, to realize its advantages in its regional and international division of labor, and to secure a more secure economic and national security. Expressing its position on the necessity of closer integration into the European space, the Republic of Azerbaijan has established a multifaceted relationship with the European Union. The relations of the Republic of Azerbaijan with the European Union are developed within the framework of TACIS, TRACECA and other programs. The ENP political dialogue, which has been in force since 1999 between the Republic of Azerbaijan and the European Union, promotes the development of democracy, as well as creates a framework for economic cooperation and investment. The inclusion of the Republic of Azerbaijan in the New Neighborhood Policy of the European Union in 2004 and the implementation of the Azerbaijan-European Union Action Plan adopted in 2006 within the framework of this policy will further promote cooperation in the field of political dialogue and political, economic and institutional reforms, the ground floor. The Memorandum of Understanding on Strategic Partnership in the Energy Sector, signed between the Republic of Azerbaijan and the European Union in 2006, provides for the multilateral access to energy sources and transportation routes of EU member states, development and modernization of energy infrastructure in the Republic of Azerbaijan, efficient use of energy resources and inexhaustible energy will contribute to the utilization of resources. The closer cooperation of the Republic of Azerbaijan with the European Union will contribute to stability in the Caucasus and will promote the spread of European values." The interests of the EU are the establishment of mutually beneficial economic relations with the neighboring countries, the formation of a stable and healthy economy and democratic governance in these countries, regional development of the regional development and regional problems in the region, establishment of a more robust security system in the region and so on. it is conditioned by such issues [19, p.350-369].

It is expedient to take a brief look at the path of Azerbaijan's integration into Europe at this point to assess the situation in the realization of the interests of Azerbaijan-EU mutual economic integration and to define the perspectives of these interests.

Based on our research, over the past 20 years, Azerbaijan's integration into Europe has been conditionally divided into the following stages, depending on the nature of the events:

1. Declaration stage (1991-1993);
2. Adaptation phase (1993-2000);
3. Implementation period (2000-2007);
4. from the Implementation phase towards the correction phase (period after 2007).

Starting with the 1991 declaration of the restoration of Azerbaijan's sovereignty and the country's facing chaos, lawlessness, arbitrariness and injustice, and its integration into Western European space - Western civilization's priority to establish a modern, democratic, legal and just state, ("declaratory stage"), the Republic of Azerbaijan made its first step towards joining the OSCE (1992) and its intention to establish relations with other European institutions in Europe as a member of the OSCE (then the Security and Cooperation Council in Europe) (1992-1993) [7, p.57].

In 1996, with the signing of the PfP between Azerbaijan and the EU, a new phase of integration into Europe was laid. At this stage, the State Commission was established by Order No. 272 of the President of the Republic of Azerbaijan dated November 23, 1999 for the purpose of developing and implementing appropriate measures to expand and regulate partnership and cooperation with the EU. The activities of the agencies (the Cooperation Council, the Cooperation Committee and the Parliamentary Cooperation Committee) established in accordance with the Commission and the TAS ensure continuity, regularity and systematization of mutual relations. During this period, mainly, the following issues were discussed: ways of resolving regional conflicts, regional cooperation issues and the role of international programs such as TACIS, TRACECA, INOGATE; Reforms in Azerbaijan,

integration into European economic and political structures, security issues, unification of judicial systems; freedom of press and problems of democracy development, methods of implementation of the PfP, issues of combating terrorism.

On July 8, 1996, the President of Azerbaijan signed an executive order on the implementation of the cooperation program between the Council of Europe and Azerbaijan and formal relationships were established with this organization on July 28. Azerbaijan has received a "special invitee status" at the Parliamentary Assembly of the Council of Europe. This event has given the opportunity to deepen mutual relations with European partners and to create a working mechanism to upgrade national legislation to European standards [8]. In addition, as a result of the EU-Azerbaijan cooperation in September 1998, an international conference within the TRACECA program was held in Baku. Representatives from 32 countries and 13 international organizations attended the Baku conference. At the end of the conference, the EU Commission and the Heads of the participating States signed the "Multilateral Agreement on International Transport for the Development of the Europe-Caucasus-Asia Corridor". At the same time, on behalf of the participants of the conference, the "Baku Declaration" was adopted which reflected the basic principles of comprehensive cooperation and integration among the Eurasian states. It was decided to establish a Secretariat in Baku in order to plan and coordinate cooperation within the TRACECA project.

Thus, Azerbaijan entered the new era of its history and integration into Europe, and became a full-fledged member of the organization in the European family of France, Germany, Great Britain, Italy and other countries. This phase includes the revision of the legislative framework, the International Convention on Human Rights (European Convention on Human Rights, its First, Fourth, Sixth, Seventh Protocols on the Prevention of Torture and Inhuman or Degrading Treatment, the Framework Convention for the Protection of National Minorities, the European Convention for the Development of Regional Languages The Convention on the Development of Local Self-Government, the Convention on Co-operation, the European Social Charter, the Convention against Corruption, the participation in many international

forums, and the implementation of large-scale and radical measures for the implementation of agreements and commitments already received. The adoption of European values, of course, strengthened Azerbaijan as a democratic state with a secular, developing civil society. Since the entry of Azerbaijan into the Council of Europe in 2001, the implementation of European values has continued to this day. Commissioning of the Baku-Tbilisi-Ceyhan main export oil pipeline connecting Azerbaijan, Georgia and Turkey to Europe and the launch of the Baku-Tbilisi-Erzurum gas pipeline will enable Azerbaijan not only to attract large investments, but also to gain income for the development and implementation of various projects throughout the country. at the same time allowed economic ties to link Azerbaijan's economy with Europe and the world system [12, p.5-11]

In this period, the EU's assistance has changed in the direction of enhancement of humanitarian spheres, expansion of trade and investment relations due to the entry into force of the Treaty and the improvement of the economic situation in Azerbaijan. Azerbaijan has become the EU's biggest trading partner in the Caucasus.

In 2005, the Presidential Decree on the establishment of the State Commission for the Integration of the Republic of Azerbaijan into the EU was signed. The decree envisaged setting up working groups with the EU on political, economic, transport and energy, law, security, human rights and democratization, humanitarian, science, education and other areas of cooperation. Memorandum of Understanding on Strategic Partnership in the Energy Sector, signed between the Republic of Azerbaijan and the European Union in 2006, is aimed at ensuring the multidimensionality of energy sources and transport ways of the EU member states, development and modernization of energy infrastructure in the Republic of Azerbaijan, efficient use of energy resources and inexhaustible energy will contribute to the utilization of resources.

At present, comprehensive integration into the AIM through deepening and expanding economic relations is a priority for the country's cooperation with the EU, and it is within the interests of both parties. As a result, the EU is acting as an important economic partner of Azerbaijan. The EU's important export market for

Azerbaijan implicates the EU's efforts to reduce existing trade restrictions. In this regard, the idea of establishing a free trade zone, which has the prospect of gradual integration into economic integration, has been put forward. It is believed that the realization of such an idea will contribute to the integration of the country into AIM and subsequently joining the EU with the promotion of transformation and modernization of the national economy, gradual adoption of European standards, improvement of quality of domestic products and promotion of competitiveness. It should be noted that the idea of establishing a free trade zone is primarily supported by major business structures interested in increasing access to EU markets. In addition, exporters and importers are particularly interested in reducing non-tariff restrictions on trade with the EU, primarily in eliminating restrictions on exporting agricultural products to EU markets [20, p.286-337].

Naturally, as Azerbaijan is rich in oil and gas resources, Azerbaijan is also interested in developing energy cooperation with the EU. The deepening of cooperation in this field also requires the EU's increased demand for these resources, which implies the Union's special approach to Azerbaijan in the South Caucasus policy. This feature, in its turn, enlarges Azerbaijan's ability to contribute to the energy security of the European space. For this reason, the Memorandum signed in the energy sector, which is also the EU's official position, has raised the energy supply capabilities and the development of energy infrastructure as a factor constituting a common energy policy. At the same time, in terms of diversity of energy supply mechanisms (eg, Nabucco and Trans-Caspian gas pipelines), many energy companies (especially BP, ENI, Shell, etc.) belonging to the EU are considered as key partners. From perspective, joining the Nabucco gas pipeline, supported by Azerbaijan and supported by the EU, is another alternative to delivering energy resources to the European market, as well as the prospect of acting as a transit country in this area.

Moreover, it should be noted that Azerbaijan's SOCAR has taken significant steps to expand its activities in the EU market and to participate in acquiring assets in EU member states (for example, Romania).

At present Azerbaijan is also interested in attracting investments from EU member states. Investors representing the EU have created favorable conditions for financial support for the modernization and development of the country's economy, as well as strengthening the securities market. Obviously, Azerbaijan, rich in mineral resources, can easily attract EU investors operating in the field of energy. In this regard, Azerbaijan is more interested in attracting EU investors to the non-oil sector of the economy.

Access to and benefit from EU programs and benefits for Azerbaijan is of particular importance. The EU funds allow reforming the country, improving the management system and building capacity in this area, developing transport and trade infrastructure, implementing environmental programs, and increasing energy efficiency. From all these points, it is possible to define the prospects for integration into the AIM in the context of the national interests of Azerbaijan as follows:

- The opportunity to take part in the EU's separate projects and programs alongside with the EU's share in the domestic market, and thereby the prospect of moving from close cooperation to the next level of integration;
- Possibility of continuous reduction of non-tariff limitations in trade, which facilitates the deepening of trade and economic relations, rapprochement of economic legislation, mutual opening of economies, promotion of investment and development;
- Increasing the amount of financial support that the Alliance supports for the sustainable development of the Azerbaijani economy to achieve the goals set out in the FP and other agreed documents identified by the documents signed within the ENP;
- Increasing the scope and intensities of cooperation through further development of mechanisms for political dialogue and consultation on security issues affecting the interests of both parties;
- Achieving the Union's support for the resolution of the Nagorno-Karabakh conflict within the framework of consultations with the OSCE, using the EU's means most effectively, to increase the importance of Azerbaijan for the EU;

- Increasing the number of EU programs in the areas of culture, education, environment, science and technology and enhancing opportunities for participation in these programs [7].

The positive outcomes of Azerbaijan's integration into AIM can be summarized as follows:

- Recognition of the country as a market economy in the international arena;
- Creating favorable conditions for accession of Azerbaijani products into European markets;
- Expansion of our country's participation in international economic relations and maximum national interests;
- Easier access to high-quality products produced in EU countries;
- Increased capacity of the country to join the European production cooperation;
- Increasing the volume of investments directed to the economy of Azerbaijan by EU countries;
- Expansion of imports of modern production and management technologies and "know-how" from EU countries;
- Increasing the competitiveness of national production as a result of strengthening competition in the domestic market, etc.

In general, given the geopolitical position of Azerbaijan, the energy and transport projects that are going beyond the region, many integration entities would like to see the country in their ranks.

They include the EU that included Azerbaijan in the Eastern Partnership program, as well as the new education in the region - the Eurasian Economic Union.

As you know, Azerbaijan in its relations with the EU holds a special position, which consists in an in-depth and close partnership with Brussels as a whole and with individual countries within the organization.

That is why, unlike Georgia, Ukraine and Moldova, which signed the agreement on European integration, Azerbaijan announced the preparation of a

partnership agreement, which provides for deeper cooperation between Baku and Brussels, but without obligations for EU accession.

On the other hand, Baku actively invites the Eurasian Economic Union (EAEC) created by Russia, Kazakhstan and Belarus (which are the main economic partners of Baku among the CIS countries).

Azerbaijan is already very skillfully using its geographical location for the development of transport routes both from north to south and from east to west. Naturally, the Chinese initiative "One belt - one way" provides for several routes for cargo transportation to Europe - Azerbaijan will not physically overpower the entire possible volume of trade between Europe and China. And in this context, the North-South corridor is of great importance, in which the role of Azerbaijan remains decisive in the current geopolitical realities. But Azerbaijan stated about the possibility of a new South-West direction based on the interconnection of North-South and East-West routes and envisaging the delivery of goods from Iran and India to Europe. Considering the launch of the Baku-Tbilisi-Kars railway and the connection of the Turkish railways with Europe, this direction can be very promising.

In any case, even without participation in any global integration projects, Azerbaijan declares itself as the center of the Eurasian space. Realized energy projects, in particular the Southern Gas Corridor project and development of transport routes, will approve this status.

In general, Azerbaijan is ready for the development of economic and energy cooperation with the EU, but opposes the criticism of the EU, which is mainly connected with the human rights situation, which Baku considers "its internal affair."

CONCLUSION

In the thesis, we conducted a comprehensive analysis of the formation of economic relations between Azerbaijan and the EU.

1. The analysis of the main directions of the European Union policy towards the Republic of Azerbaijan makes it possible to give a comprehensive assessment of the development of relations between the parties and make some forecasts about their further cooperation.

2. The work is investigated the policy of the European Union against Azerbaijan in the period under review was of an evolutionary nature; its transformation from the use of primarily economic instruments to the political mechanisms of interaction with partners is observed.

3. The study revealed that the EU's relations with Azerbaijan began in 1991. Their basis is the Partnership and Cooperation Agreement, which entered into force in 1999 and provides opportunities for large-scale cooperation in the field of political dialogue, trade, investment, economy, legislation and culture. Since then, the European Union has gradually expanded its cooperation with Azerbaijan. In July 2003, the EU appointed a Special Representative for the South Caucasus. Beginning in 2004, the European Neighborhood Policy is being applied to Azerbaijan (as the state of the South Caucasus), as well as the Eastern Partnership initiative, immediately after its adoption in 2009. The protocol on Azerbaijan's participation in EU programs and cooperation with relevant agencies was adopted in July 2016.

4. Studies have shown that on November 14, 2016, the EU Council approved the mandate of the European Commission and the EU High Representative for Foreign Affairs and Security Policy to negotiate on behalf of the EU and the EU member states on a comprehensive agreement with the Republic of Azerbaijan. This new agreement should replace the Partnership and Cooperation Agreement and take into account more generally the common goals and challenges facing the EU and Azerbaijan today. Negotiations on the new agreement began on February 7, 2017 after the visit of President Ilham Aliyev to Brussels on February 6. The new agreement will be in line with the principles approved in 2015 as part of the revision

of the European Neighborhood Policy and will offer an updated basis for political dialogue and mutually beneficial cooperation between the EU and Azerbaijan.

5. Studies have shown that trade relations between the EU and Azerbaijan are governed by the Partnership and Cooperation Agreement. The European Union, which accounts for 48.6% of the total trade of Azerbaijan, is the main trade partner of the Republic. The EU is the largest export and import market for Azerbaijan, accounting for 60.7% and 31.8% of the total export and import of Azerbaijan, respectively. The EU exports to Azerbaijan mainly machinery and transport equipment, the volume of exports amounted to 1.8 billion euros in 2016, and imports from Azerbaijan mainly oil and gas (98% of total imports), the volume of imports in 2016 was 7, 6 billion euros. The turnover of bilateral trade is approximately 9.4 billion euros. Since the Partnership and Cooperation Agreement is not of a preferential nature, it does not provide tariff preferences for either the European Union or Azerbaijan. However, the Agreement provides for the establishment of economic cooperation aimed at strengthening business ties and developing rules and practices of trade in goods and services based on the laws of the market economy.

6. Azerbaijan is an important energy partner of the EU, which currently provides 5% of the EU's oil needs and plays a key role in the delivery of Caspian gas to the EU market through the Southern Gas Corridor. The EU is the largest buyer of Azerbaijani oil and oil, being transported by transit through Azerbaijan. In January 2011, Jose Manuel Barroso, who at that time held the post of President of the European Commission, and President Aliiev signed the Joint Declaration on the "Southern Gas Corridor" in Baku. The "Southern Gas Corridor" is a strategic initiative for the delivery of Caspian, Central Asian and Middle Eastern gas resources to European markets and the main diversification tool for ensuring the security of energy supplies. The infrastructure that will allow delivering gas from the Caspian basin, in particular from the Shah Deniz 2 field, consists of expanding the existing South Caucasus pipeline from Azerbaijan to Turkey via Georgia; Trans-Anatolian pipeline, which crosses the territory of Turkey and connects Georgia with Europe; and the Trans Adriatic pipeline, which delivers gas from the Turkish border to Italy

through Greece and Albania. The giant gas field on the shelf of the Azerbaijani sector of the Caspian Sea - "Shah Deniz 2" - will annually supply 10 billion cubic meters. m of gas to European markets until 2020, and another 6 billion cubic meters. m of gas per year to Turkey.

7. The study revealed that however, cooperation between the EU and Azerbaijan in the energy sector is not limited to the "Southern Gas Corridor". The basis of bilateral energy cooperation was laid by the Memorandum of Understanding on the strategic partnership between the Republic of Azerbaijan and the European Union in the field of energy, signed in 2006. The Memorandum defines four priority areas of cooperation: harmonization of legislation; increased security of supply and transit systems; developing a comprehensive energy management policy; and technical cooperation and exchange of experience. Regular bilateral meetings assess the development of relations between Azerbaijan and the EU in the energy sector. In 2016, the Commission launched a new regional program "EU4Energy", aimed at supporting the Eastern Partnership countries, including Azerbaijan, in achieving energy goals. The EU also supports Azerbaijan's efforts in the field of energy efficiency.

8. In December 2013 Azerbaijan, EU and a number of EU member states signed the Partnership in the field of mobility. This Partnership establishes a number of political goals and defines areas within which further dialogue and cooperation between the EU and Azerbaijan will be continued to guarantee the safest and most effective order of people's movement. The first high-level meeting on Partnership in the field of mobility was held in February 2017 in Brussels. Two other instruments for cooperation in the field of migration are the Agreement on Simplification of Visa Issuance and the Readmission Agreement, which entered into force on September 1, 2014. Thanks to the Agreement on Simplification of Visa Issuance for Azerbaijani citizens, especially those who travel often, it is easier and cheaper to get short-term visas for trips to almost all countries of the European Union.

9. At the moment, the European Neighborhood Instrument (ENI) is the main financial instrument for the period until 2020; he replaced the European

Neighborhood and Partnership Instrument that operated between 2007 and 2013. Assistance to Azerbaijan from the EU is provided on the basis of the Program of Action, funded annually under the European Neighborhood Instrument. Priority areas for 2014-2017 are: 1) regional development and rural development in support of the Government's efforts to diversify the economy and ensure balanced and sustainable development, while eliminating disparities between regions; 2) the reform of the justice system, including support for extrajudicial dispute resolution, legal support and access to justice, and the fight against corruption; and 3) education and professional development through the improvement of the quality and conformity of professional and higher education systems with EU standards and the best world practices. Additional support for the modernization of state institutions and civil society is provided both within the priority areas and beyond, in particular through bilateral programs with EU governments. The development of civil society institutions plays an important role in the EU's cooperation with Azerbaijan, which is confirmed by the fact that the EU is the largest foreign donor for the civil society of Azerbaijan.

10. The single support program determines the strategic framework, objectives and approximate financial allocations for bilateral cooperation between the EU and Azerbaijan for 2014-2017. Azerbaijan can also participate in regional programs funded by the European Neighborhood and Partnership Instrument and the European Neighborhood Instrument (mainly in the fields of energy, transport and border management); in the flagship initiatives of the Eastern Partnership, in cross-border cooperation programs and in all initiatives open to all countries of the European Neighborhood: Erasmus +, TAIEX, SIGMA and the Neighborhood Investment Fund (NIF). In addition to the European Neighborhood Instrument, funding is available through the EU thematic programs: the European Instrument for Democracy and Human Rights, the Instrument for Stability and Peace, Civil Society Organizations and Local Authorities, Human Development, Migration and Asylum.

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