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Problems of sustainable development of the economy of Azerbaijan

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INTRODUCTION

The restoration of state independence in 1991 opened new opportunities for Azerbaijan to effectively use the enormous economic potential on the basis of transition to market relations and integration into the world economic system. From the standpoint of objective criteria influencing dynamic and sustainable development, the country has a number of advantages, among which the following factors, in our opinion, are of particular importance.

Azerbaijan has undeniable competitive advantages in respect of human capital. Azerbaijan is rich in natural resources, especially oil and gas, which, given the actualization of the issue of energy security, gives the country additional advantages. 3. Due to its geographic location, Azerbaijan, as a natural transport hub between East and West, North and South, is becoming a kind of center of the Great Silk Road, while the state's opportunities to enter the world economic system are expanding.

Today, twenty years from the beginning of the transformation of the country from one political-economic system to another, we can state that, although our statehood was subjected to serious trials at times, up to the attempts of a coup d'état, the overall development was on the increase. We purposefully moved forward, determined with our future. The course adopted not only symbolized the desire to move from one political-economic system to another, but also embodied the desire to transform from modernity to postmodern, from the industrial to the post-industrial world. Of course, to achieve the necessary level of development, we still have a lot to do: to improve the vector of development, to free the dependence of the economy on oil exports and to shift to the creation of a knowledge economy, knowledge-intensive industries, high technologies and innovative industries.

Today Azerbaijan is intensively moving forward, having defined the development goals, with a clear understanding of where we are going and what

future we intend to create for the next generations.

The modern world has become global. The most competitive in it will be only those nations that master the latest technologies, invest in the comprehensive development of man. Modernization of the nation, increasing its competitive potential - this is the inevitable imperative of the times, if we want to meet the growing demands

modern history, to achieve further prosperity of Azerbaijan. In this context, it is necessary to highlight the existing theory of modernization and the very concept itself. It is worth noting that the theory of modernization acts as a set of theoretical results obtained in the course of studies of various areas of world modernization. As a result, a theory was created, called the classical theory of modernization.

2. Theoretical concepts of sustainable development of the economy.

2.1. Evolution of the concept of "sustainable development" of the economy.

Last decades have shown that the Earth's biosphere as a whole and its separate components of the ecosystem of different levels have limited capacity to ensure its normal functioning and reproduction in conditions of excessive impact of human activity.

Until the 1970s. environmental problems were seldom included in the agenda of the international community, focusing on the exploitation and use of natural resources, seeking, in particular, for developing countries to control their resources. During the 1960s. a number of agreements were concluded on the problem of pollution of the seas, especially as a result of the oil spill. Since then, as more evidence of environmental degradation has emerged globally, concerns have been raised by the international community over the impact of development on the planet's ecology and human well-being. The United Nations acted as the main spokesman for concerns about the state of the environment and the main supporter of "sustainable development".

The notion of "sustainable development" has a lot of definitions, each of which contributes to the concretization of this term. The lack of unity of opinion in the definition and interpretation of this term is explained by the complexity of the concept itself, which includes social, economic and environmental aspects of human development, as well as the mismatch of views of representatives of different strata of society - scientific, political, entrepreneurial.

RESULTS AND ITS DISCUSSION

Ideas for creating an ideal model for the existence of society existed already in the era of antiquity. One of the main themes of the teachings of Plato (428/7 BC - 347 BC) - the idea of an "ideal" or "just" state (360 BC). "Politics"

(335 - 322 BC) of Aristotle, a disciple of Plato, is a treatise that contains the beginnings of social and political philosophy, political science and management theory.

The works of T. Mora "Utopia" (1516) and T. Campanella "The City of the Sun" (1602). are devoted to the description of an ideal state, built on the principles of justice and contributing to the stable development of society.

The second half of the 18th century was marked by an industrial revolution in England. The use of machines in labor leads to multiple multiplication of human capabilities and, as a consequence, to a multiple increase in the impact of man on the environment. Increasing human capabilities leads to the emergence of the idea of unlimited economic growth.

In his essay *Essays on the Principles of Population* (1798), an English scholar, priest T.Malthus, calls into question the unlimited nature of human development: the number of people grows exponentially, then, with the simultaneous arithmetic growth of means of subsistence. It follows that the growth of the population will be restrained by constant wars, epidemics and hunger. T. Malthus began the theory of the limited nature of resources, but his ideas were ahead of their time and they were not given appropriate attention. The period of the late 19th - early 20th centuries. characterized by the development of the term and the theory of the Noosphere. The term "noosphere" was proposed by the French scientist E. Leroy, the theory of the noosphere is developed by the Russian scientist VI Vernadsky. The theory of the noosphere describes the close interaction of man and nature, in which man is a part of nature.

Despite the increased attention of scientists to the problems of human-nature relations, the anthropogenic load on natural ecosystems continues to increase. Rapid population growth, the birth and development of the nuclear industry, the "green revolution", the attempt to achieve superprofits are causing a catastrophic overexploitation of natural resources. The negative impact on the surrounding becomes more and more obvious.

Formation of the concept of sustainable development was a logical transition from the ecologization of scientific knowledge and socio-economic development, which began to flourish in the 1970s.

In the 1970s, the formation of various organizations, movements and programs, one way or another related to the protection of natural resources, begins. In 1970, the Council for the Protection of Natural Resources was founded with the aim of achieving the fullness of US environmental policy. In the same year, the first day of the Earth was held in the form of a national seminar on the protection of the environment.

The "Club of Rome" initiates and sponsors the first studies devoted to the global problems of human development. The authors of the study are American scientists Jay Forrester and Dennis Meadows. To study the long-term trends of world development, they for the first time in history applied computer modeling. Under the leadership of J. Forrester appeared mathematical models of "Mir-1" and "Mir-2." The results obtained during the research of these models formed the basis of J. Forrester's book "World Dynamics", which was published in 1971. Model DL Meadows "Mir-3" is an extension of J. Forrester's model "Mir-2." March 12, 1972 in Washington, at the Smithsonian Institution, the public was presented to the report of the Club of Rome

The "Limits of Growth", containing the conclusions obtained with the help of this model, the essence of which is that, while maintaining current trends for growth in a limited world, the next generations of humanity will reach the limits of demographic and economic growth, which will lead the world system to uncontrollable crisis and collapse. "Limits of Growth" caused a resonance in political circles and had a strong impact on the worldview of many people. It is believed that the report "The Limits of Growth" is the starting point not only in creating the concept of sustainable development, but also in shaping an environmentally balanced policy in many states.

At the Stockholm UN Conference on the Human Environment, which was held in June 1972, the question of the interrelationship between economic

development and environmental degradation was first included in the international agenda. As a result of the conference, the Declaration of the UN Conference on the Human Environment was adopted, which contained 26 principles and an action plan, including 109 principles. The principles contained in the Stockholm Declaration on the Human Environment, for the first time, contained a set of laws on environmental protection at the state and intergovernmental level. The conference in Stockholm began in the development of environmental policy at the state level, as well as the environmental movement on a global scale.

Also in December 1972, the United Nations Environment Program (UNEP, UNEP) was established, which remains today the world's leading environmental institution.

In October 1982, at a meeting of the UN General Assembly in Washington, the "World Charter of Nature Defense" was adopted, which proclaimed a number of principles for the conservation of nature, according to which any human activity affecting and nature. The first of the principles of the Charter reads: "Nature must be respected and not violated its basic processes."

In 1980, the report "Global 2000" was published, in which biodiversity was first recognized as a critical characteristic inherent in the functioning of the planetary ecosystem. Two years later, the UN World Charter of Nature was published, calling for an understanding of the dependence of mankind on natural resources and the need to control their extraction.

In 1983, the International Commission on Environment and Development (ICED) was established, whose main task is the development of basic principles, indicators of sustainable development, as well as a global environmental and economic program of action. The result of the Commission's three-year work was the report "Our Common Future", which for the first time gave directions to solving global problems on the basis of taking into account all environmental, economic and social aspects.

In 1990, the International Institute for Sustainable Development was

established in Canada. In the 1990's. a number of activities have been carried out on specific aspects of sustainable development: the United Nations Children's Summit (1990), the World Summit on Social Development (1995), the Fourth World Conference on Women (1995), etc. At the same time, voluntary international standard of corporate environmental management ISO 14001.

In 2001, recognizing the need to give more assistance to the poorest nations, the UN member states adopted the "Millennium Development Goals" - time-bound (2015) and quantifiable targets for combating poverty, hunger, disease, illiteracy, environmental degradation and discrimination against women. In 2002, the World Summit on Sustainable Development was held in Johannesburg, whereby "cooperation" was put forward as a method of achieving sustainability. In the same year, the Global Reporting Initiative publishes a guide to the creation of reports on the economic, social and environmental aspects of business activity.

The result of the 2000s is the Copenhagen Climate Agreement of 2009, one of the items of which is an agreement to contain countries by increasing global temperatures with significant emission reductions, increasing funding to start action to reduce emissions in developing countries.

Economic growth leads to an increasing need to take into account environmental costs. Depletion and degradation of natural resources have a negative effect on social relations, production and consumption patterns. There is a transition to an ecological economy and a sustainable development economy.

For the first time, the term "sustainable development" was applied in 1987 in the report of the International Commission on Environment and Development of the United Nations, which was headed by the Prime Minister of Norway, Gro Harlem Brundtland,

The future was widely used the term "sustainable development", which was understood as a model of the movement forward, in which the satisfaction of the life needs of the present generation of people is achieved without depriving

future generations of this opportunity.

This definition of sustainable development is accepted as the least controversial of all, however, it rather reflects a strategic goal than indicates a concrete path for practical action. At the same time, sustainable development refers to the category of concepts that reflect an idea that can be formulated in general terms, but can not be described with exact quantitative categories, which does not deprive it of either scientific or practical meaning, but only increases the possibilities of interpreting the notion of sustainable development.

In the domestic and foreign literature there is a great variety of interpretations of the notion of sustainable development:

1. Report of the Commission Brundtland (1987)

Sustainable development is development that meets the needs of the present, but does not compromise the ability of future generations to meet their own needs.

It includes two key concepts:

- the concept of needs, in particular, the needs necessary for the existence of the poorest segments of the population, which should be the subject of priority priority;

- the notion of limitations imposed by the state of technology and the organization of society imposed on the ability of the environment to meet current and future needs.

The tasks of economic and social development must be determined in view of its sustainability in all countries in economically developed or developing countries in countries with a market or planned economy. Specific approaches to its implementation will certainly differ, but they should have some general principle characteristics and proceed from a consensus on the basic concept of sustainable development and fit into a broad strategy for its implementation. With development, the progressive transformation of the economy and society is associated. Development, stable in terms of material parameters, can theoretically take place even in strict social and political frameworks. But in

fact, this sustainability can be ensured only if development policy is paid attention to such issues as changes in access to resources and in the distribution of costs and incomes between different segments of the population. Even with a narrow understanding of the physical sustainability of development, care is taken for social justice in relation to different generations, care that should logically be extended to justice relations with different strata of the population within each generation.

2. The World Conservation Strategy, announced on March 5, 1980, states the following definition: "... a development that provides a real improvement in people's quality of life and, at the same time, preserves the natural diversity of the Earth."

The goal of the World Conservation Strategy is to help achieve sustainable development through the conservation of life resources. Strategy:

- explains the importance of preserving vital resources for human survival and sustainable development;
- determines the priority of conservation issues and the main requirements associated with them;
- offers effective ways to achieve the goal of the strategy.

The creators of the strategy intend to use it to stimulate a more focused approach to protecting life resources and provide political leadership in terms of its implementation. The strategy concentrates on the main problems that directly affect the achievement of conservation objectives and their interrelationship in the protection process. In particular, the strategy determines the actions necessary to improve the effectiveness of protection, and also integrates the problems of conservation and development.

3. "Caring for the Earth", 1991.

"Caring for the Earth" uses the word "sustainable" in several ways, such as: "sustainable development", "sustainable economy", "sustainable society" and "sustainable use".

The term is criticized for its ambiguity and for the fact that it involves a

wide range of interpretations, many of which are contradictory. Confusion is largely due to the fact that the terms "sustainable development", "sustainable growth" and "sustainable use" are used interchangeably, as if their values were the same. This is not true. The term "sustainable growth" is internally contradictory: no physical phenomenon can grow infinitely. The term "sustainable use" applies only to renewable resources: it means using them within their ability to recover.

The term "sustainable development", used in the Strategy, means improving the quality of human life without going beyond the carrying capacity of supporting ecosystems.

"Sustainable economy" is the result of sustainable development. It preserves its natural resource base. It can continue to develop, only adapting, only by improving knowledge, organization, technical efficiency and wisdom.

A "sustainable society" exists when there are 9 principles identified in this chapter.

4. In a report at the First International Conference "Problems of the Noosphere and Sustainable Development" in 1996 in St. Petersburg, Academician, Chairman of the SB RAS, Vice-President of the RAS Koptuyug VA. the following definition of this concept is given: "... such a model of the development of society, in which the basic vital needs of the current and all subsequent generations are met ...".

5. The World Bank: "... management of the total capital of society in the interests of preserving and multiplying human capabilities ...".

6. Ursul A.D. gives the following interpretation: "... a managed system-balanced socio-natural development that does not destroy the surrounding natural environment and ensures the survival and secure, indefinitely long existence of civilization ...".

7. M.A. Kuvshinov: "... a purposeful process of managing the social and economic system of the municipal formation ensuring the stability of the links, elements and structure of the system as a whole in the direction of increasing the

quality of life of the population within the framework of balance with the environment ...".

8. N. Davydova, O. Timofeeva: "... a development that does not entail an irreversible change in the human environment ...".

9. N.N. Moiseyev: "... the implementation of the strategy of man, his path to the epoch of the noosphere, that is, to the state of co-evolution of society and nature ...".

10. OS. Pchelintsev: "... the transition from" the economy of the use of resources "to the economy of their systemic reproduction ...". [eleven]

11. A.V. Tsvikilevich under sustainable development understands "... a process aimed at the constant preservation of dynamic equilibrium through the targeted use of the existing potential and environmental conditions ...".

The proposed definitions differ from each other with emphasis on certain problems, such as: biodiversity conservation, the carrying capacity of the environment, conservation of natural resources, the balance between economic activity and the state of the environment, sustainable economic growth, intergenerational equity, interregional justice, quality of life , social and cultural values.

Balanced coordination of the three aspects of sustainable development (economic, social and environmental) and the implementation in this context of specific activities that are means for achieving sustainable development, as well as the mechanisms for interaction of these components, is important.

The economic and social aspects of sustainable development, interacting with each other, set such tasks as achieving justice within one generation and providing targeted assistance to the poor.

The link between social and environmental elements raises interest in such issues as intrasocial and intergenerational equality, including respect for the rights of future generations and public participation in decision-making.

Central to the concept of sustainable development is the problem of taking into account the long-term environmental consequences of economic decisions

today. The mechanism of interaction between economic and environmental elements has given rise to a valuation and accounting in the economic accountability of the enterprise of external environmental impacts. Minimization of negative environmental consequences, future externalities for future generations is necessary. Thus, the problem of environmental restrictions, the trade-off between current and future consumption should become the main one in the development of a long-term social and economic development strategy for any country.

CONCLUSIONS

Despite the wide variety of interpretations of the term, the main goal of sustainable development is the satisfaction of human needs and aspirations. Sustainable development requires meeting the most vital needs of all people and giving everyone the opportunity to satisfy their aspirations for a better life equally and can be defined as a harmonious, balanced process of change

scientific and technical orientation, with the concerted exploitation of environmental resources, the direction of investment, the development of social capital

2.2. Problems of ensuring sustainable economic development in the context of increasing globalization and competition.

The globalization of the economy is a complex and contradictory process. On the one hand, it facilitates economic interaction between states, creates conditions for countries to access the advanced achievements of mankind, provides economies of resources, and stimulates world progress. On the other hand, globalization has the negative consequences of consolidating the peripheral model of the economy, the loss

of its resources by countries that are not part of the golden billion, the ruin of small businesses, the spread of competition to weak countries, the decline in the standard of living, etc. Making the fruits of globalization accessible to the maximum number of countries is one of challenges facing the world community

Member states are developing scientific and technical programs and projects. This contributes to the internationalization of modern scientific and technological progress. Expanding scientific and technical cooperation, the EU (Belgium, Great Britain, Greece, Denmark, Ireland, Spain, Italy, Luxembourg, the Netherlands, Portugal, France, Germany) seeks to achieve efficiency in this field that is consistent with the globalization of competition.

One of the most powerful forces that have influenced companies since the Second World War is the globalization of competition. We observe that the costs of transport and communications are falling, the flow of information and technology across borders is increasing, national infrastructures are becoming more similar to one another, and trade and investment barriers

However, when considering the globalization of competition, one can face an obvious paradox, although the companies do compete globally, and such initial components as raw materials, capital and scientific knowledge are currently moving around the world more freely, there are obvious facts showing that in providing competitive advantage an important The role of locality continues to play. First, the economic results of countries, regions and even cities within individual states continue to be significantly different. Secondly, in many industries, the leading competitors are mainly concentrated in one or two countries. This trend is particularly evident if the industry (from the point of view of setting the strategy) is narrowly defined if the industries are not among those whose activities are actively influenced by the state policy that is being implemented, which largely distorts the real competition. In this case, it seems that the geographic concentration of the competitive advantage exists not only in established industries, such as the production of cars and tools, but also in new industries, for example, in the

production of software, biotechnology and the production of composite materials. Thirdly, although global companies do have their own types

The apparent paradox from the point of view of the competitive advantage between the globalization of competition and a strong national or even local role can be resolved if we accept that the logic controlling the rivalry of locations has shifted from the need to provide a relative advantage to a wider phenomenon - providing a competitive advantage.

Almost every manager in any industry feels that the competitive business environment is constantly becoming more complicated. This complexity is largely due to two main reasons: 1) information technology and the globalization of competition associated with them cause an increasingly unpredictable environment 2) explosive-type changes are increasingly occurring, which makes the possibilities for continuous adaptation much more difficult to implement. How strategic thinking reacts to such changes

Response to changing conditions in the industry (changes in demand, new government policies, globalization of competition, instability of exchange rates, emergence of new competitors or departure of old ones)

Appropriate ordering and unification of any kind of activities, documentation, terms, system of measures and measurements, information systems, technical systems, control systems, etc. Is the main condition for the globalization of competition, the development of international integration, specialization and cooperation, improving quality and saving resources

In the context of the globalization of competition, the boundaries between external and internal factors of ensuring the competitiveness of goods and services are blurred. The interpenetration of competitive methods strengthens the role of competitive intelligence.

The entrance into the markets of an increasing number of manufacturers from so-called countries with cheap labor and the globalization of competition are

dragging previously well-established firms into price wars. New competitors with the same quality of products are trying to capture markets through significantly lower prices. Growing crowding competition, based on excessive capacity and stagnating market volumes, is conducted in many industries solely through lower prices. Since the possibilities of product differentiation after a certain period of time are limited, as a result of which the quality of products becomes the same, the food policy yields its value to pricing policy. Recently there has been an increase in the perception of prices by buyers due to the decline in real income in a number of countries.

The apparent contradiction between the globalization of competition and a strong national or even local role in competitive advantage can be resolved by recognizing the fact that the paradigm that controls competition between individual sites has shifted from a comparative advantage to a broader concept of competitive advantage.

Globalization of competition allows firms to achieve competitive advantages regardless of location by coordinating action in a wide range of countries. However, globalization did not abolish the importance of choosing a location in competition. In hundreds of industries that have been surveyed (including the service industry and new industries such as software design, new materials development and biotechnology), the headquarters of world leaders are usually located in only a few countries, and sometimes in one country. The geographical concentration of leading firms in their countries demonstrates even more clearly the importance of choosing a location for successful competition.

The free trade policy opens the way to the globalization of the economy. The process of globalization is accelerating under the influence of the international capital movement and the international exchange of information, making it inevitable that more and more countries and firms will become involved in the achievements of the scientific and technological revolution. Opportunities to reduce costs, opening before a particular company (country), quickly become the property of a large number of firms and countries, which further exacerbates competition in world markets.

The liberalization of the national financial markets, followed by the merger into a single world system, also raises serious doubts. Even such a supporter of neo-liberalism and the globalization of the world economy (Italian Treasury CEO Mario Draghi) admits that only a country whose financial structures are strong and whose debts are small can afford only liberalization, but in a country where these structures are weak liberalization will turn out International competition in the field of finance will take advantage of weaknesses and will severely punish such a country.

As a result of globalization, the economy of an increasing number of countries and regions becomes an organic part of the world market economy, is included in the world economic relations. Institutional, legal and technological barriers that separate national economies are collapsing. The forces of adhesion take precedence over the forces of repulsion. Economically, the world acquires integrity features on a planetary scale. In the world economy, the scope of general economic laws (international value, global competition, etc.) and functional interrelations (further development of international specialization and cooperation, etc.) is expanding.

3. The current state and prospects for ensuring long-term sustainable development of the Azerbaijan economy.

3.1. Analysis of challenges to the modern development the economy of the republic.

The restoration of state independence in 1991 opened new opportunities for Azerbaijan to effectively use the enormous economic potential on the basis of transition to market relations and integration into the world economic system. From the standpoint of objective criteria influencing dynamic and sustainable development, the country has a number of advantages, among which the following factors, in our opinion, are of particular importance.

1. Azerbaijan has undeniable competitive advantages in respect of human capital.
2. Azerbaijan is rich in natural resources, especially oil and gas, which, given the actualization of the issue of energy security, gives the country additional

advantages. 3. Due to its geographic location, Azerbaijan, as a natural transport hub between East and West, North and South, is becoming a kind of center of the Great Silk Road, while the state's opportunities to enter the world economic system are expanding.

Transition from Restorative Growth to Real Development

The transition from a centrally planned economy to market relations and the entry of the republic's economy into the world economic system were very difficult and were accompanied by numerous problems. Under their influence, the situation was aggravated to such an extent that in 1995 the transformational recession reached its apogee in comparison with 1990: GDP fell by 60%, industrial production by 70%, agricultural production by 50%. In 1992, inflation rose to 1,012%, in 1993 it was 1,229%, in 1994 - 1,764%, and the budget deficit rose to 10.3%. For 1992-1995 the exchange rate of the national currency - manat in relation to the dollar decreased from 18 to 4 418 manats, 1, that is 245 times. A significant part of production enterprises ceased their activities or worked at the level of 15-20% of their capacity.

All this negatively influenced the process of integration of the country's economy into world economic relations, as a result of which, even at the initial stage of market transformations, with the growing crisis in the real, financial and social sectors, the problems of the state's entry into global economic ties became even more aggravated.

In these conditions, Azerbaijan managed to concentrate its internal potential and, with the help of international financial and credit organizations, gradually overcome the problems and reach the trajectory of economic growth. At the same time, high rates of investment in the country's economy, favorable conjuncture in the world oil market, reforms that led to the development of entrepreneurship, ensured GDP growth in 1996 by 1.3%, in 1997 - by 5.8%, and from 1998 to 2004 - an average of 10% per year.

Since 2005, Azerbaijan has entered a new stage of economic development. In 2005, GDP growth was 26.4%, in 2006 - 34.5%, and in the first half of 2007 - 35.1%. In 2004, the republic ranked 8th among the CIS countries in terms of per capita GDP, and in 2006 it already climbed to the 4th place².

Increasing the needs of the world economy in fuel and raw materials resources and high oil prices on the world market created favorable conditions not only for accelerating economic growth, but also for the development of most segments of the financial market.

Investments in fixed assets continue to grow. In 2005, investments in the country's economy amounted to 7.1 billion dollars - 20% more compared to 2004, and in 2006 - 8.3 billion dollars - 16.9% more than in 2005. In the total volume of investments, foreign investments were equal to \$ 5 billion (60.9%), domestic investments - 39.1%.

By the end of 2006, Azerbaijan's foreign debt amounted to \$ 2 billion, which corresponds to 9.9% of the country's GDP. The gold and currency reserves of the republic in November 2007 amounted to \$ 7 billion, that is, 3.2 times higher than its external debt.

At the same time, despite extremely high rates of economic growth, it should be noted that after a deep recession in 1991-1995, from 1996 to 2005, the process of restoring transformational losses was noted. Therefore, although in comparison with 1995 GDP per capita increased from \$ 319 to \$ 2,373, or 7.4 times, it still lags behind the world average, which does not correspond to the huge potential of the state. According to this indicator, Azerbaijan lags behind such countries with rich energy carriers, as Russia - twice - and Kazakhstan - 1.5 times, which, in turn, causes a low level of average wages, pensions, etc. For example, the average hourly wage in Azerbaijan now stands at \$ 1.1, which is 3 times lower than the corresponding indicator required for simple reproduction of labor. This has the most serious impact

on human capital - the main factor of socio-economic progress and the most valuable resource of the country.

According to official statistics, from October 1, 2003 to January 1, 2007, 352,405 permanent jobs were created. The average number of economically active population of Azerbaijan in 2006 exceeded 4 million people, of which 54 thousand (1.3%) are officially registered as unemployed⁴. In fact, the unemployment rate is still high, according to the Ministry of Labor and Social Protection of the population of the republic, it is 7% (more than 280 thousand people), according to expert estimates - even higher. Only this can explain the significant outflow of migrants from Azerbaijan to Russia, Ukraine, Turkey and other countries, the number of which, according to official statistics, does not exceed 600 thousand people. According to official statistics, their remittances to their families amount to \$ 700-720 million, and according to expert estimates - \$ 1.5-2 billion, 5 that is, a substantial part of the annual income of the corresponding part of households.

Formation of the model of the export-raw type of development

Since 1994, Azerbaijan has concluded over 20 agreements with 30 leading oil companies in the world. The development of the country's oil industry has already invested more than \$ 17 billion. Due to such large investments, the accelerated growth of oil production began, which in 2005 amounted to 22 million tons - by 46.5% more than in 2004, in 2006 - 32, 3 million tons, that is 44.1% more than the same figure in 2005. In 2006, oil exports amounted to 24.7 million tons (an increase of 66.2% compared with 2005). In 2005, the country exported crude oil and petroleum products by 6.6 billion dollars, in 2006 - by 12 billion dollars. In value terms, oil exports increased by more than 1.8 times. At the same time, \$ 10 billion (86.7%) fell on crude oil, \$ 1.6 billion (13.3%) - on oil products. From the export of Azerbaijani oil through the Azerbaijan International Operating Company (AIOC) until 2006, the country's profit was \$ 1.63 billion, 16.5% of the total profit of \$ 9.9 billion. In the coming years, the share of the republic in the profits of AIOC will reach 80%.

The commissioning of the Baku-Tbilisi-Ceyhan oil pipeline with the capacity of 50 million tons per year and the Baku-Tbilisi-Erzurum gas pipeline makes it possible to increase the volume of oil and gas production in Azerbaijan. So, in 2007, according to preliminary government data, oil production in the country amounted to 43.7 million tons. Therefore, if in 2006 this figure was 24.7 million tons, in the coming years it will grow. According to the calculations of the International Monetary Fund, by 2024 Azerbaijan will receive profits in the oil and gas spheres exceeding \$ 200 billion.

At the same time, as the analysis shows, as the unilateral development of the economy intensifies, the paradoxes caused by the excess of petrodollars will manifest themselves. The share of the oil and gas sector of the industry exceeds 72%, while the oil factor is 59% of the country's GDP and about 60% of the state budget revenues. Therefore, against the background of fantastic rates of economic growth in the economy, there are conflicting trends. On the one hand, high economic growth expands the country's financial capabilities, which in turn creates favorable conditions for positive dynamism in the social sphere. So, in 2005, the monetary incomes of the population increased by 28%, the average salary by 22%, in 2006, respectively - by 30.6% and 20%. However, the average salary by the end of 2007 amounted to \$ 215, according to preliminary data, \$ 152 in budget organizations, and \$ 78 to pensions. However, the proceeds from the accelerated development of the oil sector significantly mitigated the severe consequences of the transformational recession and the economic crisis. But on a large scale this has not yet affected the improvement of the socio-economic status of the population and the reduction of unemployment.

Currently, the world economy is at the stage of the next cycle of a big rise. According to the results of authoritative studies and expert assessments, the peak point of this cycle will be between 2030-2040. On the other hand, the stage is coming to an end when the dominant role in the structure of energy carriers was oil. An analysis of these processes shows that in order to ensure sustainable development of

the republic's economy, at the stage of a worldwide upsurge, the model of its economic development must change.

It should be noted that the country has already formed a model of economic development based on the oil factor, trade and services. The main features of this model are as follows.

1. The increase in the volume of money supply in turnover is mainly due to investments in the oil sector, the influx of petrodollars and the accelerated growth of government spending. After the conclusion of the "Contract of the Century", from 1994 to 2006 more than \$ 37 billion was invested in the economy.⁸ In 2005, the state budget expenditures increased by 50%, and in 2006 - by 77%. Along with this, since 2001, money emission has been growing rapidly: in 2002 it was 91.7%, in 2003 it was 84%, in 2004 - by 13%, in 2005 - by 22.5% , in 2006 - by 187%⁹.

2. Acceleration of inflation. 3. A faster growth in imports than the growth in the production of consumer goods. In comparison with 2005, in 2006 imports increased by \$ 1 billion (by 24.8%). Over the same period, the growth in the food industry amounted to \$ 100 million (3.7%), in agriculture - 0.9%. In other words, the growth rate of imports was 6.7 times ahead of the growth rate of food production and 27.6 times the production of agricultural products. 4. The appreciation of the national currency - manat. The imbalance between the structure-forming sectors of the economy. In comparison with 2005, in 2006, investments in the oil sector increased by 57.4% (3.4 times faster than the average investment growth rates). In the investment structure, the oil and gas industry accounted for 54.8%, the processing industry 1.6%, and agriculture 1%. 6. Slow solution of pressing social problems. Financial revenues from the accelerated development of the oil sector and oil exports have to some extent mitigated adverse trends in the social sphere, contributed to higher wages, pensions, etc., as well as to a reduction in unemployment. However, social problems accumulated over decades are very serious, and their resolution lags far behind the rates of general economic development and the growth of the oil sector. In addition, against the backdrop of high rates of economic development, the

negative trend remains a big problem: bureaucratic obstacles to progressive reforms, corruption, monopolism, which are becoming a leading factor in price increases.

Today, the oil and gas industry is the basis for the development of the republic's economy. In the conditions of modern globalization, the mineral and raw materials policy is laid in four main models: export, import, isolation and balanced. Investors of oil contracts are interested in the prevailing export model when Azerbaijani oil is used as a competitive raw material mainly in the interests of the foreign market. This, as practice shows, on the one hand increases the disproportion between production and domestic consumption, on the other - it approximates the macrostructure of the country's economy to the model of the export-raw type. So, in 2006 Azerbaijan exported 80% of the produced oil, in 2007.

The implementation of the export-raw material model has a dual effect on the socio-economic life of Azerbaijan. The export-raw materials model, on the one hand, allows to maintain production capacities of these industries, contributes to higher labor productivity, fills the budget, reduces social tension, etc., on the other hand, negatively affects the structural transformations of the economy and makes it unilaterally even more dependent on the conjuncture of the world market.

Objective necessity of transition to the optimal model of economic development

If the raw material purpose of the main part of the investment becomes widespread and is not accompanied by the simultaneous development of the whole technological chain for the processing and use of raw materials, then, at a certain time (as the rates of extraction and export of raw materials decrease), the rate of the country's socioeconomic growth also decreases. True, the Azerbaijani government is taking steps to develop non-oil sectors of the economy. To support small and medium-sized businesses in 2006, businesses were granted loans in excess of \$ 100 million, which is 2.5 times more than the corresponding figure for 2005. In 2007, the amount of loans aimed at supporting small and medium-sized businesses will double and amount to \$ 200 million. The funds allocated to agriculture are also increasing. From the 2007 budget, about 240 million manats (280 million dollars) were allocated for its development, which is 1.4 times more than in 2006. In addition, to compensate

for the increase in fuel prices, agriculture was provided with subsidies for 80 million manats (\$ 90 million). This is a significant financial support for non-oil sectors of the economy. However, the amount of these funds still lags far behind the investment needs of these industries and is insufficient for the accelerated development of the agrarian sector, the processing industry and other sectors of the non-oil sector of the economy. Thus, in 2006, 42.6% of the total volume of capital investments was directed to the non-oil sector, including 1% to agriculture and 1.6% to the processing industry. Therefore, the growth rate of food production is 12 times, agriculture is 49 times behind the growth rates of the oil industry. According to expert estimates, in order to achieve an annual growth of more than 10% in agriculture, it is necessary annually (within 5-6 years) to invest in this area investments of \$ 500 million.¹³

It should also be noted that companies involved in oil contracts do not sufficiently support oil engineering and other industries that are not loaded with relevant orders, but at the same time related to the implementation of oil contracts. And, for example, in Kazakhstan foreign companies-investors place orders for machine-building and other products for hundreds of millions of dollars.

Azerbaijan, home to 0.13% of the world's population, has at least 1% (in fact, significantly more) of the world's mineral resource base. In addition, it is likely that a certain part of Kazakhstan's oil and Turkmen gas will be transported through the territory of Azerbaijan. The huge national wealth and unique geopolitical position of the country should be skillfully used not only to accelerate the growth rates of extraction and export of energy resources, but also to develop human capital, information technologies, non-oil sector, improve the competitiveness of the economy and ensure economic security. The prevailing commodity orientation (in the absence of mechanisms of influence on the world and regional markets) exacerbates the dependence of the economy of the republic on the external conjuncture, weakens the opportunities for economic diversification, integrated development of agriculture and processing industries. On the other hand, a possible reduction in world oil prices can lead to a deep crisis not only in the oil industry, but also in related industries:

energy, transport, construction, etc., as well as to reduce the budget allocated to the social sphere.

Thus, in 1997-2009 the export-raw material model ensured high economic growth. However, as the volume of oil production and export decreases, the GDP growth rates and social indicators will decrease, which, on the one hand, may negatively affect the overall economic situation of the country, on the other, increase social tensions.

Therefore, the government faces the most important tasks: - to prevent the rates of economic growth below 10% (after 2009); - to achieve a GDP per capita level exceeding the world average; - join the list of the 50 most competitive countries in the world; reduce poverty, improve the quality of life of the country's population and become one of 57 countries with high human development indicators.

Basic conditions and directions for optimizing economic development in the context of globalization

To implement the above tasks, it is necessary to move to the optimal model of economic development based on the effective use of three factors: human capital, resource potential and integration opportunities. To achieve these goals, investment is required. Overall, in 2006, 4.5 billion manat, or \$ 5 billion of foreign investment, was invested in the economy of the country, that is, 588 dollars per capita. This situation is characteristic of medium-sized economically developing countries. In countries with an average level of development per capita about \$ 500, with a high level of about \$ 1,000 of foreign direct investment. To achieve 10% economic growth after 2009, the average annual growth rate of capital investments in non-oil sectors should be at least 20%.

As practice shows, developed countries, rich in energy resources, achieved prosperity and a high standard of living regardless of oil, but through effective coordination of ties between the state, society, economy, business and technology. And in this context, the human factor, the reality of democracy and economic freedom is extremely important. Recall that in Norway, where the above principles are observed at a high level, per capita GDP exceeds 42 thousand dollars. And in

Nigeria, where reforms are not implemented to ensure economic freedom, despite the rich oil resources of the country, GDP per capita is only \$ 875 ., that is 48 times lower compared with the adequate indicator of Norway.

Successful implementation of this model is possible only in conditions of low inflation, increasing the competitiveness of non-oil sectors of the economy, and high and stable rates of economic growth. This is due to the fact that with a decrease in growth rates of more than 8-10% in the medium term it will be very difficult to solve the numerous social problems facing the country. In addition, the implementation of the optimal model of socio-economic development will require a new philosophy of economic reform, which is to ensure comprehensive, balanced, sustainable development of the economy and the country's competitiveness. It is on the basis of accelerating the processes of improving the well-being of the population that it is necessary, using skillful use of high oil revenues, to make a modernization spurt, which, in turn, will require the following measures.

1. For the triumph of real and effective democracy and the expansion of the geography of economic freedom, rational thinking should be formed that meets modern requirements and provide an effective combination of the state, society, economy and technology. Economic reforms should be focused on accelerating the solution of problems of the state and society, improving the welfare of the people and ensuring public safety. A significant part of the laws adopted at the initial stages of market transformation must be improved taking into account the conditions of globalization. It is necessary to improve more than 40 laws in accordance with the requirements of the World Trade Organization, eliminate contradictions between legislative acts, and, if necessary, adopt new laws that meet the requirements of the day. On this basis (and in a new capacity), the government must be able to protect the rule of law, human rights, property rights, and ensure the security of the individual.
2. It is necessary to create the institutional framework for the functioning of the optimal development model by reforming the existing economic system. As practice shows, where the raw material economy prevails, without the solution of this fundamental question it is impossible to build an effective state, to achieve real long-term and

sustainable economic and social progress. The organizational structure and personnel of the management system must meet the requirements of a democratic state, free civil society and civilized market relations. It is necessary to improve the efficiency of the government, the quality of management, increase its efficiency, transparency and, of course, ensure its competitiveness¹⁶. To do this, we need to move on to a new management model based on a flexible, transparent, operational information system, as well as skilfully synchronizing the activities of individual state structures. To do this, it is very important in the public administration system to formulate a clear state policy aimed at ensuring broad economic freedom for all strata of society. 3. It is necessary to increase investments in human capital, which, however, should not be technical and dependent, but accompanied by systemic reforms. So, it is necessary to fundamentally reform the education system, in particular, to raise the qualification and retraining of its employees. It is necessary to increase the cost of education to 6% of GDP, to health - up to 5%, to science - up to 2% of GDP. At the same time, in the context of fundamental reforms and increasing investment, measures are needed to increase the efficiency of investment in these areas. 4. The state, non-governmental organizations and civil society need to carry out a set of urgent measures to eradicate monopoly, corruption, shadow economy, create favorable conditions, a healthy competitive environment for the normal operation of market structures and increase the competitiveness of enterprises. 5. It is necessary to achieve a real consolidation of society through its democratic modernization. This requires reforms that ensure a real consensus by eliminating unreasonably high differences in income distribution, polarization of society, reducing poverty and unemployment, expanding and strengthening the middle class of the country.

3. The current state and prospects for ensuring long-term sustainable development of the Azerbaijan economy.

3.1. Analysis of challenges to the modern development the economy of the republic.

The economy of Azerbaijan maintains high rates of economic development, remaining among the world leaders in terms of GDP growth. However, under the conditions of the 2008 crisis, the growth rates of the Azerbaijani economy significantly decreased compared to the pre-crisis level, especially with the indicators of the most successful last four years. The dynamics of the country's economic growth in conditions of global instability was determined by the structural features of the economy of Azerbaijan as an exporter of energy resources, as well as the implementation of anti-crisis measures based on significant currency reserves accumulated in the pre-crisis period.

The economy of Azerbaijan is 2/3 of the GDP of all the countries of the South Caucasus. In the period 2005-2013, the growth of the real GDP of the Republic of Azerbaijan (AR) has reached the highest values since the independence of the republic, which averaged 27.2% per year. This period is characterized as a "period of economic boom," when Azerbaijan was the absolute world leader in terms of economic growth.

The large-scale economic recovery in the pre-crisis years was due to the active use of the country's natural and resource potential by developing new fields and increasing energy production, attracting foreign direct investment (FDI), building oil and gas pipelines and increasing the volume of export supplies of oil, oil products and natural gas. As a result, the economy of Azerbaijan has completely overcome the transformational decline 1990s and by 2013 GDP of the country (in constant prices) doubled - by 136% compared to the level of 1990.

The economic development of Azerbaijan was largely determined by the large-scale inflow of FDI, a large part of which was concentrated in the oil and gas sector. In 2001-2013, direct investment accounted for more than 2/3 of total external financing, with the largest inflow of FDI observed in 2002-2004, which accounted for 86 to 92% of all foreign investment and loans. During this period, net direct investments in Azerbaijan accounted for more than 28% of GDP - the highest figure in the world.

However, later significant changes in investment flows to the Azerbaijani economy occurred. After 2004, against the backdrop of the repatriation of foreign investors' inflows, the inflow of FDI into the oil-producing sector began to weaken, and in 2006-2008, outflow of FDI from the country was observed. In addition, if prior to 2006, foreign investment prevailed, then from 2007 - domestic investments, which in 2008 reached 77.5% of the total volume of investments in fixed assets. At the same time, as from 2007, most of the investments were directed not to the oil sector (as it was before), but to the non-oil sector, where in 2008 71% of all investments were concentrated.

Thus, foreign investment mainly stimulated the development of the oil and gas sector, which was the dominant factor until 2007, and domestic - the growth of non-primary industries, which was observed in the past few years. At the same time, a large-scale increase in public spending (2005-2010) was mainly due to increased investment in infrastructure (electricity, water, transport). Nevertheless, direct investments ensured the development of new deposits and allowed to create the necessary infrastructure for the extraction and transportation of energy carriers, and laid the foundation for the development of the non-oil sector.

In recent years, a new pipeline system has been set up in the country to supply oil and gas to world markets: the Baku-Tbilisi-Ceyhan (2006) oil pipeline, the Baku-Tbilisi-Erzurum gas pipeline (2007). Azerbaijan has not only remained one of the largest oil exporters in the region, but since 2007 has become an exporter of natural gas. According to the State Statistics Committee of Azerbaijan, oil production in the country in 2004-2010. increased by 2.7 times to 42.3 million tons, and its exports grew 3.5 times faster (up to 35.6 million tons). The combination of rapid growth in oil production and a significant increase in world oil prices led to a ninefold increase in the cost of oil exports, which in 2008 reached \$ 29.1 billion. As a result, oil and gas accounted for 97% of exports and 39% income.

The high growth in production and the value of oil exports in 2005-2010. cardinally changed the external economic conditions for Azerbaijan. A significant

current account deficit (28-30% of GDP in 2003-2004) has been replaced since 2005 by a growing surplus, which reached 36% of GDP in 2008. At the same time, the capital and financial instruments account in 2006-2008 years. went into the negative area, and its deficit was 10-20% of GDP. However, the growing current account surplus completely compensated for the negative balance of the financial account, and the total balance of payments surplus in 2005-2013. increased more than fivefold, reaching 29.1% of GDP.

In 2005-2013 years. the average annual growth rate of "oil" GDP was more than 3.5 times higher than the growth of "non-oil" GDP (43% vs. 12%). The share of the oil sector in the country's GDP for this period has increased from 39 to 60%. At the same time, bank loans and stimulating measures by the government contributed to the rapid growth of economic activity in the non-oil sectors. Significant growth in the construction industry and service sector led to the fact that in 2013 the non-oil sector of the economy of Azerbaijan overtook the oil industry in terms of growth rates.

The rapid development of the oil and gas sector contributed to a significant increase in industrial production (extractive industries), and the construction complex also developed. In the sectoral structure of gross value added, the share of industry in 2000-2013 increased by 23.2% to 61.3%, construction - by 1.2% (to 8.1%). At the same time, the share of agriculture declined by 2.7 times (to 6.2%), services by 13.6% (to 25.9%). In 2013, compared to last year, the share of industry decreased by 1.7% and the share of construction (by 1%) and services (by 1.4%) increased.

Against the backdrop of large-scale foreign exchange inflows and rising incomes, one of the main problems of the Azerbaijani economy was high inflation, which was 9-21%. In 2005-2013 years. Expenditures of the state budget were increased fivefold and amounted to 27% of GDP. At the same time, the primary non-oil balance of the budget in this period was negative, having increased to -38.2% of non-oil GDP.

In order to smooth budget expenditures and combat inflation, as well as to solve other problems related to the "Dutch disease" (in particular, by investing accumulated funds in the non-oil sector and infrastructure projects), the State Oil Fund of the Republic of Azerbaijan was established in 1999 (SOFAZ). By the end of 2008, the accumulated assets of the Oil Fund amounted to 10.9 billion dollars (61% "Non-oil GDP").

In 2005-2013 years. the gross official international reserves of Azerbaijan increased 10.5 times and reached \$ 50.5 billion. External public debt decreased from 12.5 to 6.5% of GDP. The exchange rate of the manat to the US dollar remained relatively stable, having strengthened by 13%.

Thus, the economy of Azerbaijan thanks to favorable conjuncture in world markets in the pre-crisis period by the time the crisis began was quite resistant to external shocks. Sustainability of the Azerbaijani economy was determined by a significant positive balance of the current account, a balanced state budget, accumulated gross international reserves, including the funds of the Oil Fund, and a low level of external public debt.

At the same time, during the years of the pre-crisis economic boom, the economy and the balance of the country's budget have become highly dependent on external demand and prices for oil and natural gas from the developed countries, which increases the vulnerability of Azerbaijan in conditions of global instability.

To maintain high rates of economic growth in the context of the global crisis, Azerbaijan succeeded not only due to a powerful rise in the oil sector, but also through effective anti-crisis measures. The country's anti-crisis policy relied on the significant international reserves accumulated in the pre-crisis period, which in early 2009 amounted to 6.4 billion dollars, and taking into account the accumulated assets of SOFAZ - 17.7 billion dollars. Monetary policy of the country was aimed at maintaining financial stability by maintaining a stable exchange rate of the national currency. In 2009-2013 years. the rate of manat to the dollar remained at a stable

level of 0.79 manat to 1 US dollar (at the end of the year). However, as a result of the conducted interventions, the currency reserves of the Central Bank of Azerbaijan in 2013 decreased by 15.7% and amounted to 5.176 billion US dollars.

The country's budget policy was aimed at overcoming the negative consequences associated with the reduction of state revenues.

At the same time, the dependence of the state budget on revenues from the Oil Fund has increased. Transfers of SOFAZ in 2013 amounted to 47.6% of all government revenues (against 35.3% in 2012).

According to the Ministry of Finance, in 2013, Azerbaijan's external public debt increased. The main part of attracted loans is directed to the implementation of investment projects in the electricity sector, road construction and transport, water supply and melioration, the oil and gas sector and the chemical industry, as well as the implementation of economic reforms in the country. In general, international organizations give a positive assessment of the ongoing reforms in the country.

The development of the Azerbaijani economy in 2018 will continue to be determined by the dynamics of demand and oil prices in world markets. The increase in revenues from oil production can contribute to increasing public investment and production growth.

For a more sustainable development of Azerbaijan in the post-crisis period, the country needs to overcome the very high dependence of exports and the budget balance on oil prices. Accelerating structural reforms, diversifying the national economy of Azerbaijan, improving business conditions, expanding the tax base, attracting foreign investment in the non-oil sector, strengthening the banking system remain priority areas for the country's development.

In 2015, the volume of industrial production in Azerbaijan decreased by 2.3% compared to 2014 and amounted to 33.9 billion manats (43.2 billion US dollars). At the same time, the share of the non-state sector was 81.0%, a decrease of 2.5%. In its

structure, 91.8% accounted for the production of industrial goods, 8.2% - for industrial services.

The volume of production in the mining industry decreased by 4.2%, amounting to 25.6 billion manat with a specific weight of 75.4% of the total volume of industrial production. The processing industry accounted for 18.9% (6.4 billion manat), for the electricity, gas, steam and air-conditioning sector - 5.1%, water supply - 0.6%.

As a result of implementing the policy of industrialization, the non-oil industry of Azerbaijan grew by 7.8% in 2012.

The main volume of oil production last year fell on the block of Azeri-Chirag-Guneshli oil and gas fields and Shah Deniz gas condensate field, which are being developed jointly with foreign partners.

The main macroeconomic indicators of the Republic of Azerbaijan (in% to the previous year)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Gross domestic product	88,2	101,3	105,8	110,0	107,4	111,1	109,9	110,6	111,2	110,2	126,4	134,5
Production industry	79	93	100,3	102	104	107	105	104	106	106	134	137
Rural products households	93	103	94	106	107	112	111	106	106	105	108	100,9
Investments in the main capital	82	212	139	123	98	103	121	184	174	135	117	115
Cargo transportation	91	100,7	117	120	133	121	117	109	112	107	111	108
Retail turnover trade	102	114	115	110	113	109,8	110	109,5	111	113	113	113
Producer price indices industrial products	561	196	130	88	94	130	103	99	117	114	117	110
Indices of consumer prices	512	120	104	99	91	102	102	103	102	107	110	108
Export to countries Commonwealth	104	102	130	61	91	111	95	109	136	185	147	103
Export to other countries	93	97	118	93	192	210	139	92	117	133	115	158
Import from countries Commonwealth	47	149	103	115	80	115	119	146	131	141	120	145
Import from other countries	150	141	71	152	106	112	124	103	175	130	119	115

	2007	2008	2009	2010	2011	2012	2013
Gross domestic product	125,0	110,8	109,3	105,0	100,1	102,2	105,8
Production industry	124	106	109	103	95	98	102
Rural products households	104	106	104	98	106	107	105
Investments in the main capital	124	132	82	121	127	119	115
Cargo transportation	102	106	100,7	104	108	106	104
Retail turnover trade	115	116	109	109	110	110	110
Producer price indices industrial products	118	123	81	131	134	105	96
Indices of consumer prices	117	121	102	106	108	101	102
Export to countries Commonwealth	119	147	100,7	174	147	43	121
Export to other countries	91	931	29	143	122	96	99
Import from countries Commonwealth	91	123	80	112	125	93	107
Import from other countries	120	127	88	106	158	101	112

In 2012, oil production fell sharply at the largest Azeri-Chirag-Gunashli field. The activity of BP, which is the main operator of this project, was sharply criticized by the leadership of Azerbaijan. In order to eliminate the problems that have arisen, a program for 2013-2024 was developed that provides for the stabilization of oil production at this field at a level of 33 million tons per year.

A significant event in the country's extractive industry was the statement of the company "Total", which officially confirmed the presence of large gas reserves in the Azerbaijani field "Absheron". The results from the first exploratory well showed the availability of gas and condensate reserves in the volume of 150 to 300 billion cubic meters in the northern part of this field.

In addition, the company BP-Azerbaijan announced the beginning of preliminary engineering and design work in the second stage of development of offshore gas condensate field "Shah Deniz".

At the Umid gas condensate field, the State Oil Company of Azerbaijan (SOCAR) completed drilling of two exploratory wells, one of which found significant gas reserves, after which it was decided to use it as an operational one. At present, work has begun to drill a third well.

Основные макроэкономические показатели Азербайджанской Республики в 2014 г. (в % к соответствующему периоду предыдущего года)

	January March	January June	January- September
Gross domestic product	102,5	102,1	102,5
Production industry	97,6	97,6	99,4
Rural products households	103,4	105,8	96,3
Investments in the main capital	107,0	103,4	100,2
Cargo transportation	98,3	99,5	100,1
Retail turnover trade	109,2	108,9	109,4
Producer price indices industrial products	99,0	103,8	101,2
Indices of consumer prices	102,0	101,6	101,5
Export to countries Commonwealth	49,4	57,4	65,6
Export to other countries	86,9	96,4	97,8
Import from countries Commonwealth	82,5	78,7	74,8
Import from other countries	78,8	80,1	82,8

The growth of financial and investment opportunities of Azerbaijan in recent years allowed the country to implement the policy of industrialization based on modern technologies. Within the framework of its implementation, new production and processing enterprises are being created in the regions of the country. Over the past 9 years alone, more than 2,000 production facilities have been put into operation in the non-oil sector, high growth rates have been achieved in the fields of metallurgy, machine building, processing and chemical industries, building materials and other production areas.

In accordance with the instructions and instructions of the head of state on the creation of a number of industrial zones and industrial parks, a new stage in the field of industrialization of the country on the basis of innovations and high technologies

was launched. At present, work has been completed on the formation of the Balakhaninsky Industrial Park, the Sumgait Chemical Industrial Park and the High Technology Park, where the production of competitive and export-oriented products will be organized on the basis of modern technologies.

Over 100 industrial enterprises were commissioned in the past years, including heavy engineering plants and precision processing centers in Sumgait Technological Park, Ganja Aluminum Plant, cement plants in Nakhichevan and Garadagh district of Baku, a plant for sorting solid household waste and recycling in Balakhashah.

The sphere of communication and telecommunications in recent years is one of the fastest growing sectors of the national economy. According to the assessment of the International Telecommunication Union, Azerbaijan has been on the list of countries with the most rapidly developing ICT sector for the last ten years.

Successfully implemented in the National ICT Development Strategy for 2003-2012. (approved by the decree of the President of the Republic of Azerbaijan from 17.02.2003) and the State Program for Development of Communication and Information Technologies in Azerbaijan for 2010-2012. ("Electronic Azerbaijan") measures to complete the modernization of the telecommunications infrastructure based on new technologies, the development of state information systems and the provision of modern telecommunications services, and information security.

Azerbaijan is an active participant in such projects as the creation of the Regional Innovation Zone, the European-Middle Eastern High-Speed Information Network, the Trans-Eurasian Super Information Highway (TASIM).

In accordance with the decree of the President of the Republic of Azerbaijan of May 23, 2011 "On some measures in the field of organization of delivery state bodies of electronic services ", the bodies of the central executive power provided electronic services to the population of the country that covered social, everyday, scientific, cultural and other spheres of public life.

Main macroeconomic indicators of the Republic of Azerbaijan

	June	July	August	September	October	November
Products of industry, in% to the previous month	93,3	106,2	101,0	90,6	97,4	84,2
Investments in fixed assets, in% to the previous month	100,6	96,2	94,4	103,7	94,6	108,6
Transportation of goods by rail in% to the previous month	94,6	106,0	87,8	116,7	84,9	93,7
Turnover of retail trade, in% to the previous month	102,2	101,7	99,9	104,8	106,5	88,3
Producer price indices of industrial goods, in% to the previous month	101,8	96,1	95,7	96,0	91,1	91,7
Consumer price indices, in% to the previous month	98,8	99,2	100,0	101,1	100,3	100,1
Number of unemployed (at the end of the month, 1000 people)	37	37	31	29	29	29
Export, million US dollars	1767,0	2002,8	2101,9	2005,8	1838,1	...
Imports, million US dollars	614,7	759,9	729,1	908,4	839,9	...
Rate of national currency, manat for 1 Russian ruble (at the end of the month)	0,023	0,022	0,021	0,020	0,019	0,016
Rate of national currency, manat for 1 US dollar (at the end of the month)	0,784	0,784	0,784	0,784	0,784	0,784
Rate of national currency, manat for 1 Euro (at the end of the month)	1,070	1,051	1,034	0,996	0,987	0,977

	January	February	March	April	May
Products of industry, in% to the previous month	99,8	91,7	108,7	99,5	104,3
Investments in fixed assets, in% to the previous month	20,0	174,9	111,1	115,2	99,2
Transportation of goods by rail in% to the previous month	74,4	100,0	122,7	87,3	96,6
Turnover of retail trade, in% to the previous month	68,4	91,2	123,3	79,3	117,6
Producer price indices of industrial goods, in% to the previous month	98,7	101,7	98,8	100,0	102,4
Consumer price indices, in% to the previous month	99,8	100,4	100,3	100,2	99,2
Number of unemployed (at the end of the month, 1000 people)	36	37	37	37	37
Export, million US dollars	1870,8	1907,7	1598,8	1778,9	2323,1
Imports, million US dollars	535,1	654,8	574,4	970,4	775,2
Rate of national currency, manat for 1 Russian ruble (at the end of the month)	0,023	0,022	0,022	0,022	0,023
Rate of national currency, manat for 1 US dollar (at the end of the month)	0,784	0,784	0,784	0,784	0,784

Rate of national currency, manat for 1 Euro (at the end of the month)	1,063	1,075	1,078	1,088	1,067
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For the organization of electronic services of state bodies on the principle of a "single window", 36 structures connected with the electronic services created by the Ministry of Communications and Information Technologies of the AR of the electronic government portal were connected with 168 electronic services.

Currently, on this principle, online registration of business activities, submission of electronic tax and customs declarations, issuance of documents confirming rights to real estate, retirement appointment, receiving targeted social assistance, citizens' applications for installing the phone and connecting to the Internet are accepted.

According to the State Statistics Committee of Azerbaijan, the share of the ICT sector and postal service in Azerbaijan's GDP in 2012 was 1.9%. The volume of income in the ICT sector and postal services increased by 17.3% compared to 2011 and amounted to 1503.4 million manat.

Real growth rates in the ICT sector amounted to 16.6% compared to 2011, to the telecommunications sector - 17.4%, to the IT sector - 8.6%, to the postal sector - 18.2%.

The share of non-state enterprises accounted for 75.7% of the income received in the ICT sector and postal services. The share of the mobile communication market in the country increased in 2012 by 14.1% and amounted to 65.3%.

According to the Ministry of Communications and Information Technologies of Azerbaijan, the total amount of investments in the ICT sector amounted to 325.3 million manat, which is 21.6% less than in 2011. Three fiber-optic backbone networks covering the whole territory of the country were laid, the total capacity of

international Internet channels increased several fold and reached 200 Gbps, regional information servers were installed, as a result of which Azerbaijan in the region became an exporter of Internet services, all residential units, fixed telephone network was completely translated into electronic form, a unified numbering system was applied.

Currently, there are 110 mobile phones for 100 people in Azerbaijan, and the introduction of new technology 4G. Due to investment projects, the installation capacity of the public telephone network in the country was increased by more than 28.4 thousand numbers, exceeding 1.75 million units. The penetration rate of the Internet for 2012 increased by 5% and amounted to 70%. Azerbaijan in the past three years retains leadership among the CIS countries in terms of the penetration of broadband Internet. In the past years, relevant work was done to improve the quality of data transmission services, as a result of which the capacity of international communication channels was increased 2.2 times, and prices were reduced by almost 35%.

A powerful impetus to the development of the aerospace industry was given by the development and adoption of the State Program for the Creation and Development of the Space Industry in the Republic of Azerbaijan, approved by the decree of the President of the Republic of Armenia dated August 17, 2009. As part of its implementation, by presidential decree of May 3, 2010,

"Azerikosmos", the Council for Space Affairs has been created, whose functions includes the study of scientific and technological achievements and best practices in space activities, participation in taking measures to implement state policy in this field and preparation of proposals related to the development of Azerbaijani cosmonautics.

In February 2013, the telecommunication satellite "AzerSpace" was launched from the "Kourou" cosmodrome. According to the estimates of MCIT AR, the implementation of this project cost \$ 400 million. Since part of Europe and Asia will

enter the satellite coverage zone, only 20-25% of its resources will be used by Azerbaijan, and the rest will be sold.

3.2. Mechanism for achieving sustainable development the economy of the republic.

At the end of the 20th century, Azerbaijan regained its independence for the second time. The Azerbaijani people had the opportunity to independently determine their own destiny, to realize the ideas of independent statehood, to live their thoughts about their independent future.

Today, after twenty-seven years from the beginning of the transformation of the country from one political-economic system to another, we can state that, although our statehood was subjected to serious trials at times, up to the attempts of a coup d'etat, the overall development was on the increase. We purposefully moved forward, determined with our future. The course adopted not only symbolized the desire to move from one political-economic system to another, but also embodied the desire to transform from modernity to postmodern, from the industrial to the post-industrial world. Of course, to achieve the necessary level of development, we still have much to do: improve the vector of development, free the dependence of the economy on oil exports and move to the creation of a knowledge economy, knowledge-intensive industries, high technologies and innovative industries.

Today Azerbaijan is intensively moving forward, having defined the development goals, with a clear understanding of where we are going and what future we intend to create for the next generations.

The modern world has become global. The most competitive in it will be only those nations that master the latest technologies, invest in the comprehensive development of man. Modernization of the nation, increase of its competitive potential is an inevitable imperative of the time, if we want to meet the growing demands of modern history, to achieve Azerbaijan's further prosperity. In this context, it is necessary to highlight the existing theory of modernization and the very

concept itself. It is worth noting that the theory of modernization acts as a set of theoretical results obtained in the course of studies of various areas of world modernization. As a result, a theory was created, called the classical theory of modernization. (Harrison, D., *The Sociology of Modernization and Development*, London: Unwin Human, 1988).

Modernization, according to the classical theory, is a historical process of transition from a traditional agrarian society to an industrial society, which continued to develop in the direction of a new quality. In the future, this process continues to take place both in the advanced countries and in the more backward countries, which also seek to achieve a higher level of development. Industrialized countries, having completed the classical modernization, entered the next period of development in the 60s. XX century. However, industrial society is not the final stage in the development of human society. As a result of the development of science and technology, this society received a new impetus for development. Already in 1970-1980-ies, Western researchers began to add the prefix "post" to the scientific terms "industrialization" and "modernization." Postmodernization theory combined these new terms, incorporating such concepts as postmodernism and postmodernization, post-industrial society. An American researcher, Professor D. Bell, published the book "The Coming Post-Industrial Society" in 1973. (Bell D. *The Coming of the Post-Industrial Society: A Venture in Social Forecasting*, New York: Basic Books, 1973). According to Bell, the development of human society consists of three stages: pre-industrial, industrial and post-industrial. Analogous periodization of the development of societies is also shared by American researchers E. Toffler and S. Huntington. In his work "The Third Wave" E. Toffler divides the process of development of mankind into the agrarian, industrial and postindustrial periods. (E. Toffler "The Third Wave", M., AST, 2010). S. Huntington in his work speaks of three waves of democratization of societies. (S. Huntington "The Third Wave." *Democratization at the End of the Twentieth Century.*, Moscow, AST, 2004).

In accordance with the classical theory of modernization, the transformation of traditional society into a modern one, i.e. agrarian society in the industrial, is a modernization, and the transformation of modern society into a society of postmodernity, i.e. industrial society in the post-industrial, is post-modernization.

Modernization includes the process of changes associated with the transition from traditional to modern society in the economy, politics, culture and international competition, during which various countries try to achieve and maintain a high level of development in terms of the standards of the modern world. To be more precise, modernization is a combination of development, transformation and international competition of civilizations.

Starting from the 18th century to the 21st century, the process of world modernization can be divided into two main periods: primary and secondary modernization.

Primary modernization includes industrialization, urbanization, democratization, institutionalization, secularization, mechanization, electrification, automation, standardization, social well-being, de-agriculturalization (reducing employment and the share of agricultural labor in GDP), modern science, mass communications and public school education and t .P.

The result of the secondary modernization is the process of formation of a knowledge-based society, informatization (information saturation), the development of services, networking, the diffusion of digital technologies, the willingness to innovate, diversification, pluralism, greening, gardening, the decline in the share of material production, dematerialization, de-industrialization and the share of industrial labor in GDP), the establishment of a balance between the urbanized and agrarian spheres, lifelong learning, public access higher education, etc.

In the course of secondary modernization, the quality of life comes to the forefront. If the quality of the material side of life can be similar in different countries, then the spiritual and cultural life is everywhere settled differently, in

accordance with the historical process of the formation and development of the people.

The concept of modernization has four layers of theoretical inferences. First, this is one of the most important changes in human civilization since the industrial revolution of the XVIII century, which includes changes in activity, behavior, process, content, structure, system and the very idea of human civilization. Modernization includes education, development, change, innovation. It concerns such areas, as an economy, society, politics, culture, ecology, the level of consciousness, the world outlook and the degree of individual assimilation of the provisions of the moral code of civilized society, etc.

Secondly, modernization is a historical process. This is a complex process of education, development and innovation. Under the primary modernization is understood the process of transition from an agrarian civilization to an industrial one, including the transition from an agrarian to an industrial economy, a society, a culture, etc. Secondary modernization is the process of transition from an industrial civilization to an information one, including corresponding changes in the spheres of economy, society, culture, ecology, etc.

Third, modernization is part of international competition

- countries are trying to overtake each other and achieve a high global level of development.

Fourth, modernization can be viewed from both absolute and relative points of view. Changes and growth within one country are an absolute upgrade, while comparing different countries we will get a picture of relative modernization.

Modernization is a characteristic feature of development and personal choice of individuals. Without it, society is stagnant. If you refuse modernization, the gap between your standard of living and the standard of living of those who perceive it will only increase.

The words of President Ilham Aliyev "Turning" black gold "into human capital" summed up the line under the linear economic growth, i.e. the old traditional form and methods of economic development, and, not waiting for the completion of industrialization of the country, marked the transition to the preparation and creation of creative industries in the sphere of economy and production - the foundations of a postindustrial society. If we turn to socio-economic projects, which began to be realized in country after 2003, we will see that these words of the President predetermined a qualitatively new course of Azerbaijan's development in the 21st century. Modernization has acquired the status of the main direction of the development of the state.

This was a very important turn in the state policy, considering that the first decade of the new century presented humanity with political, economic and ideological surprises. There is no doubt that the world is returning to multipolarity, in an updated form, the old ideological and political doctrine of the West with regard to the East becomes more tangible, the "clash of civilizations" is not only the fruit of the imagination of philosophers. In addition, the global financial and economic crisis, other global problems are becoming more dangerous. Such a reconfiguration of the world's financial and economic map becomes a serious test for small countries in the geopolitical interests of the great powers and international destructive forces. Today, along with possessing the necessary resources for self-preservation, the ability to withstand the tough challenges of the times, we need completely new ideas and non-standard solutions that ensure the survival of society, the country's competitiveness.

Until recently, the decisive role in changing the epochs of social development was attributed to technological methods of production, based on fundamental changes in technology, means and objects of labor. However, having retained their relevance, without human capital, today they themselves are not able to solve any problems of further sustainable, dynamic and effective development of social production, stable economic growth, and the satisfaction of growing social needs. In today's realities, the focus shifts in favor of the fact that the main driving force of socio-economic

progress, the main source of decision of historical the tasks of universal modernization, the creation of an innovative economy become a person, his intellect and skills, the ability to produce new meanings, innovative systems, the ability to model and build his future on a creative basis.

As a consequence, the task of creative modernization is being put forward in the mainstream of the postindustrial society and a solution is needed for the problem of who will become the main subject of the formation of an innovative economy.

It should be noted that the creation of an innovative economy in developed industrial countries strongly affected the division of society into groups and new classes. Speaking about the emergence of new classes, some Western authors began to write about the growing role and power of "intellectual workers", others about the development of the "professional and administrative class", etc. All of them considered the economic aspects of the new class structure of society. Undoubtedly, the economy is the base of the new class. At the same time, the innovative economy forms the corresponding class, which consists of people who produce economic values in the process of creative activity. It's not about the economic class that owns property, capital and the means of production. The theory advanced by the classics of Marxism-Leninism, according to which the class structure of society consists of a class of the bourgeoisie, the working class and the social stratum of the intelligentsia, has now lost its analytical potential.

As a result of the technical and technological process, the class structure of society is transformed, which is connected with the objective process of changing the place, role and importance of classes in the development of social production. With the advent of new technological methods of production, the role of the leading class of society passes to a new social subject.

Thus, we can conclude that in the post-industrial era, in the transition to the solution of the tasks of innovative modernization, the social entity becomes the creative class - as the main engine of innovation, as the subject of reproduction of

human capital, the holder of a cultural and information resource. Consequently, the concept of "social class" is enriched with new content.

It so happened that in Azerbaijan it is the state that acts as the main initiator and sole subject of all modernizations. In this case, the role of society (the scientific community, civil associations, representatives of the spiritual segment, production collectives) is not excluded. As a rule, the society fulfills the role of the creative executor of the planned goals. The functional role of the state in innovative modernization is determined by its importance in the life of society. True, the main subject of innovative modernization remains the same emerging creative class. In any case, the state acts as the initiator and the sole subject of changes, and their customer.

It should be noted that such a position of the state is peculiar not only for Azerbaijan. In a number of countries, the modernizing concept of "developmentalism" is popular, in which the state is the main subject. In essence, this is the theory of modernization of underdeveloped countries. For example, some countries in South-East Asia, Latin America, Ireland owe it to her "economic miracle", thanks to this very concept they achieved a high level of development. In Kazakhstan, they do not hide that "developmentalism" is the basis of the country's development strategy. In the opinion of Kazakhstani researchers, an important condition for developmental strategies is the cohesion of the state apparatus and political organizations, civil structures in their joint striving for the development of the country.

In this line of implementing the concept of national development, the government of Azerbaijan, which is extremely interested in innovative modernization, involves as many active representatives of social groups as possible in this process. A sound basis for national development is also the mobilization of creative people, educated youth, key to the modernization of managerial positions.

The authorities are aware that paradigms of an effective state, the system of state management and control, are changing in a postmodern society. From the night

watchman it turns into a state of a new type- a social partner. The purpose of such a state, along with protective functions, is also modernization and social development and mutual strengthening of the interests of society and the state. In this case, the state becomes an effective innovator - not only the customer, but also the guarantor of innovative social modernization. Such a state will have greater stability, since it is better suited to new challenges - to existence in a dynamic environment of a postindustrial society, where innovations are the norm. At the same time, the state should not manage the economy, but economic development; not by society, but by social development. It is this partner state that is most appropriate to the challenges of the modern global world and is able to meet the challenges of innovative modernization. Taking into account the aforesaid, and also proceeding from the strategy of accelerated development, the Azerbaijani government has identified five main directions of economic modernization.

The first direction is the innovative development of Azerbaijan. It assumes the development of modern technologies by Azerbaijani companies, the production of new competitive products and expansion of export markets. A lot of work has already been done in this direction. Thus, the production of new products using modern technologies in industry in 2013 increased sevenfold compared to 2007.

The second direction is the strengthening of dynamically developing market institutions and ensuring competition. This direction is one of the important elements of Azerbaijan's economic policy with a view to developing entrepreneurship and attracting investments in the country's economy.

The third direction assumes further diversification of the national economy, expansion of production of final products using modern technologies, increasing competitiveness of the processing industry and the "knowledge economy". Work is also underway to improve the legal and economic foundations of innovation in order to stimulate innovative development, which is one of the important elements of the modernization policy.

The fourth direction is the achievement of a new quality of human capital, the education of creatively thinking personnel, bringing their training in line with the requirements of the creative economy. To this end, active work is carried out to qualitatively update the system of all forms of education in the country.

Finally, the fifth direction of economic modernization is the continuation of work on creating new sources of economic growth. The completion of the Baku-Tbilisi-Kars railway and the international sea trade port will help achieve this goal, which will significantly increase the country's transit potential. The new infrastructure system will include technology parks, high technology companies, industrial towns, a shipyard, three cement plant and a number of other manufacturing and processing enterprises.

It should be noted that the results of the government's policy aimed at implementing the strategic concept on the formation of a strong social and economic potential, as well as reforms in the economic and social spheres, are already transforming the face of Azerbaijan.

International financial institutions highly appreciate the reforms being carried out in Azerbaijan in the economic and social spheres, increase the country's credit ratings. An influential organization in the world is the World Economic Forum in the next reports on the competitiveness of countries in 2013, appreciating the achievements of Azerbaijan. On the competitiveness of the economy, the country occupies one of the leading places in the world and is the leader in the entire CIS space.

To achieve this goal, the country is pursuing a policy aimed at preserving and developing all that has been won over the past eight years. The emphasis is on creating large modern industrial enterprises equipped with modern technology. Large technoparks have been launched and are functioning. The activity of small and medium-sized enterprises is growing on the basis of new technologies, and their number is growing. A significant role in this is played by the government providing

necessary support to the private sector, providing entrepreneurs with concessional loans.

In the oil and gas sector, which is the backbone of the country's economy, large-scale projects are being implemented. Also taking into account modern world trends, by the end of 2013 a large chemical plant for the production of methanol based on the British ICI technology was put into operation in Garadagh district of Baku. Methanol will become the most

An effective alternative to oil and gas. The new aluminum plant in the city of Ganja has entered into force, which will significantly strengthen the industrial potential of the country. Operating metallurgical capacities in 2014 were replenished thanks to commissioning of a large metallurgical complex. The existing industrial facilities are being reconstructed. The construction of a new fertilizer plant is planned. This plant will fully satisfy the country's needs and at the same time will strengthen its export potential. The government's plans are that the country's gross domestic product per capita at the level of developed countries.

The program for the development of the electric power industry is successfully implemented. Work in this area allowed in 2012 - 2013 to implement all the plans of the country in this direction. In recent years, 11 new power plants. Only in the previous five years have been built and restored power plants with a capacity of 1500 megawatts. In 2011, the country's power capacity was 6.5 thousand megawatts, which fully meets its needs for several years ahead. Along with oil and gas, Azerbaijan began exporting large amounts of electricity to neighboring countries.

Considering that in 10 years the economic and industrial potential of Azerbaijan will double, the government set the task to ensure that the energy capacities are constantly ahead of our overall development.

Using the latest technologies and foreign experience, the country has also moved to the creation of alternative and renewable energy sources. So, solar-wind power

station was commissioned in Gobustan district. Work in this direction is being conducted in other regions of the republic.

April 25, 2012 in the city of Sumgait put into operation the plant "Azguntech" for the production of solar modules and LED lamps. The plant, created using the most modern technologies of world-known companies in the field of alternative and renewable energy, is fully computerized. Equipped with 60 solar cells, solar panels with a capacity of 42 to 250 watts will be manufactured at the level of international standards and produce stable electricity. On the production line for the production of panels, the process is fully automated.

For the production of high-tech LED lamps, which are a new generation of lamps and are characterized by economy and durability, it is planned to build a special lamp factory.

It should be noted that the tasks of further industrialization of the country will be solved by creating both large and small and medium-sized enterprises. As a result of commissioning of modern enterprises, new, including small and medium-sized production facilities, reconstruction of existing industrial enterprises, hundreds of thousands of jobs will be created in Azerbaijan.

In Azerbaijan, a large assortment of oil equipment, electrical equipment, pipes of different diameters is produced from both metal and composite materials, chemical products, construction materials, etc. The start of production of cars and trucks. We export high-quality industrial and food products that meet international standards and are in great demand among foreign consumers.

Today the basis of the agrarian policy is the implementation of the program for the modernization of agriculture. Its material and technical base is being updated, new methods and technologies are being introduced. As a result of the adoption of land reclamation measures, additional large land areas are introduced into the turnover, the areas under cultivation are expanded, the volume of agricultural

production increases every year, viticulture and horticulture are intensively developed.

The policy of encouraging entrepreneurship gives a strong impetus to economic and industrial development. Another issue related to entrepreneurship, lies in the fact that Azerbaijan enters the foreign markets with its investments, and the geography of these investments is expanding. Now we are investing in neighboring countries - Turkey, Georgia, as well as Ukraine, the Balkan countries. Investment opportunities in the European Union are being studied.

An important factor of development is that we have a transparent financial system. This applies to the system associated with infrastructure projects. For their implementation, additional financial resources allocated from the reserve fund of the President of the country are also used.

In this context, it is necessary to note the progress achieved in implementing state programs for the development of the country's regions. If the first such program, approved in 2004, was aimed at expanding business opportunities, building industrial capacity, addressing a number of other tasks of regional development, the second program covering 2009-2013 envisaged the implementation of infrastructure projects. This is a very broad direction. Roads, junctions, tunnels, overpasses are being built everywhere, the arterial roads are expanding. New industrial facilities, light and food industries are being built. Only in 2011 33 industrial, processing, and infrastructure enterprises were put into operation, 247 educational institutions were built and reconstructed, 87% of schools are equipped with computers. The newest information and communication technologies penetrate the management system in the regions of the country.

Work continues on the improvement of cities and towns, regional centers, their appearance changes, etc. Residents and guests of our capital can easily notice the quantity and quality of works carried out in accordance with the project of renovation of the city of Baku. A systematic work is restoration of buildings, bridges, roads,

fountains are being built, new parks are being created. The Primorsky Boulevard, having become three kilometers long, turned into one of the most beautiful corners of the capital. The airport was modernized, the Heydar Aliyev Center was built - a masterpiece of modern architecture. Many will agree that this unique architectural work, which does not have an analogue in the world, personifies modern Azerbaijan. This unique sample of architecture complemented the external appearance of Baku, ideally in harmony with the other two pearls included in the textbooks of world architecture - the concert complex "Baku Crystal Hall" for 23 thousand spectators and the Carpet Museum, which has the form of a folded carpet. Other objects of cultural and intellectual purpose are being built. It's not a secret for anyone that today Baku is not only in line with the most beautiful capitals of the world, but also successfully competes with them in many ways, while preserving its historical significance and multiplying its strategic attractiveness as the European capital of the western coast of the Caspian Sea. Only during the last several years many of the most famous brands of the world hotel industry, such as Kempinski, Hilton, Jumeirah, MARRIOTT, Four Seasons and Fairmont, opened their five-star hotels in Baku. Large-scale work is under way to modernize the health care system, its material and technical base is being strengthened through the introduction of modern medical equipment. In 2011 alone, 54 health facilities were built or overhauled, including medical and diagnostic centers, hospitals, and polyclinic outpatient clinics. The newest medical centers involve personnel trained abroad. In the city of Baku and the regions, more than 30 Olympic centers and other sports facilities have been built, contributing to the development of the sports movement in the country, allowing youth to develop physically and spiritually, and also to assert themselves in life.

In recent years, Azerbaijani athletes have won an impressive number of awards at prestigious international competitions in various disciplines, even in those sports that were not considered to be traditional for the country. And this is the result of a well-thought-out policy of the government to create a modern material and technical base for sports and training athletes.

The initial prerequisite for disclosing the essence of the structural strategy of the regions as a set of management approaches and organizational actions of the country and for achieving long-term, strategic goals requires a systematic approach. It is the result of active and purposeful actions of the state, economic subjects of the economy taking into account the impact on them of both national and international economic relations. On the one hand, the transition from one economic system to another without preparation, without taking into account the specifics of the regions, the result of which for a long time was instability, uneven socio-economic situation in the regions, and on the other

- the deployment of the world economic crisis, which adversely affects the innovation system of regions and investment activity in them, as well as the formation of the structure and organization of the regional economy without taking into account the factors of the world development trend, sharp aggravation of environmental problems, etc. further exacerbated the existing problem of sustainable development of the regions and made its solution more relevant and necessary. Modern regional-structural strategy the country must meet a number of requirements for the interaction of the modern world economic system and the national economy. First of all, it is intended to express the interests of the country and adapt appropriately to the global world economy and be flexible enough to react to the changes and trends that are taking place, to be long-term in nature and to take into account all the latest scientific and technological achievements in the world.

The general theoretical approach to the study of modern economic relations makes it possible to give a holistic view of the laws, main processes and trends occurring in the social and economic sphere. As noted by Academician A. Nadirov, among the urgent problems facing the state is to ensure the socio-economic growth of the regions of Azerbaijan. According to a number of other economists, the starting point in the policy of priority development of high-tech industries of the regions should be the formation of a national regional innovation policy, the definition of

strategically important industries, more open to innovation processes in the regions of the republic.

In my opinion, it is necessary to solve the following problems:

- using natural resources and agricultural products of the regions to create innovative industrial and agro-industrial branches, different territorial farms based on the requirements of sustainable development;

- restoration and creation of new enterprises producing innovative and strategic goods;

- full provision of the population with domestic food products, forecasting production opportunities for exported agricultural products to stimulate the expansion of these opportunities through procurement, government procurement and services - ensuring sustainable development of the regions based on forecasting the necessary market and production infrastructure;

- reconstruction of the industrial system, taking into account the factors of resource saving, anthropogenic influence, that is creation of a waste-free production process, etc.

As the practice of successful implementation of regional policy shows, it is necessary to correctly identify priority industries and their development directions, taking into account their economic potential. And this primarily depends on:

- 1) on the extent to which this policy has been properly chosen and the tasks of regional development have been determined for each specific historical period;

- 2) how correctly the principles of fairness and efficiency are correlated in the social and economic development of regions and in the whole in the republic;

- 3) to what extent are the links between the development of priority sectors of the country and the development of priority sectors and infrastructure of the regions taken into account.

It is the consideration of these conditions and factors that makes it possible to rethink and evaluate the importance of more successfully ensuring innovative development at the local level.

The research confirms that in order to realize the task of innovative development of a particular region, and at the expense of this and the entire socioeconomic system of the country, it is necessary to determine:

- what socio-economic sectors of the region can, by applying innovations, reduce the burden on the natural environment, as well as by reducing the material intensity, energy intensity and polluting waste, and improving the quality of the region's competitiveness;

- what new, innovative commodity markets can be created within the region and what will be the demand for these goods (these goods may be technology, technology, scientific and technical research results, etc.), how can these commodity markets affect the provision and enhancement sustainability

- and finally, do intraregional carriers and speakers of economic interests have the financial means to purchase these innovations or innovative products and how much do they need in these innovations, is there a need for campaigning, financial support, encouragement and other incentive mechanisms.

As the domestic and foreign experience shows, the effectiveness of the regulatory system of various spheres depends, first of all, on the efficiency of the management system, which is determined by the clear distribution of powers and responsibilities between central, regional and sectoral authorities and government.

"The regional administration must depart from the total" mobilization "management, which ignores economic and cultural peculiarities, to use the active" non-economic ", and, in fact, political coercion, which does not take into account local and temporal specifics in order to form the foundation for long-term perspective development. However, the use of "mobilization" management as a highly organizing factor in resolving extreme critical situations is unquestionable if such an application

is objectively conditioned. " Here the main thing is that the management and regulation activities are systematically organized. This system should not only determine the subjects of management, but also regulate the order of measures, monitoring the implementation of decisions of government bodies and management related to economic, social and environmental policies. It should be noted that a special place is occupied by targeted programs aimed at solving a specific problem. It is in connection with the socio-economic development of the regions of Azerbaijan that comprehensive programs have been adopted that take into account the country's goals and the interests of the regions. State program of social and economic development of regions in 2004-2008. and the Program of social and economic development of the regions covering 2009-2013, take into account the peculiarities of the territories and provides for the sustainable development of the regions, and the implementation of activities in this area is likely to intensify in the near future, which, in our opinion, will lead to a more stable and dynamic development of the national economy of Azerbaijan as a whole.

A comparative analysis of the implementation of regional policy allows us to conclude that, despite the numerous legislative acts adopted, there is a need to improve the mechanisms for regulating territorial development, it is expedient for each region to adopt a number of targeted programs, and in order to ensure sustainable development of the regions, it is necessary to implement the following:

- First, to create an independent economic system of the region, it is necessary to ensure the development of entrepreneurship. And for this it is necessary to attract private investments for the improvement, expansion, restructuring and reconstruction of enterprises. That is, privatization should be carried out on the basis of investment and innovation projects for the purpose of further operation and expansion of enterprises.

- Secondly, it is necessary to pursue a selective structural policy in the regions and expand interregional economic ties. To improve the effectiveness of structural policies, it is necessary to take into account the reproduction phases at the regional

level. The development of priority sectors and the protection of production should be oriented towards sustainable development of the region, that is, the preservation of its natural environment, the landscape, and the rational use of natural resources.

- Thirdly, the system of regulators should support the balance between social justice, economic expediency and environmental safety, be formed in industries and regions not spontaneously, but strictly in accordance with their compatibility.

- Fourthly, it is required to justify the selected sets of economic regulators for each branch of the region, and to strictly control the progress of reforms in the regions in order to determine the failures and their elimination.

- Fifthly, it is necessary to ensure the economic security of the regions, identify external and internal threats.

Azerbaijan, having favorable climatic conditions, natural resource potential, with the transition to market relations, tries to eliminate regional imbalances. It is the stability of the Azerbaijani economy in the context of the global economic crisis that was largely determined by the country's economic policy in the field of regional development.

CONCLUSION

Analysis of positive dynamics and major problems of the Azerbaijani economy in the context of globalization shows that in the medium term, the possibilities of the expert-raw type of economic development will be exhausted.

Achieving sustainable and balanced development in the long term (after 2018) objectively requires the optimization of the model of economic development. It is necessary to use oil revenues more effectively for the development of human capital, and on this basis to make a modernization leap. This requires a new stage of economic reforms to achieve an effective combination of the state, society, economy, business and technology. The implementation of such a model is necessary for the

transition to an innovative way of development, improving the quality of management, education, the effectiveness of science and the competitiveness of the country. Only on this basis is it possible to improve the quality of life of the population and Azerbaijan's entry into the number of 57 countries with high human development indicators.

The analysis shows that the skillful use of human and resource potential, as well as the unique geopolitical situation of the country, will lead to an increase in the competitiveness of Azerbaijan on a global scale, and as a result - to accelerate the process of improving the welfare of the population of the republic

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