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CONTEST

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INTRODUCTION

Relevance of the research topic. Azerbaijan is a dynamically developing state located in the South Caucasus, with access to the Caspian Sea. The geographical position gives Azerbaijan the opportunity to become a kind of bridge between East and West. “Due to its strategic location, Azerbaijan today is an important logistics center, through which traditional and new communication, transport and energy corridors in the Eurasian space pass, connecting East with West and North with South.”

The world economic environment of the XX-XXI centuries formed by such system processes as integration, internationalization, globalization. These processes practically already define all economic activity as a global trend that has engulfed all countries of the world. They contain, on the one hand, elements of self-organization, and on the other, elements of restructuring, with the aim of minimizing transformational and transactional costs. As a result, modern globalization processes cover all aspects of the life of national economies.

At the present stage, more precisely, from the day of independence, the economic development of Azerbaijan is closely linked and is largely determined by globalization changes in the world economy. Its internationalization and the challenge of globalization reinforces the need to increase the openness of the national economy of Azerbaijan, the formation of extensive economic ties. Transformation into globalization processes is a difficult and painful period for any national economy, including Azerbaijan, but at the present stage this process corresponds to the leading trends of world development and simultaneously meets to some extent the national interests of each individual country in the world. The current stage is crucial for Azerbaijan in terms of the role of external factors in its economy.

In the context of globalization of production and capital, the competitiveness of the national economy is of particular importance, the boundaries between the domestic and foreign markets are erased due to the abolition of many foreign economic barriers. In this regard, the world market is turning into a single field of

competitive struggle, and only a country that is able to ensure the high competitiveness of its goods can occupy a worthy place on it. Today, in conditions of aggravated competition in most countries of the world, great importance is attached to the problem of increasing the competitiveness of the national economy. In this regard, the thesis work is of particular relevance in order to address the issues and challenges facing the government, which contribute to improving the competitiveness of the country.

The object of the research is the Azerbaijan Republic in the context of modern regional integration.

The subject of the research is the analysis of the participation of the Republic of Azerbaijan in regional integration processes, theoretical and practical aspects of increasing the competitiveness of the country in the context of regional integration.

The aim of the study is to study the degree of Azerbaijan's presence in regional integration structures, to study the state strategy in the development and diversification of the national economy in order to increase the country's competitiveness, to analyze Azerbaijan's position in international ratings and indices, as well as the state policy for developing innovative technologies to improve competitiveness country.

The implementation of this goal involves the following tasks:

- 1) The study of the theoretical framework, the evolution of approaches and the impact of integration processes on the competitiveness of the country.
- 2) Analyze the degree of participation of Azerbaijan in regional integration processes, identifying a place in international ratings and indices.
- 3) Consider the mechanisms that stimulate the improvement of the competitiveness of the country using the advantages of regional economic integration, examine the prospects for further inclusion in international clusters.

Research methods. The methods of comparison and generalization, economic-statistical analysis, systemic and historical-logical approaches are applied.

The scientific novelty of this dissertation is that the development of international economic relations, and of any global processes, is variable, that is, it tends to change with time. Consequently, the novelty consists in posing the question, in the theoretical definition of a set of tasks that are associated with the development and formation of a developed competitive environment, scientific approaches and directions for their improvement.

Information base of the dissertation work was the work of foreign and local authors, materials of the State Statistics Committee of the Republic of Azerbaijan, monitoring studies published by the International Economic Forum, materials and indicators of the Central Bank of the Republic of Azerbaijan, materials of the World Bank and the World Trade Organization, International rating organizations, Doing Business report, Human Development Index, etc.

The structure of the work and the logic of presentation of the material correspond to the goals and objectives of the final qualifying work, which consists of introduction, three chapters, conclusion, bibliography.

CHAPTER 1. THEORETICAL GROUNDS OF COUNTRY'S COMPETITIVENESS

1.1 Evolution of approaches towards evaluation competitive advantages of a country

In the context of globalization of production and capital, the competitiveness of the national economy is of particular importance. National competitiveness is crucial for any economy. Today, in conditions of aggravated competition in most countries of the world, great importance is attached to the problem of increasing the competitiveness of the national economy. This problem is particularly relevant for developing countries, which export less competitive products and import more expensive products.

Hierarchy of concepts of competitiveness is the basic concept of "product competitiveness", which can be considered for its various types. As producers of products are enterprises, industries, regions, states that are competing for consumers, markets, factors of production, investment.

The competitiveness of the national economy is the ability of a country and its business entities to produce and sell their goods and services on world markets, ensuring high labor productivity, efficient use of resources, increasing asset profitability, expanded reproduction, consistently high (relative to other countries) gross capital formation, income and the wages of their citizens per capita.(20,p.5)

The goal of increasing national competitiveness is to raise the living standards, incomes and well-being of the population, to achieve high rates and results of economic development.

The analysis of various concepts of the phenomenon under consideration allows to highlight the following characteristics of the country's international competitiveness:

1. Competitiveness at the political level, above all, serves as an effective means of raising the standard of living and improving the well-being of the population of the country, solving a number of social issues;
2. Characterized by a developed national innovation system;

3. In a country with a high level of competitiveness, national enterprises produce goods and services that meet the requirements of not only domestic but also global demand in conditions of free competition;

4. Competitiveness allows increasing the comparative profitability of national exports: reducing costs, increasing the profit rate of domestic producers as compared with foreign competitors, as well as improving the quality of goods and services;

5. A competitive economy has a balanced sectoral structure that ensures the long-term sustainability of the national economy;

6. It is possible to assess the international competitiveness of a country only in comparison with the results achieved by the economies of other countries of a comparable level of development.

By the middle of the XX century formed a general theoretical understanding of the nature of competition, its main driving forces and the main classical models. Approaches to the study of national and international competitiveness are conventionally combined into American, British and Scandinavian schools. Within the framework of the American school, M. Porter's concept of national competitive advantages and the concept of regional clusters and M. Enright's regional competitiveness are usually distinguished. In the British school - the OLI paradigm of J. Dunning, the concept of interaction of the value chain, the cluster R. Kaplinski and H. Schmitz, and the concept of the techno-economic paradigm of K. Freeman; in the Scandinavian school - the concept of a national system of innovation and economic education B.-O. Lundval and B. Johnson, as well as the concept of the training regions of B. Asheim and A. Isaxen (5).

An attempt to highlight competitive advantages and quantitative measurement of the level of competitiveness was undertaken as early as 1965 by American scientists R. Farmer and B. Richman . In general terms, their hypothesis was that enterprise efficiency is a function of managerial efficiency, and macroeconomic efficiency is a function of efficiency of individual economic units. Environmental factors with a corresponding weight were divided into four groups of determinants of competitiveness, called "independent variables"(5, p.314):

1. education, reflecting the level of literacy, the state and quality of the educational system;
2. socio-cultural characteristics that demonstrate human norms, values and beliefs;
3. political and legal system;
4. economic - many factors that characterize the level of economic activity of the country and the state of the supporting infrastructure.

Each of these determinants has been assigned the functions of planning, marketing and production. Through the construction of the matrix, comparisons were made of various environmental factors, gross national product (GNP) indicators per capita and growth rates, and conclusions were made about the effectiveness of management systems in different countries within the framework of the so-called comparative management(5). The study of R. Farmer and B. Richman was the first attempt to determine the international competitiveness of countries, but the matrix method was not widely used due to its too high complexity. This prompted economists to look for more affordable methods for determining international competitiveness, which led to a factor approach.

The most famous concept of competitiveness is the theory of M. Porter. Michael Porter came to the conclusion that state competitiveness should be defined not as a macroeconomic category, achieved through monetary and fiscal policy, but as a productivity, i.e. effective use of labor and capital. The standard of living in a particular country is measured by the national per capita income, which grows with the improvement of the economy. However, national income is created at the firm level and consideration of the welfare of the economy must be considered in relation to each individual company.

International competition and foreign investment are special catalysts that encourage local producers to improve themselves. At the same time, international competition can not only help national companies, but also completely make individual industries unprofitable.

Although this consequence is not negative in all senses, the country can specialize in those segments where its firms are more productive and import what they are less efficient for foreign competitors, thereby increasing the overall level of productivity. Thus, import is an important component of productivity.

Improving productivity contributes to the establishment of companies abroad. The less efficient part of the production is transferred there, which is better adapted to the new conditions, and the profits are repatriated to the country, increasing the national income.

No country can be competitive in all industries. If it exports in the same industry, then this leads to increased costs for materials and labor, which adversely affects less competitive segments. Constantly growing exports lead to an appreciation of the national currency, thereby hampering its further growth.

According to Porter, the normal process of expanding exports is possible only when moving non-competitive industries abroad. Of course, positions in some industries will be irretrievably lost, but in others, on the contrary, they will get even stronger. Any protectionist measures only worsen the competitive position of the country and limit the improvement of living standards in the long term.

Although international trade and investment can significantly improve national productivity, they can also put it at risk. This is due to the fact that for each industry there is a level of both absolute productivity relative to foreign competitors and relative. Even if the industry is relatively more productive and can attract resources, it will not be able to export, or resist competition from imports, unless it is absolutely not competitive with them.

The country's competitiveness factors are grouped into four groups of determinants of national competitiveness:

1. factor conditions: material (natural) resources; human resources (labor); financial resources (capital); informational resources; infrastructure; the quality of life;
2. conditions of domestic demand: volume, quality and compliance with the trends in the development of demand in the world market;

3. related and service industries: areas of receipt and use of raw materials, semi-finished products, equipment, use of technology;
4. strategy and structure of firms and rivalry between firms: goals, strategies, ways of organizing, management of firms, intra-industry competition (21).

Another important aspect of a country's competitiveness, along with determinants, is its comparative advantage, or relative competitive position, in a group of countries at the same stage of economic development. This aspect of competitiveness is revealed by M. Porter in the model of economic development stages (stagemodel). Porter considered four stages of economic development and competition, driven by: factor-driven stage; investment-driven stage; innovation-driven stage; wealth-driven stage.

In the first three stages, there is a gradual increase in the country's competitive advantages and, as a rule, gradually increasing economic prosperity, and the fourth stage ultimately leads to a decrease in welfare.

According to M. Porter, all developing economies usually go through the first three stages of development: in the first stage, the victory in competition is determined by the size of production costs; in the second stage, competition is based on increasing the technical efficiency of production; in the third stage, the creation of new goods and services becomes key.

The investment stage concerns the countries with the status of average profitability, where growth depends on investment and competitiveness is achieved “through the use of world technologies in domestic production. Foreign direct investment, joint ventures and outsourcing allow the national economy to be integrated into the global production system” (21, p. 13). At this stage, in order to increase the attractiveness of the government, it is necessary to pay increasing attention to physical infrastructure (ports, telecommunications, roads) and the legal framework (customs, taxes, legislation on the activities of enterprises) in order to allow a more complete integration of the economy into global markets.

The innovation stage concerns countries with a high level of economic development that have made the transition from an economy importing technology to an economy creating technology. In this case, “there is a critical link between competitiveness and a high level of education (especially in the field of the exact and natural sciences), the ability to quickly move to new technologies” (21, p. 15-17). This transition is considered to be the hardest, because development based on innovation requires the direct participation of the state in encouraging high rates of innovation through investment (both private and public) in research and development, higher education, and the improvement of capital markets and the legal framework — everything which supports the discovery of new high-tech enterprises.

The theory of national competitiveness was further developed in the nine-factor model of the competitive advantages of the South Korean scientist D. Cho, in which the main “weak link” in research of competitive advantages conducted earlier and the theoretical basis for determining the significance of certain factors in shaping international competitiveness were overcome. . In order to overcome this limitation, the “human” dimension of competitiveness was first introduced in the nine-factor model. The group of factors that form the human dimension - the aggregate human factor, includes: employees; politicians / officials; entrepreneurs; specialists. Physical factors include: endowment with resources; domestic demand; related and supporting industries; business environment indicators . To these eight factors is added the ninth - cumulative "external factors"; it includes “random events”, “chance” and “government” as exogenous variables (5). At the heart of the nine-factor model D. Cho: the principle of relative competitive position in the international market of countries with a similar level of economic development; more fractional than in the Porter model, the division of human, natural and financial factors of competitiveness; taking into account differences in the influence of different types of human and physical factors on the country's competitiveness.

The main difference between the nine-factor model and the Porter model is not so much in the division of the former and the addition of new factors, but in the emphasis on the role of the human factor.

The current global financial and economic crisis revealed deficiencies in approaches to the assessment of competitiveness on the part of international organizations, which prompted the latter to make changes to the methodology for assessing competitiveness in accordance with the latest achievements of economic theory and the results of applied research. Thus, in the report of the World Economic Forum, the concept of sustainable development was taken into account for the first time and a new indicator, the Sustainable Competitiveness Index (SCI). Sustainable competitiveness is defined as a combination of institutions, policies and factors that determine the level of productivity in a country, ensuring that future generations can meet their own needs. A study of recent research concepts has led to the conclusion that the economic literature lacks an understanding that the relationship between production processes, which depend on competitiveness and sustainability, whereas the relation between them is crucial.

To determine this ratio, the Sustainable Competitiveness Index was developed, which reflects the fact that some components of sustainable development are key to national productivity in the long term, but not so important in the short term. The new SCI index includes twelve indicators of competitiveness, which are included in the Global Competitiveness Index (GCI) and are grouped into five sub-indices: human capital; market conditions of technology and innovation; political environment and the creation of favorable conditions for development; environment.

Additionally introduced indicators: social cohesion; environmental policy; resource efficiency; renewable resource management; environmental degradation. The GCI index calculated annually by WEF experts provides insight into competitiveness and its determinants in the short and medium term, and SCI provides a deeper understanding of the determinants of long-term sustainable competitiveness in a 20-year term. This approach allows us to identify the relationship between competitiveness and sustainability, to compare the successes

and failures of countries not only in the short and medium term, but also in the long term. The five distinguished sub-indices of sustainable competitiveness are determinants in a globalized economy and the formation of a knowledge economy. As globalization deepens, the value of vertical integration grows, which makes it possible to combine the entire technological cycle into a single chain - from the extraction of raw materials and its processing to the production of high-quality products. Thus, the country's competitiveness is increasingly dependent on the proportion of vertically integrated value chains created by inter-sectoral associations such as transnational corporations (TNCs). This predetermined a fundamentally different, different from Porter's approach to assessing the international competitiveness of countries based on vertical integration and an aggregated value-added multiplier as an indicator of systemic competitiveness at the national and transnational levels using inter-sectoral balance.

1.2 International rankings of competitiveness of countries

Corresponding modifications to overcome the limitations of the original Porter model while maintaining the determinants of competitiveness inherent in it are also reflected in the methodological approaches of international centers for the study of competitiveness - the World Economic Forum, the World Bank, and the International Management Development Institute (IMD).

There are three universally recognized international centers for studying the competitiveness of countries in the world. Two of them are located in Switzerland: the WEF in Davos and the Lausanne Center for the Study of Competitiveness - IMD, consistently among the top three business schools in the world. The third center is the Center for International Development at Harvard University, USA, and the Institute for Strategy and Competitiveness at Harvard Business School.

Table 1.1

The main international organizations that publish indices of competitiveness of countries.

Organization	Indexs	Years	Theoretical Base
European Management Development Forum (EMF) (European Management Forum, EMF) established in 1971	Annual comparative ratings of the leading economies of the world	Since 1970s	22 OECD countries 10 factors 200-300 indicators
World Economic Forum In operation since 1979 after the organization of the EMF	World Competitiveness Index	1990	Development of EFM techniques
	Macroeconomic Index of the Country (Index of Competitive Growth)	1996 - 2004	3 prerequisites (macroeconomic environment, institutions, technological progress) 34 indicators
	Business Competitive Position Index (Business Competitiveness Index)	1998-2007	competitiveness diamond and the theory of the developmental stages of M. Porter 2 subindexes ("company activities" and "quality of business environment") 72 indicators
	Global Competitiveness Index	2005 .	Theory of stages of development of competitive advantages of M. Porter 12 factors more than 300 indicators
	Sustainable Competitiveness Index	2011	Theory of Sustainable Development 12 basics + 2 additional basics more than 300 indicators
International Institute for Management Development (IMD) Established in 1989	IMD rating IMD World Competitiveness Yearbook (WCY)	1989	M. Porter's competitiveness diamond The division of economies into 2 groups by population 4 factors 320 criteria

Source: The Global Competitiveness Report, IMD World Competitiveness Yearbook 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014 (27)

The Institute of Strategy and Competitiveness is headed by the famous professor M. Porter. Each year, each center publishes the results of a study of the competitiveness of countries around the world and derives its ratings based on its own research methodology and its own criteria, therefore there are certain differences between the ratings.

The Global Competitiveness Index. GCI is a global study and rating accompanying countries of the world in terms of economic competitiveness. It is calculated using the methodology of the World Economic Forum, based on a combination of publicly available statistical data and the results of a global survey of company executives - an extensive annual study conducted by the WEF together with a network of partner organizations - leading research institutions and organizations in countries analyzed in the report. The study has been conducted since 2004 and at the moment is the most comprehensive set of indicators of competitiveness in various countries of the world (34).

Table 1.2

RATING OF GLOBAL COMPETITIVENESS		
Rating	Economy	Index
1	United States of America	85.6
2	Singapore	83.5
3	Germany	82.8
4	Switzerland	82.6
5	Japan	82.5
6	Netherlands	82.4
7	Hong Kong	82.3
8	Great Britain	82
9	Sweden	81.7
10	Denmark	80.6

Source: World Economic Forum: The Global Competitiveness Report 2017-2018

The World Economic Forum defines national competitiveness as the ability of a country and its institutions to ensure stable economic growth rates that would be sustainable in the medium term. The authors of the study emphasize that countries with high levels of national competitiveness tend to provide a higher level of welfare for their citizens. It is assumed that this Index should be used by states that seek to eliminate obstacles to economic development and competitiveness as a tool for analyzing problem areas in their economic policies and developing strategies to achieve sustainable economic progress.

Representatives of the World Economic Forum indicate that the competitiveness of national economies is determined by numerous and very diverse factors. Thus, the state of the economy is negatively affected by inefficient public finance management and high inflation, and protection of intellectual property

rights, a developed judicial system, and other measures can have a positive effect. Along with institutional factors, education and skills improvement of the work force, constant access to new knowledge and technologies can be crucial. The factors determining the competitiveness of the economy have a different impact on the economic systems of the countries of the world, depending on the starting conditions and the current level of development. Obviously, the factors themselves change over time.

The global competitiveness index is composed of 113 variables that describe in detail the competitiveness of countries of the world at different levels of economic development. A two-thirds set of variables consists of a global survey of company executives (to cover a wide range of factors affecting the business climate in the countries studied), and one-third from publicly available sources (statistical data and research results carried out on a regular basis by international organizations). All variables are combined into 12 benchmarks that determine national competitiveness: quality of institutions; infrastructure; macroeconomic stability; health and primary education; higher education and vocational training; efficiency of the market for goods and services; labor market efficiency; the development of the financial market; level of technological development; size of the domestic market; competitiveness of companies; innovation potential (42).

The choice of these variables is determined by theoretical and empirical research, and no single factor is able alone to ensure the competitiveness of the economy. Thus, the effect of an increase in spending on education can be reduced due to the inefficiency of the labor market, other deficiencies in the institutional structure and, as a result, the lack of opportunities for graduates of educational institutions to be employed. Attempts to improve the macroeconomic environment, for example, to optimize control over public finances, will be successful only with due transparency of the financial management system, the absence of corruption and large-scale violations. Entrepreneurs will introduce new technologies only if the potential profit exceeds the required investment. World Economic Forum, the most competitive are the economies of those countries that are able to pursue a

comprehensive policy, take into account the whole range of factors and the relationship between them.

Experts in the compilation of the index of global competitiveness take into account the fact that the economies of the countries of the world are at different stages of their development. The significance of individual factors in the growth of a country's competitiveness is associated with starting conditions or with institutional and structural characteristics that allow the state to position itself in relation to other countries through the lens of development. Researchers are constantly improving the methodology for calculating the index so that it remains an adequate tool for measuring the level of competitiveness in a constantly changing global environment.

A detailed description of the index formation methodology and data sources for it is given in the annual report of the World Economic Forum on the results of the next comparative study. For each economy, the report contains detailed descriptions of the country and national economy with detailed results, a common position in the ranking and the most outstanding competitive advantages and disadvantages that were identified based on the analysis used to calculate the index. A detailed statistical section with rating tables for various indicators is also included. The report provides a detailed overview of the strengths and weaknesses of countries' competitiveness, which makes it possible to identify priority areas for formulating economic development policies and key reforms. Traditionally, the report also includes thematic sections devoted to a more detailed study of a number of countries and regions.

The annual rating of global competitiveness of the Institute of Management (IMD) by the country's competitiveness understands the ability of the national economy to create and maintain the environment in which a competitive business emerges. The IMD World Competitiveness Yearbook is an annual analytical study of competitiveness, which the Institute has been conducting since 1989 in collaboration with research organizations around the world. Until 1996, the Institute prepared reports on the competitiveness of economies together with the analytical

group of the World Economic Forum, and since 1996, these two organizations have produced two different studies. The WEF is preparing an annual report and its accompanying global competitiveness rating, which is based on a combination of statistical data and the results of an international survey of company managers around the world (42).

Table 1.3

Factors of competitiveness IMD			
Economic Development	Government Efficiency	Business Efficiency	Infrastructure
Domestic Economy	Public Finance	Productivity	Basic Infrastructure
International trade	Monetary policy	Labor market	Technological infrastructure
International Investments	Institutional Environment	Finance	Scientific Infrastructure
Employment	Business Laws	Management	Health & Environment
Price	Social Sphere	Relationships and Values	Education

Source: <https://www.imd.org/wcc/...competitiveness.../profiles-factors>

Today, “The IMD World Competitiveness Yearbook” is one of the most comprehensive studies on the competitiveness of states and regions, which in a number of countries is used to formulate state policies on the competitiveness of the national economy, as well as strategic business decisions in large companies. Since 2014, the study covers 60 countries. Each state in the rating is estimated on the basis of an analysis of 333 criteria according to four main indicators: the state of the economy, the efficiency of the government, the state of the business environment and the state of the infrastructure. Each indicator has equal weight and includes five factors. Thus, the cumulative competitiveness rating is based on 20 different indicators from four key aspects of a country's economic life. The calculation uses data from international organizations and partner institutions around the world. The business climate in the studied countries is estimated based on the opinions of analysts, surveys of managers of large corporations and development specialists. Rating is based on the inverse ratio: two thirds is statistical data and one third is expert judgment.

In recent years, the United States of America has become the world leader in competitiveness. The main advantages of the US economy, according to the compilers of the rating, are economic sustainability, an effective labor market and dominance in the field of technology and infrastructure. Interestingly, the United States ranked first in three of the four key aspects of competitiveness, but only 25 out of 60 were in the category of government efficiency.

A number of Asian countries have strong positions in the ranking: Japan, Hong Kong, South Korea, and Taiwan are in the top twenty. The People's Republic of China continues to lead among the major emerging economies, this year China has risen one position in the ranking and entered the top thirty.

As for the former Soviet republics, Estonia was the best in the ranking - 29th place. Azerbaijan took 35st place, Lithuania - 41, Kazakhstan - 57, Latvia - 54. Ukraine over the past year has lost ten places in the ranking and dropped to 81nd place. Georgia occupies the 67th place, Armenia - 73, Tajikistan - 79, Kyrgyzstan - 102.

In Latin America and the Caribbean, Chile leads, followed by Barbados, Costa Rica and Brazil.

A number of countries in the Middle East and North Africa region are in the top half of the ranking: Qatar, the United Arab Emirates, Israel, Saudi Arabia, Bahrain, Kuwait and Tunisia are among the leaders. Selected indicators have improved the countries of the Gulf region, continuing the upward trend in the rating in recent years. Among sub-Saharan Africa, South Africa, Mauritius and Botswana were in the top half of the rankings, and several other countries improved their competitiveness to some extent.

The authors of the study indicate that emerging economies are showing a slowdown in economic growth and foreign investment against the background of weak infrastructure; therefore, much of the countries of Eastern Europe, South Asia and Latin America showed a decline last year.

1.3 Influence of integration processes on competitiveness of a national economy

Competitiveness and integration are interrelated processes. When a country is integrated into one or another regional group, the aim is to obtain a certain positive effect, which should increase the competitiveness of the national economy, its industries and enterprises. However, this goal can be realized only under certain conditions.

In general, the impact of integration on the competitiveness of the national economy can be expressed in the realization of comparative advantages, economic interests, reduction of production costs due to economies of scale, improvement of economic indicators of enterprises and industries mainly at the regional level (43).

However, economic integration affects the competitiveness of national economies in two ways: in the direction of dynamism and gain, and in the direction of aggravating contradictions and reducing competitiveness. Everything depends on the right economic policy, the correct assessment of the economic and political situation in the country, the presence or absence of economic resources. For example, the accession of the Republic of Kyrgyzstan to the World Trade Organization did not strengthen its position, but on the contrary, led to a prolonged deep crisis in the economy. The absence of real prerequisites for effective practical realization of economic integration, the immaturity of socio-economic relations, the primitiveness and structural undifferentiation of national economies, the underdevelopment of market and financial infrastructures can doom a country that has joined the union to stagnate or fail completely. However, in general, the integration process is a powerful tool for accelerating the development of regional economies and enhancing the competitiveness of integration groupings in the world market.

Issues related to the economic consequences of the entry of countries into trade and economic unions, in our opinion, have been studied in the economic literature rather narrowly. However, the assessment of these consequences is the first

step for countries intending to join a particular association in order to prevent the situation that has developed in a number of countries.

A substantiated theory of the influence of integration on national economies was created by a Canadian-born American scientist Jacob Weiner. He identified two main types of effects arising from economic integration: the effect of trade creation and the effect of trade reorientation. The effect of trade creation is the expansion of trade within an integration association. At the same time, there is an effect of scale: “two countries or more together can form a fairly large market, allowing for a reduction in the specific production costs”. The effect of trade reorientation lies in the economic benefits when a partner country increases the export of its goods to another partner country, although prior to the creation of the union, these goods were imported from third countries with lower costs. Thus, the effect of reorientation contributes to the growth of production in the partner exporting country. However, J. Weiner notes that “as soon as an industry reaches such a scale that it can be provided with optimal sizes and an optimal degree of production specialization in its individual enterprises, further growth of this industry leads to... the law of diminishing returns” (6, p. 49).

J. Weiner believes that the increase in production volumes within the customs union is limited: “if the customs union does not provide a significant increase in the mobility of production factors between member countries of the union, then it does not increase the scale of the national economy in terms of production conditions, even if such an increase in terms of the size of a protected market ” (6, p. 50). Thus, J. Weiner considers a necessary condition for the growth of the national economy in the framework of the integration association "factor mobility", which is typical for the common market.

James Meade, a British economist who was awarded the Nobel Prize in Economics in 1977, critically analyzing the works of J. Weiner, supplemented the theory of the effects of economic integration. He poses the question: Will the efficiency of using given global resources increase or decrease in this world of full employment of resources as a result of the elimination of barriers to trade that

previously existed ..? (7, p. 707). J.Mead identifies the following effects of economic integration: the effect of trade reorientation and the trade-forming effect.

Based on an analysis of the steel market in a number of European countries, J. Mead came to the conclusion that as a result of the integration, production could be reoriented from low-cost to high-cost, which is “uneconomical and wasteful. As a result, global output is declining and in some places there is a fall in the general standard of living ”(7, p 708). In addition, J.Mead notes that “the customs union leads to the diversion of international trade from all other countries in favor of one of the partners, which now, from the point of view of customs barriers, occupies a privileged position in the market of the importing country, it is an uneconomical innovation” (7 p. 708). However, J.Mid does not deny that the customs union can lead to the formation of new directions of international trade, since one of the partners can now export to the market of another partner and bring down the prices there established by the industry operating there; and such innovation leads to the movement of resources into a more efficient and cost-effective production system. Everything depends on the size of customs duties established for third countries: “the more likely the creation of a customs union will raise, rather than reduce, economic well-being, the higher the initial duties on each other’s products, from which the partner countries exempted each other”(7,p 689).

As for the trade-generating effect, J.Mead considers it necessary to balance the economic benefits of some elements of the formation of trade with the economic losses from other elements of trade diversion. That is, as a result of the removal of duties between countries in the framework of the association, there may be an expansion of trade in other sectors of the economy, which will lead to lower costs and economic benefits. J.Mid made his own analysis based on the research method: multiplying the value of each element of abstract trade by increasing the cost per unit of this type of trade and multiplying the value of each element of newly created trade by reducing the cost per unit of this created trade. J.Mead believes that the expansion of trade compensates for losses from diverting existing trade from low-cost to high-cost.

J.Mead also refers to the shortcomings of economic integration that “the creation of a customs union for the countries forming this union means a reduction in revenues derived from duties” (7,p 710). There may be certain losses that can be countered by gains from the expansion of trade. Then the lost customs revenues should be compensated by increasing other forms of taxation: the new tax will cause the same damage here as the old customs duty. In this case, the trade-generating effects of reducing customs duties should be more significant than the adverse effects of reduced trade from the best alternative methods of generating income.

J.Mid’s approach to economic integration is also ambiguous: customs unions “may act as a tool leading to a more economical use of resources, but they may not act as such. It all depends on the specific circumstances of a particular situation ”(7, p 485). At the same time, he points to some general predisposition in favor of the customs union.

J.Mead believes that the positive effects of economic integration in the form of an increase in economic well-being are possible in the following cases:

- if the economies of the partner countries are in fact very competitive or similar, but potentially very complementary or different from each other;
- if the initial import duties in the partner countries will be quite high;
- if each of them in relation to the other will act as the main supplier of goods that it exports, and if they act in relation to each other as the main market for the goods they import;
- if the share of world production, consumption and trade is high enough;
- if the level of import duties in the rest of the world is low and if there is a large number of independent customs zones into which the rest of the world is divided, etc.(7).

The effect on the scale of production as a result of integration is noted by American scientists C.R. McConnell and S. L. Bru. Analyzing the integration process within the EEU, they note that “integration creates mass markets, so necessary for the sectors of the Common Market to achieve economies of scale in production. More efficient production, characteristic of large-scale markets, enables

European industries to achieve lower costs, which historically have been unattainable in the conditions of narrow isolated markets. ” At the same time, they note that the effect of integration on third countries appears to be less certain due to the increase in fees (8).

Developing the theory of J.Winer and J.Mida, the Russian scientist Shimko P. offers consideration of the country's entry into an integration union also from the standpoint of static and dynamic analysis. In the framework of static analysis, he identifies two options for the consequences of the country's entry into the integration trade and economic group:

- trade creation effect: switching the country's demand and, accordingly, consumption from the domestic producer with higher costs to the foreign producer with less high costs;
- trade diversion effect: switching country demand and, accordingly, consumption from a producer outside the union with lower costs to a producer with higher costs but being a member of the union.

In the first case, the removal of trade barriers provides opportunities for the development of greater specialization in accordance with the theory of comparative advantage. The country can import products from partners at lower prices, and free up funds to direct to the development of industries and industries with comparative advantages. In the second case, imported products from a country that is not part of the association are becoming more expensive due to the increase in customs duties, and the products of the partner country are becoming cheaper due to the reduction or absence of customs duties. The production and consumer effect is formed.

Among the dynamic effects of trade and economic unions, Shimko P. highlights:

- the effect of increasing the scale of production;
- improvement of the production infrastructure of the participating countries;
- strengthening the position of each participating country compared to the position of a particular outsider country;

- increased competition, which creates a certain climate conducive to the spread of advanced technology;
- an increase in investment (9).

Shimko P. believes that in the conditions of a common market “the free movement of production factors within a particular group of countries should contribute to a more rational use of aggregate resources, the development of a division of labor and production specialization. At the same time, the full realization of this is hampered by differences in the economic policies pursued by the states entering the common market ”(9, p. 102).

Thus, Shimko P. justifies a greater positive impact on the competitiveness of national economies compared with the customs union of the next higher stage of the integration process, which is the common market.

However, P. Shimko highlights the negative consequences of integration:

- under certain circumstances, outflow of resources from a country to a more economically strong member of the union may occur, which will turn the country into a backward region;
- when establishing close integration links between individual firms of the participating countries, there may be a wider spread of oligopolistic collusion, which entails an increase in prices for the corresponding products;
- when forming too large companies, a negative scale effect may occur (9,p. 529-538).

Thus, as the review showed, no author relates to the consequences of integration unequivocally: integration has both positive and negative effects. On the basis of the analysis we made the following conclusions:

1. Economic integration affects the competitiveness of national economies.
2. Influence can be both negative and positive.
3. The positive effects of integration include: expansion of trade within the integration association, which leads to an increase in demand for goods and services; the formation of large enterprises, which triggers a scale effect, which allows for a reduction in production costs and, accordingly, prices; reorientation of trade in goods

from third countries contributes to production growth in the partner exporting country; factor mobility in a common market leads to the growth of national economies within the group; there is a transfer of resources to a more efficient and cost-effective production system as a result of increased competition; a country can import products from partners at lower prices, and free up funds can be directed to the development of industries and industries with comparative advantages; increasing the volume of investments from partner countries; integration contributes to a more rational use of aggregate resources, the development of the division of labor and specialization; competitive relations undermine the position of monopolies and lead to an increase in efficiency; integration cooperation gives economic entities greater access to financial, labor, material resources and the latest technologies.

4. The negative effects of integration include: excessive production growth in the partner country may trigger the law of diminishing returns; an integration partner may take a privileged position and dictate terms; economic integration leads to a reduction in government revenues derived from fees; there may be an outflow of resources from the country towards a more economically strong member of the union, which will turn the country into a backward region; close integration ties between individual firms of the partner countries may lead to oligopolistic collusion, which would entail an increase in prices for the relevant products; more competitive imported goods can force out domestic if the state does not take measures to support and protect domestic producers.

Thus, when a country joins a particular integration grouping, it is necessary to take into account all possible consequences in order to prevent a decrease in the competitiveness of the national economy.

CHAPTER 2. COMPARATIVE ANALYSIS OF PARTICIPATION OF AZERBAIJAN IN REGIONAL INTEGRATION PROCESSES AND COMPATIVENESS OF ITS ECONOMY

2.1 Degree of participation of Azerbaijan in regional integration processes

Integration is an interstate regulation of economic interdependence, the formation of a regional economic complex with a structure and proportions that address the needs of the region as a whole. In the emerging regional economic spaces, not only internal barriers to foreign economic activity are removed, coordinated regional customs policy is pursued, but other areas of regional economic policy are consciously coordinated: structural, monetary, energy, transport, social, economic, etc.

After gaining state independence, the Republic of Azerbaijan in its foreign policy began to pay special attention to relations with international financial, credit and economic organizations. In accordance with the peculiarities of the international division of labor, the geo-economic situation of Azerbaijan, the existing resource and scientific-technical potential, the emerging mechanism of foreign economic activity is intended to ensure the realization of the main objective of the foreign economic strategy - the integration of the national economic complex of Azerbaijan into the world and regional economic systems.

It can be said that Azerbaijan has become a member of all prestigious international organizations, including: the International Monetary Fund, the World Bank, the European Bank for Reconstruction and Development, the Islamic Development Bank, and since 1999 the Asian Development Bank (11).

After gaining political independence, one of the main tasks for the development of the economy of Azerbaijan was the establishment of foreign economic relations in the right directions. Azerbaijan currently has reciprocal foreign economic relations with 84 countries. The economic potential of the country, raw materials and mineral reserves, natural conditions and favorable economic and geographical position contribute to increased cooperation.

The first economic organizations with which Azerbaijan established business relations, after the restoration of its independence on October 18, 1991, are the following:

- Organization of the Islamic Conference (OIC) - December 8, 1991.
- Organization of Economic Cooperation (ECO) - February 1992.
- International Monetary Fund and International Bank for Reconstruction and Development - 1993 year.
- Organization of the Black Sea Economic Cooperation (BSEC) - 1993 year.
- Commonwealth of Independent States (CIS) - 1993 year.
- Council of Europe - January 25th, 2001 (11).

As a Muslim country, Azerbaijan has become a member of several Islamic organizations. The most prestigious of these is the Organization of the Islamic Conference (OIC), which includes most members and at the same time all Islamic countries. The Organization of the Islamic Conference is the first organization of regional significance into which Azerbaijan has integrated after the restoration of independence. The Islamic Development Bank and the Islamic Solidarity Fund have invested in three different sectors of the economy of the Republic of Azerbaijan. Thus, foreign capital and investment funds were directed to the development of agriculture, especially land reclamation and the water industry.

Since 1992, the Republic of Azerbaijan is a member of the International Monetary Fund and the International Bank for Reconstruction and Development. The IMF office opened in Baku. The creators of these organizations were the United Kingdom, China, USSR, USA, France. The purpose of the creation of these organizations was to create a monetary union between the countries in the organization after the Second World War in the conditions of the destruction of economic and financial systems. It is known that the money supply has a significant effect on the country's economy. An important indicator of economic efficiency is the elimination of the budget deficit. The IMF determines the conditions of assignments for implementation in a particular country in order to stabilize the financial and currency exchange system. IMF recommendations for its member

countries are required. Currently, the IBRD and the IMF have more than 170 members. Azerbaijan became a member of these organizations in September 1992.

The IMF quota of Azerbaijan has been set at \$ 106.86 million. Membership fee for joining the IMF is equal to the quota. 22.8% of the membership fee must be paid in hard currency, and the rest in national currency. Like every member of the Fund, Azerbaijan has the opportunity to get a loan in hard currency for 25% of its quota. The possibility of obtaining a loan more than the specified percentage depends on the recommendations of the Fund. If necessary, the Fund may allocate special loans. Currently, such loans are issued at a rate of 7.38% per annum. The IMF provides technical and financial assistance to Azerbaijan. The experts of the Fund analyze the economy of Azerbaijan, prepare forecasts for its development. The stand-by loans granted by the Fund are already having a positive impact on our country's economy.

Azerbaijan has increased its pace of development in the new century, reaching regular economic success. Evidence of this is the adoption of the Republic of Azerbaijan on January 27, 2001, as the 43rd member of the Parliamentary Assembly of the Council of Europe. In cooperation with the Council of Europe, measures were being taken to improve national legislation oriented towards international standards. Relations of Azerbaijan with the European Union developed in the framework of the TACIS, TRACECA, Eastern Partnership and other programs. This is primarily promoted by the favorable geographical position of Azerbaijan, the presence of large hydrocarbon reserves, and the country's active participation in the development of energy, transport and, in the long term, telecommunications corridors. At the same time, the EU's initiative on the Eastern Partnership Program continued to periodically remain the subject of political debates and publications in the Azerbaijani media due to the uncertainty of the prospects and timing of Azerbaijan's accession to "associated relations" and full accession to the EU. According to official Baku, the country's participation in the Eastern Partnership in no way can be considered as a kind of geopolitical choice in favor of the EU or against Russia. This

step logically fits into the balanced diplomacy of the country, in the context of which the western direction acts as not the only, but one of the priority vectors (11).

Azerbaijan continues active cooperation with the CIS countries both within the framework of this organization and in a bilateral format. Experts from this country participated in the development of the CIS Economic Development Strategy for the Period up to 2020 and the Plan of Action for its first stage for 2009-2011, are actively working in the statutory bodies of the Commonwealth, initiating a number of important events on their territory(1). In connection with the upcoming discussion in the CIS Executive Committee of the draft Free Trade Treaty, developed by the Russian side in accordance with the principles, rules and regulations of the WTO, the Trade Representation assisted in returning representatives of the Azerbaijani side to participate in the negotiation process, participated in the preparation and consultation of a single negotiating delegation from the Customs union with representatives of interested ministries and departments of Azerbaijan. Following the discussion, a decision was made to submit to the governments of Russia, Belarus, Kazakhstan and Azerbaijan a proposal on the adjustment of bilateral free trade agreements.

In particular, the World Bank Group continues to occupy a leading position in cooperation with Azerbaijan. Over the period of partnership relations since 1992, credit lines were opened in the country for the implementation of 53 projects worth about 3 billion US dollars. In connection with the recognition of Azerbaijan as a country with an average income, the current fiscal year will be the last for them to receive concessional loans from the WB. In the last fiscal year, the International Development Association, which is part of the WB group, will receive 73 million US dollars. The draft medium-term strategy of cooperation with Azerbaijan for 2011-2014 fiscal years provides for allocating 1 billion US dollars for a period of 4 years to provide the country with the necessary funds and consulting services for the formation of a competitive non-oil economy.

The main credit institution of the European Union - the European Bank for Reconstruction and Development has also long and firmly occupied one of the first

places among the donors of Azerbaijan and consistently appreciates the potential of the national economy and forecasts of its dynamics. At the same time, the commercial terms of the EBRD lending (LIBOR + 1% rate) suit Azerbaijan due to the low level of LIBOR. Over 18 years of partnership, the bank has presented Azerbaijan about 1.5 billion US dollars to finance 110 projects in various sectors of the economy, including infrastructure development, the corporate sector, the financial market and the energy sector. In the near future, he considers investments in the non-oil sector, the telecommunications sector, projects in the field of natural resources, agribusiness, support for small and medium-sized businesses to be the priority areas for financing. Azerbaijan is also actively working with the Asian Development Bank. In September 2010, the Government of Azerbaijan and the leadership of the ADB reached an agreement on the further financing of projects for the reconstruction and rehabilitation of energy, road, water, and sewerage systems. In particular, the bank provided guarantees to the national company Azerenerji OJSC for the commercial financing of the Canub Thermal Power Plant construction project in Azerbaijan.

Along with other international financial institutions, Azerbaijan is partnering with the Islamic Development Bank Group through its subsidiaries ICD, ITFC and the UIF Investment Fund, which are involved in financing non-state (without guarantees) projects in Azerbaijan. Since 1992, the IDB has allocated loans in the amount of US \$ 528 million to Azerbaijan. In accordance with the approved cooperation program for 2012-2015. It is planned to finance 14 projects with a total value of \$ 450 million.

Azerbaijan is also a member and one of the founders of the organization for the democratic and economic development of GUAM. Other members of this organization are Georgia, Moldova and Ukraine. GUAM was established on October 10, 1997 (11).

At the negotiation process on accession to the WTO, the position of Azerbaijan remains unchanged - to seek entry into this structure with the status of a developing country. This will allow the republic to provide greater financial support

to the agricultural sector, while maintaining its subsidies at the level of 10% of the gross product produced in agriculture (currently, subsidies for the agricultural sector are 14-15%). In the case of obtaining the status of a developed country, on which the United States insists, this rate will be at the level of 5%. Since 1999, the WTO has put forward a number of requirements for Azerbaijan and, in particular, recommends: to strive to reduce customs tariffs to zero, to refuse to provide any privileges from the state to subjects of production, to exclude even any government orders to private enterprises. In addition, if, for example, a country exports energy resources at higher tariffs than they do in the domestic market, then this is also considered a subsidy, which should be waived.

Further, with regard to the foreign market, the WTO as a whole puts forward the following requirements to Azerbaijan:

- country, making concessions to another country in the tariffs, should go on the same benefits for all other WTO members;
- it is necessary to refuse the preferential taxation of agricultural producers;
- it is necessary to follow the policy of liberalization in the market of services, ensuring access to this market for non-Azerbaijani residents;
- provide information on the protection of intellectual property and a number of others.

Considering the processes and patterns of world trade in the WTO, we see that liberalization is becoming its main trend. Technological changes make it possible to develop the process of globalization, and liberalization creates opportunities for its implementation.

In Azerbaijan, the process of liberalization of foreign trade in the first years of independence was carried out unilaterally, which was not very balanced and not always economically justified.

Azerbaijan is not fully prepared to join the WTO yet. On many issues that need to be addressed before accession and, over the next few years after it, a common approach has not been developed. This applies, first of all, to determining the range of industries and production to which temporary protective measures should be

applied in the domestic and foreign markets, specific mechanisms and levels of such protection.

Separate domestic economists, experts and representatives of large Azerbaijani business continue to assert that National entrepreneurs do not receive anything from joining the WTO, and therefore Azerbaijan should not join it yet. Similar opinions exist among government officials. In our ongoing discussions, the accession of Azerbaijan to the WTO is, in our opinion, unnecessarily dramatized.

The experience of other countries shows that such dramatization of some national politicians and entrepreneurs does not have sufficient grounds. WTO, contrary to popular belief, is not a tool for ensuring free trade: it allows for the use of tariffs and other means of protecting national markets. This international institution, by its own definition, would be more appropriately viewed as a system of rules and regulations aimed at encouraging open and fair competition. This system is a developing and improving mechanism, which has a rigid link with the legal conditions of national systems, regulate foreign economic relations. As Russian experts note, the consequences of joining the WTO are not catastrophic, since the available estimates of the effect of the expected when binding the import duties at a relatively low level indicate that the dynamics of GDP can decrease by a maximum of one percentage point in the first place. Secondly, the expansion of the admission of foreign firms to the domestic market for goods and services will exacerbate competition, but will not lead to the capture of the overwhelming majority of the market.

Therefore, becoming a member of the WTO, Azerbaijan will not lose economic sovereignty and the ability to pursue an independent foreign economic policy. He will not need to significantly change the system of regulation of foreign economic activity. There will be no full opening of the national market. Moreover, in the future, the country will be able to use the tools adopted by the world trading community to protect national producers and the domestic market.

2.2 Analysis of Azerbaijan`s global competitiveness position

The rating creates a certain impression about a particular country, but on the other hand, it is necessary purely for economic purposes. It shows how competitive the country's economy is, and also provides certain information about the standard of living of the population, the level of development of information technologies, the transparency of various institutions, and so on.

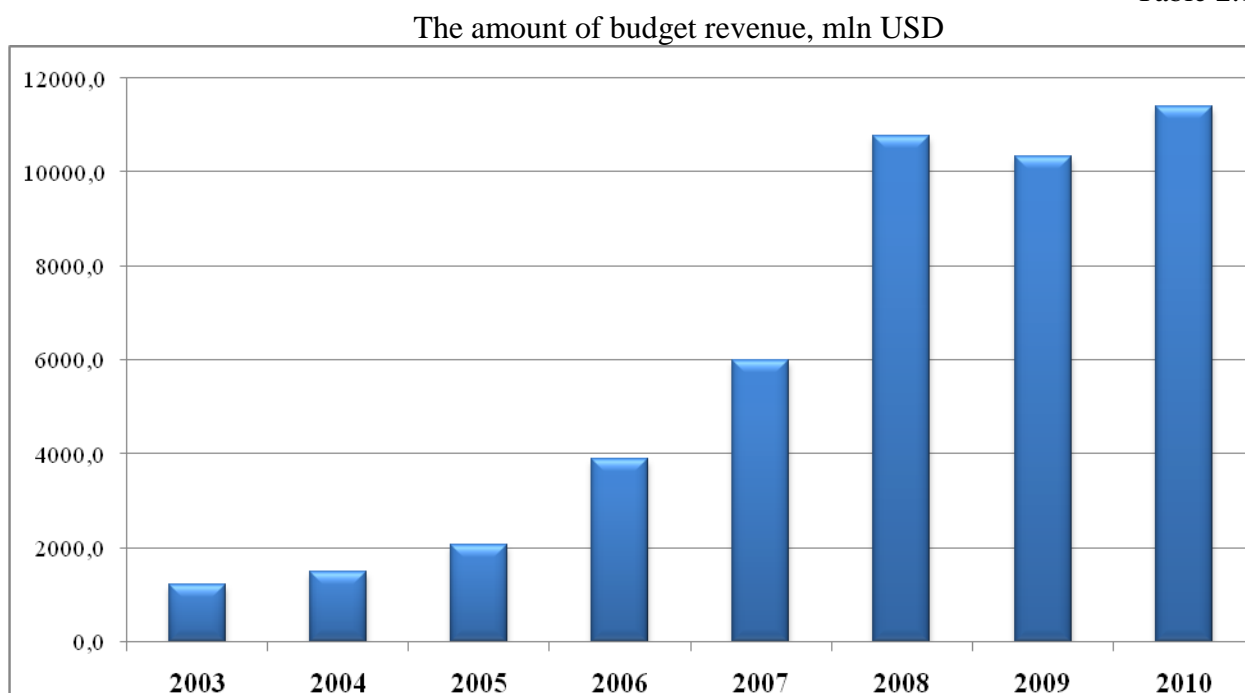
Basically, the most famous ratings are the following:

1. The Global Competitiveness Report of the World Economic Forum
2. World Bank Report on Doing Business;
3. The UN Human Development Report;
4. “Global Information Technologies Report 2010-2011” of the Davos Economic Forum
5. “UN E-Government Readiness Report
6. Report of the International Telecommunication Union - “Assessment of readiness of the state e-structure”;
7. Report of the International Budget Partnership on the Open Budget Index .

In 2003-2010, in real terms, the country's GDP increased by 3 times, including in the oil sector by 2 times, state budget revenues during this time increased 9.3 times, foreign trade turnover - 5.4 times, the country's strategic foreign exchange reserves - 19 times. The volume of positive current account balance in 2010 increased 90 times compared with 2005. All this is an indicator of the economic power of the state.

As you can see, the crisis almost did not affect the country's economy. This is evidenced by economic indicators in times of crisis.

Table 2.1



Source: Ministry of Finance of Azerbaijan 2011 (32).

In recent years, budget figures have increased several times, which is an indicator of the economic strength of a state. In particular, over the past 8 years, spending on education has increased 5 times, spending on medicine increased 7.8 times, social protection spending increased 5.2 times, and investment spending increased 47 times.

The World Economic Forum annually publishes the global competitiveness rating of the countries of the world. In the “Global Competitiveness Report 2017-2018” of the World Economic Forum, Azerbaijan, having risen two more steps in the rating, took 35th place. If we compare it with last year’s report, we will see a tendency towards improvement of indicators. Let me remind you that in 2016-2017, our country occupied the 37th position in the ranking.

Table 2.2

The Global Competitiveness Index 2017–2018 Rankings.

RANK	ECONOMY	SCORE
1	Switzerland	5.86
2	United States	5.85
3	Singapore	5.74
34	Spain	4.7
35	Azerbaijan	4.69
36	Indonesia	4.68

Source: The Global Competitiveness Report 2017-2018

According to the competitiveness rating, Azerbaijan took the 3rd place in the number of procedures required for registration and starting a business, that is, significantly reducing their number; 9th place - according to the time it takes to go through all the procedures before starting a business; 18 - in terms of women's involvement in economic processes in the labor market, which once again confirms the absence of any gender discrimination not only at the legislative level, but also at the household level; 39th place - on the stability of the main macroeconomic indicators; 36 position - to protect the rights and property of investors; 41 place - in terms of public debt, which includes both external borrowing of the country, and money borrowed on the domestic market by issuing and selling bonds to the population (the country's authorities annually reduce the percentage of external public debt to GDP); 30 - on the effectiveness of the labor market, as well as 44th place - on the degree of development of innovation.

Table 2.3

State debt of Azerbaijan,% of GDP	
Year	Value
2006	10,2
2007	8,6
2008	7,3
2009	12,1
2010	10,8
2011	5,5
2012	7,8
2013	9,1
2014	8,9
2015	20,1
2016	31,4

Source: Ministry of Finance of Azerbaijan 2017(32)

However, on some issues, our country lags behind many countries. First of all, corruption is among them. Corruption, according to the report, is the strongest factor interfering with business in Azerbaijan. Also, the authors of the report point out the poor development of the country's financial sector. For this indicator, Azerbaijan ranked 114th. Strengthening the financial sector is vital for Azerbaijan in need of investment. The report also speaks of the need to diversify the economy in order to reduce dependence on oil prices. The report's authors note that Azerbaijan

“needs to diversify in order to become more competitive and be resistant to price shocks and demand for commodities” (27).

One of the priorities in the development of the non-oil sector is tourism. Over the past year, our country has demonstrated a tangible improvement in indicators in the tourism sector - Azerbaijan has risen by 13 positions on this indicator in the WEF rating. Although Azerbaijan is still at the 71st place in the overall competitiveness ranking in the tourism industry, compared to the figures for 2015, we managed to improve the figure by 5.98%. As a result, Azerbaijan became the second country in the list, which demonstrated the best growth rates in this area. Note that the best rate with an increase of 6.18% in Japan. Other Transcaucasian countries (Georgia and Armenia) occupy positions 70 and 84, respectively. In drawing up a report on tourism, the criteria and the situation in many tourism-related areas, such as security, low crime rate, openness of the country, price level, are taken into account. The WEF report especially notes that such a rapid development of the tourism industry can be achieved primarily by increasing public investment in the tourism sector and increasing the number of tourists visiting Azerbaijan since 2010. Azerbaijan is becoming an increasingly popular destination among tourists due to the simplification and liberalization of the visa regime, lower prices in hotels, hostels and the fall of the manat against the dollar. An important role was played by the level of security in the country and the favorable health situation. In addition, the WEF notes the success of Azerbaijan in promoting its cultural heritage, architectural monuments, which caused our country to become more recognizable in the world. Further development and increasing competitiveness in the tourism industry can be achieved by increasing the number of flights, the emergence of various types of services for leisure and entertainment, the WEF report said.

It is also worth mentioning the successes achieved by Azerbaijan according to the Doing Business report. In the 2016 report, Azerbaijan is among the 24 countries that have implemented 3 or more reforms in a year. Our country has improved its performance "Close to the reference legislation", rising by 17 steps up and taking the 80th place in the world. Among the reforms noted in the Doing Business report

are reforms in the ease of starting a business; it became easier to obtain permission for construction work, and the report also notes the protection of minority shareholders' rights.

In the Doing Business rating, particular attention is attracted by the rating “Assessment of the quality and effectiveness of regulation”. In this ranking, Azerbaijan occupies rather high positions: at the point of creation of enterprises - 7th place, on registration of property - 22, on protection of the rights of minority investors - 36, on taxation - 34 position, on receiving loans - 109 position, international trade – 94 (29).

In the Human Development Report 2017 report on the standard of living, Azerbaijan for 2012-2017 was able to rise from 101 to 67 in the world. The human development index increased from 0.655 in 2015 to 0.713 in 2017. Another very important point is that during the crisis, Azerbaijan has improved this figure.

In the report of the World Economic Forum “Global Information Technology 2016-2017”, Azerbaijan ranks 70th, losing only to Kazakhstan among the CIS countries.

The “Global E-Government Readiness Report”, on information technology development opportunities, covers 191 countries of the world.

In 2010, according to the Government Readiness Index, Azerbaijan ranked 83rd out of 183 countries, and on the Online Service Index subcomponent - 69th.

In the Open budget Index 2017, Azerbaijan's score was 43 points out of 100, which is practically the same as the average score of 42 points for all 94 countries studied. The assessment of Azerbaijan's OBI increased from 37 to 43 points from 2015 to 2017, because now Azerbaijan provides more complete information on the audit report and the reports carried out during the year.

In addition to the rating published by the World Economic Forum, it is worth paying attention to the data provided by the State Statistical Committee of the Republic of Azerbaijan. Of particular interest are data about the tourism sector of the country, about the attractiveness of Azerbaijan for foreign tourists, the infrastructure created in this area. The fact is that against the background of falling

energy prices, the country's leadership has made tourism one of the priorities in diversifying the economy. Currently, tourism around the world is booming. The number of tourists is growing every day. Tourism in its own way becomes a way of life. In 2015, the number of tourists in the world increased by 4.4%, reaching a value of 1 billion 184 million tourists. According to forecasts of the World Tourism Organization (UNWTO), the trend for tourist growth will continue, reaching 3.5% in 2016 and 4.5% in 2017. Also, growing profits from tourism. In 2015, tourists in places of stay left a fabulous sum of 1159 billion dollars. The task of Azerbaijan is to direct the flow of tourists to our country. For this we have almost everything. Beautiful landscapes, conditions for different types of recreation, including active, ancient monuments, architectural structures. But the main obstacle on this path remains the low recognition of the country, the infrastructure is not very good quality and the service that does not meet international standards and the degree of personnel qualifications. Recently, much has been done in this area by the authorities. The Institute of Tourism was established, which trains personnel for the tourism sector. Various sports and cultural events are held, which serve as a kind of marketing ploy and contribute to the recognition of our country. Hotels, hotels and other tourist infrastructure are opening in all regions of Azerbaijan. It should be noted that if a couple of years ago the emphasis was on building luxury hotels, now with the aim of attracting even more tourists, hostels, 3-star and 4-star hotels are opening.

The report of the World Tourism and Travel Council (WTTC) provides detailed statistical information on the state of the tourism sector in Azerbaijan. The report notes that in 2015, tourism revenues brought Azerbaijan \$ 2.5 billion. I note that this is 5 times more than in 2010. There is a positive trend. The twofold devaluation of the national currency played a favorable role in increasing the tourist flow to our country, as a result of which the manat was twice as weak in relation to the US dollar. That is, tourists spend in our country 2 times less currency than it was until 2014. The main flow of tourists to Azerbaijan is directed from neighboring countries, such as Russia, Ukraine, Turkey, Iran, and from recent times and the Gulf

countries of other Arab countries. The growth of tourist arrivals from Arab countries was facilitated by the facilitation of visa regime with these countries (38).

According to the latest indicators of the World Economic Forum, our country takes the 84th place in tourism competitiveness, which means that despite the positive changes and the reform of the tourism industry, much remains to be done. The WEF ranking in tourism competitiveness is derived on the basis of such factors as favorable legislation for visiting the country, political stability in the country, measures taken by the government to regulate tourism issues, tourism infrastructure, the availability and prevalence of natural and cultural resources. Each of these indicators includes such indicators as: tourism marketing, hotel prices, gasoline and diesel prices, availability of a visa to the country, ease of renting transport in the country, priority for the authorities of the tourism industry, tourism expenditures relative to GDP, the number of cultural and historical heritage sites, world heritage sites included in the UNESCO list, the extensiveness, quality and development of the road network, which facilitates the movement of tourists around the country and quick access to the most tourist places and facilities, international events held in the country, etc.

Azerbaijan also has competitive advantages in the field of tourism. For example, a large number of medical personnel, investment in the road network, active financing and promotion of tourism by the government, the organization of international events and competitions (Eurovision, European Games, Formula 1, Islamic Games of Solidarity), opportunities provided by information and communication technologies, rich cultural heritage.

Given the measures taken by the authorities to increase tourism in Azerbaijan, in the short term, tourism can become one of the most important sectors of the economy, generating income for the country. The government should continue to pursue the planned policy for the development of tourism, first of all by facilitating obtaining visas to Azerbaijan, ensuring the safety of tourists, seeking lower prices for accommodation, food and other services, preparing specialists of different profiles.

In all reports, Azerbaijan's rating in recent years has improved even during the global crisis. Improving the indices speaks about the reforms carried out. In particular, the country's public finance performance improved. The indicator on the budget balance, as well as the budget openness index, are improving every year. In terms of competitiveness, Azerbaijan is in 35th position. According to the standard of living of the population, the rating went up 34 steps up. And in this regard, Azerbaijan is ahead of almost all CIS countries. 6. Finally, in the report, the conduct of business, which is very important for foreign investors, Azerbaijan is in 54 positions, having improved its tax legislation. In 2015, Azerbaijan was one of the few countries that was named a country reformer. Summing up, we can say that thanks to the right economic policy, as well as timely steps, Azerbaijan was able to improve its position in world rankings.

2.3 Comparative analysis of Azerbaijan position in international rankings and indexes

Cross-country competition is now very important for the internal economic development of states. Most often, it is tougher than internal competition, forcing enterprises to reduce production costs, improve the quality of goods and services, improve management, find markets, than push them to a more rational use of national resources and, ultimately, to improve the competitiveness of the country as a whole. The search for ways to increase competitiveness becomes an important function of the government: now it is obliged to find and find areas of competitive (comparative) advantages of the country and, with the help of measures of economic regulation, stimulate their development. Under the competitiveness of the country usually understand how successfully its enterprises compete in the production of goods and services with enterprises located in other states. Those industries in which the country is strong, and form its comparative advantages over others, and those that it could transform or plan to transform into such - its potential comparative advantages. It can be both manufactured goods and services, and natural resources. For example, the possession of significant reserves of oil and gas resources is an

obvious comparative advantage of Azerbaijan, although it should consider it solely as a starting advantage. Indeed, in the long term, as global development trends show, countries with intellectual services dominate the economic success of the greatest economic successes. The factors that shape the state's economic competitiveness may even include its geographic location. In particular, some experts believe that the location of Azerbaijan and Georgia on the intersection of major transport and communication lines connecting Europe with Asia and the North with the South is their main comparative advantage.

In the Global Information Technology Report-2014 report, WEF experts assigned Azerbaijan 49th position (growth by seven points) in terms of network readiness. In another report of the Davos Forum - "Involvement in World Trade 2014", the country also moved up four steps, taking 77th place. According to the Human Capital Report-2013 report, which ranked 64th in the table, Azerbaijan is once again included among the leaders in the post-Soviet space. The country also takes a good position in the WEF studies on the degree of development of the tourism sector (26).

The most important rating research of the World Economic Forum, which determines the position of a state in the world ranking table, is traditionally considered to be the study of the global competitiveness of economies. By the way, the position of Azerbaijan in this matter is almost flawless.

Azerbaijan in 2017 rose by two positions compared to last year and ranked 35th among 137 countries in the Global Competitiveness Report 2017-2018, compiled annually by the World Economic Forum (WEF), according to a report published by the WEF. Azerbaijan among the CIS countries ranked highest in the ranking. Russia was on the 38th place, Kazakhstan - on the 57th, Georgia - on the 67th, Armenia - on the 73rd, Tajikistan - on the 79th, Ukraine - on the 81st, Moldova - on the 89th, Kyrgyzstan - on the 111th.

Table 2.4

Global Competitiveness Index. Azerbaijan and CIS countries

	2005	2010	2017
Azerbaijan	69	57	35
Armenia	79	98	73
Kazakhstan	61	72	57
Russia	75	63	38
Moldova	82	94	89
Kyrgyzstan	116	121	111
Tajikistan	104	122	79

Source: Global Competitiveness Report 2018

It is noteworthy that for some local indicators even higher marks were obtained by international experts. When a rating table is compiled in each segment, countries are given an average score, in particular, the country received a 4.53 point out of seven on the base Global Competitiveness Index. At the same time, by the parameter of macroeconomic stability, Azerbaijan entered the top ten countries of the world altogether, taking the ninth position. And, which is especially gratifying, at a comparable low level of inflation, Azerbaijan is recognized as the first in the post-Soviet space. In terms of labor market performance, we took the 33rd place, in investor protection - the 22nd, and by the time we registered business, we took the 36th position. For the second year in a row, Azerbaijan ranks first in terms of competitiveness of the economy, outperforming all the states of the former Soviet Union, with the exception of Estonia, which is not part of the CIS, and established itself in 29th place. Among the former Soviet republics, with a slight lag behind Azerbaijan, are Lithuania and Latvia, which ranked 41st and 42nd, respectively. For the second year in a row, one of the most dynamically developing countries - Kazakhstan cannot step down from the 50th line of the WEF rating, while Russia, confidently accelerating the flywheel of industry, was able to climb eleven steps at once, having moved from 59th to 38th place. Having somewhat improved last year's figures, reformatory Georgia took the 67th position, and well, in a permanent crisis, Armenia fell back from last year's 73rd mark to the 85th position. For the sixth consecutive year, WEF experts have recognized Switzerland to be the most competitive state, followed by Singapore, the USA, Finland and Germany. The WEF parameters of economic development and the rating positions of the countries of the

world clearly indicate that Azerbaijan objectively leads not only in the post-Soviet space, but it looks quite confident even against the background of the most developed countries. “Azerbaijan, which took the 35th place, overtook a number of EU countries, including members of the “Big Seven” - the G7 club. So, Italy, a member of the G7, is located only in 49th place, however, like a number of other EU members - Poland and Romania who took the 43rd and 59th places. It is noteworthy that the country confidently outstripped the regional heavyweights - Turkey and Iran, which took 45th and 83rd positions, respectively.

The presence of Azerbaijan in the upper half of the ratings is noted for such indices as “Labor Market Efficiency” - 17th place, “Innovation potential” - 33rd place, “Competitiveness of companies” - 40th place, “Public institutions” - 33- E place, “The efficiency of the market of goods and services” - 31st place. According to the Infrastructure index, Azerbaijan is at the 51st place, according to the “Technological level” - at the 56th place. In the lower half of the ratings, Azerbaijan turned out to be only in several terms, such as “Developing the financial market” (79th place), “Market size” (63rd place), “Health and primary education” (74th place), “Macroeconomic environment ”(65th place), “ Higher education and vocational training ”(68th place). However, despite these indicators, in the overall standings, Azerbaijan is ahead of all its neighbors in the CIS (25).

In the list of "best countries", which is based on several criteria - from tourism to comfort, Switzerland ranked first this year. It is followed by Japan, the third place in Canada. Azerbaijan this year ranked 70th. As for the neighbors, Russia (24), Turkey (34), Kazakhstan (68) and Iran (79) hit the rating.

The WEF methodology is based on the indisputable fact that the competitiveness of countries that are radically different in terms of economic development cannot be evaluated by the same standards. Therefore, the starting point of the analysis is the corresponding classification of countries based on two criteria: quantitative (GDP per capita, converted to purchasing power parity - PPP) and qualitative (sectoral structure of the economy, determined by the structure of the country's exports). Based on the GDP per capita, the WEF divides all countries into

three groups (levels) - countries whose competitiveness is supported by factors of production (the first group), efficiency (the second) and innovations (the third group). In accordance with the quantitative criteria of the WEF and taking into account the IMF data (they are used in grouping countries), from 2007 Azerbaijan would have to enter the second group, and from 2010 take a transitional position between the 2nd and 3rd levels. However, the second criterion became an obstacle: the share of oil and oil products in exports is still too high, and according to various data it is 75–85%. Given the country's excessive dependence on the export of oil and gas resources, it was included in the transition group between the 1st and 2nd levels.

The Doing Business project is dedicated to the assessment of regulations governing the activities of national enterprises in 190 countries. As part of the study, the collection and analysis of quantitative data are carried out to compare the conditions for regulating business activities between countries and over time. For governments, Doing Business is a kind of indicator that allows assessing the quality and effectiveness of reforms; Foreign investors evaluate business prospects in various countries.

Over the past decade and a half, under the influence of Doing Business, 673 reforms have been carried out only in Europe and Central Asia. The absolute leader in terms of their number in the region is Georgia, which has announced 47 reforms; slightly less, 41 each, in Kazakhstan and Macedonia. Azerbaijan occupied the 57th position in it, leaving behind such developed countries as Israel (54) and Turkey (60), and bypassed Ukraine (76) with Kyrgyzstan (77). Big growth was on the shoulders of Russia, which for the year made a breakthrough from 40th to 35th place.

Table 2.5

Ease of doing business ranking			
Rank	Economy	Score	Dynamics compared to 2017
1	New Zealand	86.55	-0.18
2	Singapore	84.57	+0.04
3	Denmark	84.06	-0.01
9	Georgia	82.04	+2.12
35	Russia	75.5	+0.81
36	Kazakhstan	75.44	+1.06
38	Belarus	75.06	+0.55
47	Armenia	72.51	+0.59
57	Azerbaijan	70.19	+3.12
74	Uzbekistan	66.33	+4.46
76	UKRAINE	65.75	+1.9
77	Kyrgyz Republic	65.7	+0.54

Source: Doing Business Report 2017-2018 (29)

The list of countries most favorable for doing business, led by New Zealand. Singapore, the leader for 10 years, fell to the second line. The top 5 also includes Denmark, South Korea and Hong Kong. Countries leading in ease of doing business combine several factors: effective regulatory processes, legal institutions that protect property and investor rights, strong political will and the ability to organize reforms.

Experts see a number of mechanisms that could help reduce the gap between Azerbaijan and the leaders of the rating. The introduction of information and communication technologies will speed up the process of registering a business and issuing licenses. Of course, a great contribution comes precisely from ASAN, but, you see, there are still a lot of controversial issues that take a huge amount of time and bureaucracy. The development of a mechanism for obtaining real feedback from the private sector will also benefit the development of business. The main thing is that the reforms are not just carried out to advance in the ranking, but transformed into results on the ground.

January 30 The International Budget Partnership published the Open Budget Index for the year 2017. Azerbaijan from 115 countries took the 77th place, gaining only 34 points out of 100. This is the lowest result since 2006 for Azerbaijan. The last time a bad result was recorded in Azerbaijan in 2015 was 51 points.

To determine the position in the rating, 100 indicators are used to assess public accessibility, completeness and content of eight key budget documents. The documents are as follows: preliminary budget statement; budget proposal of the executive; adopted budget; budget for citizens; current reports; semi-annual review; annual report; audit report.

The average indicator of budget openness in the world is 43 points, that is, Azerbaijan is not one of them.

Cross-country comparisons are constructive only if carried out between comparable in one respect or another countries. This may be the similarity of the economic system, the scale of the economy, the sectoral structure of the economy, mentality and dominant values, common regional affiliation, as well as other criteria, such as common foreign markets, etc. Taking into account all these factors, this Chapter compares Azerbaijan's economic competitiveness with Georgia, Kazakhstan, Ukraine and Armenia. In accordance with the results of the latest WEF study, Azerbaijan is the leader in national economic competitiveness among the CIS countries: Azerbaijan, Georgia and Armenia occupy 35, 67 and 73 places in the global ranking of the global competitiveness index.

CHAPTER 3. DIRECTIONS OF INCREASING THE COMPETITIVENESS OF AZERBAIJAN'S ECONOMY WITH THE USE OF ADVANTAGES OF REGIONAL ECONOMIC INTEGRATION

3.1. Stimulating development of high-tech industries

A competitive economy is not possible in a country with socio-economic problems. Without solving the main problems it is impossible to talk about competitiveness. First of all, it is necessary to reduce the unemployment rate, keep inflation at around 10%, fight the export of capital from the country, and solve the problems of corruption. This will lead to the improvement of the country's economy, increase of its investment attractiveness, to economic stability, and will attract investment to the country. To conduct a successful economic policy to increase the competitiveness of the national economy requires a stable political situation in the country, timely payment of obligations for external debt, and diversification of the economy.

One of the main priorities of the policy pursued in the country is to increase the competitiveness of the economy and improve its structure through the development of industry. Industrialization is not only an economic factor, but also plays an important role in social, scientific and cultural aspects, including employment, income levels, urbanization, qualified personnel, research and development.

The main directions of increasing the competitiveness of the economy of Azerbaijan can be the following:

- compliance of products with quality standards adopted in international practice.
- modernization of priority sectors on the basis of the cluster approach, the creation of complexes, covering and combining individual sectors into a single whole;
- priority development of non-oil clusters: ICT sector; Tourism; Transport and logistic; Agribusiness industry development;

- development in the regions of industrial towns and a network of special and innovative business zones;

- creation of favorable conditions for attracting investments;

- modernization of production technologies, reforming enterprises producing products according to the old inefficient technology. Reducing the labor intensity, material intensity and energy intensity of the production process to increase profitability, stimulate export-oriented enterprises;

- stimulation of innovative, high-tech and technological enterprises (2).

The main objectives of this direction are the development of the economy based on information and knowledge, strengthening the sector of competitive high technologies of export orientation, increasing investment attractiveness, creating in the country high-tech and high-tech products of the world level and creating an innovative system to ensure their application.

In this area it is planned to do the following:

- support for innovative, scientific and technical activities and modernization processes, improving the effectiveness of public policy instruments;

- stimulation of the production of competitive ICT products and services, high technology and high-tech products, the development of free and transparent competition in this area, further increasing the attractiveness of the business and investment environment;

- improvement of legislation to protect investments and intellectual property;

- the use of special tax and customs regimes with the aim of creating favorable conditions for increasing the competitive and export potential of the ICT industry, products and services, expanding the import of advanced technologies;

- the development of innovative entrepreneurship, the creation of new innovative companies, high-tech and high-tech products and the expansion of measures that support their access to world markets;

- development of technology parks, business incubators and other innovative structures for the development and application of new knowledge and technologies;

- the development of high technologies, including the space industry, biotechnology, electronics, new information technologies, nano-and nuclear technologies;

- implementation of measures to transform the Republic of Azerbaijan into a regional center for information services and to expand transit information services;

- expanding the use of ICT in the business sector and the development of the Internet economy, including electronic commerce;

- the expansion of fundamental and applied research aimed at the development of the information society;

- support for start-up projects on ICT and high technology (1).

The benchmark in the direction of information technology, automation and modernization plays a key role in the successful improvement of all sectors of the economy, especially industrial. The technological potential of our country should be fluttered by strengthening the activities of existing industrial and technological parks, creating new industrial parks and industrial districts, increasing the industrial potential of individual regions. Creating industrial institutions and expanding their activities play an exceptional role in accelerating the industrialization process today. In December 2011, Ilham Aliyev signed a decree that reflected the main directions of the country's development in the coming years:

- "On the establishment of the Sumgayit Chemical Industrial Park",

- "On the establishment of the Balakhaninsky industrial park in the city of Baku",

- "On the preparation of the Development Concept" Azerbaijan – 2020: A Look into the Future " (1).

It should be noted that over the past 10 years, as a result of the implemented reforms in all sectors of the economy, Azerbaijan is confidently taking steps to improve and introduce the innovative experience of developed countries. In order to form a new model of economic reforms and innovative development, a number of large-scale programs and concepts were adopted:

- "State Program for Supporting Small and Medium-Sized Enterprises in the Republic of Azerbaijan (1997-2000)",
- "State Program for the development of the engineering industry in the Republic of Azerbaijan (2002-2005)"
- "State Program for the Development of the Agrarian Sector in the Republic of Azerbaijan (2002-2006)"
- "The State Program for the Development of Small and Medium Enterprises in the Republic of Azerbaijan (2002-2005)",
- I "State Program on the socio-economic development of regions of the Republic of Azerbaijan (2004-2008)"
- II "State Program of Social and Economic Development of Regions of the Republic of Azerbaijan in 2009-2013",
- III "State Program on the socio-economic development of regions of the Republic of Azerbaijan (2014-2018)" (11)

Strengthening the scientific and technological potential to develop the competitiveness of the high-tech sector, strengthening ties between this sector and scientific research, creating and disseminating new knowledge and technologies in accordance with the requirements of the information society using world experience are among the main objectives of this area.

To achieve the goals of this direction it is planned to carry out the following:

- expansion of fundamental and applied scientific research aimed at the development of high technologies, including in space, bio, nanotechnologies, cybersecurity, electronics and other high technology directions;
- consolidation of efforts and strengthening of relations of the state, science, education and business on technological development and modernization, the formation of a new partnership in the environment of innovative development;
- increasing the effectiveness of scientific activities in the field of high technologies, creating and stimulating conditions for conducting research on high technologies in the private sector;

- conducting scientific and technical research aimed at studying and enhancing the influence of high technologies on socio-economic development;
- expanding the use of ICT in improving the efficiency and development of research infrastructure

Ensuring the socio-economic development of all regions of the Republic of Azerbaijan at the level of modern requirements and improving the competitiveness of the economy using the available resources and geographical location will create conditions for national products to take their rightful place in the world market. These goals are reflected in the “Development Concept“ Azerbaijan 2020: A Look into the Future ”(hereinafter referred to as the Concept), approved by Decree of the President of the Azerbaijan Republic of December 29, 2012 No. 800. The main goal of the Concept is to increase the gross domestic product in the Republic of Azerbaijan by a factor of 2 over the next eight to ten years mainly due to the development of the non-oil sector and to ensure this growth by creating an innovative economy based on knowledge in the country. One of the main pillars of this development are information and communication technologies. ICT, as a new economic sector with high growth rates, plays the role of a modern and multifunctional infrastructure, as well as a leading force of comprehensive socio-economic progress.

In order to achieve the outlined concept of the main goal, in the next ten years it is necessary to expand the volume of the ICT sector by 4–4.5 times, to strengthen the economic potential of ICT, to ensure the needs of society in ICT. To achieve this, it is important to form an innovative, competitive export-oriented ICT potential, turn the country into a regional center for information services, develop the space industry and make extensive use of satellite technologies, create conditions for the effective use of opportunities, products and services by citizens and society and increase their knowledge and skills. and ICT-related training, e-government development and the use of e-services at all levels of states nnogo management, and information security existing ICT infrastructure and ICT users, preparation highly

qualified specialists and scientific personnel, scientific support of the work being carried out, the country's close integration into the global information space.

During 2003–2013, the state paid high attention and care to the ICT field, carried out purposeful, integrated and consistent activities. This is precisely the manifestation of the fact that many international reports, including the report of the World Economic Forum The Global Information Technology Report, took into account the results of the Republic of Azerbaijan in the field of ICT, and in the 2013 report on the indexes “Government successes in supporting ICT” and “The value attached to ICT in 66 future government views” our country ranked in the top ten in the world. In general, in this report, Azerbaijan ranked 56th among 144 countries in the network readiness index and was in the group of leaders among the CIS countries.

In recent years, the ICT sector has become a leading and dynamic sector of the economy. During these years, the volume of the sector, doubling every three years at an average annual growth rate of almost 20–25%, exceeded 1.9 billion US dollars, its share in GDP increased to 1.7%, and in non-oil GDP - to 3.3%. Investing in the sector amounted to almost 2.5 billion US dollars, of which 28% was invested by the state, and 72% by local business structures and foreign investors. Compared with 2003, the share of the private sector increased from 67.3% to 80% (18).

In January-October of this year, in the industrial sector of Azerbaijan, products worth 40 billion manat were produced, which is 1.5% more than in the corresponding period last year.

In the processing industry, production of cars, trailers and semi-trailers increased 26.5 times, printing products - 2.9 times, tobacco products - 2.5 times, electrical equipment - 2.4 times, furniture - 2.1 times Textile products - 48.8%, leather and leather products, footwear - 35.6%, building materials - 28.9%, wood and wood products - 21%, products of the metallurgical industry - 13.3%, beverages - 10.6%, paper and cardboard - 6.8%, chemical products - 3.8%, rubber and plastic products - 0.1%.

At the same time, the production of finished metallurgical products increased by 1.2%, computers, electronic and optical goods - 4.7%, installation and repair of machinery and equipment - 11.7%, pharmaceutical products - 12.9%, machinery and equipment - 17.7%, other vehicles - 65.6% (38).

Azerbaijan has created its own company, H-Tech Invest, which will manufacture computer equipment at the production facilities of the Mingachevir industrial park. H-Tech Invest replaced the KUR company, which was established in 2005 and was the only enterprise engaged in the conveyor production of computer equipment and electronics in the South Caucasus region. H-Tech Invest received the status of a resident of High Technologies LLC and began to function in the Mingachevir branch of the technology park.

As the Ministry of Communications and High Technologies of Azerbaijan said earlier, the Mingachevir branch of the technopark will soon launch the production of various high-tech products under the brand "Made in Azerbaijan". The Mingachevir Business Incubator is organized according to the principle of operation of an incubator operating in Baku and contributes to the support of innovative ideas and projects at the regional level. The activity of the business incubator is aimed at supporting innovative ideas and projects, as well as new technological solutions.

The production capacity of the technopark and the preferential conditions for residents are conducive to launching the production of a wide range of high-tech products under the Azerbaijani brand, which will be intended both for domestic consumption and export.

"High-tech Park" was created by decree of President Ilham Aliyev of Azerbaijan dated November 5, 2012. The High-Tech Park has become a territory with the necessary infrastructure, material and technical base and management structures for conducting research in the fields of ICT, telecommunications and space communications, energy efficiency, the development of new high technologies (2).

Summing up the above, I would like to note that only a sufficiently strong state is able to ensure effective economic development and successfully adapt to the

current conditions dictated by globalization and the era of high technologies. Azerbaijan, as a developing country, is taking serious steps to improve the structure of the economy and become a post-industrial country. In order to achieve the goals set according to the developed concept “Look into the Future”, it is necessary to determine effective ways of solving existing socio-economic problems. Building a strong national economy should begin with creating the necessary conditions for its development and raising competitive advantages in promising industries, which, ultimately, will contribute to the adaptation and involvement in innovative realities. Success in the formation of high-tech, modernized, diversified industrial complex is an integral part of a stable, efficient economy, as well as national security and independence of the country.

3.2. Mechanisms of increasing the competitiveness of foreign trade

The most important areas of the foreign economic strategy of the Republic of Azerbaijan at the present stage of forming its relations with the world market are the increase in its export opportunities, access to markets with competitive products that would meet their requirements and standards.

After the Republic of Azerbaijan gained independence, one of the significant economic problems facing the country was the organization of the country's integration into the world economy, the establishment of foreign trade relations, the increase in export potential and the effective use of these processes. In the first years of independence, the economy of our republic was largely dependent on imports, and deep crisis processes were observed even in the economic sectors that were previously prioritized.

Today, it can be noted that the country's economy is experiencing rapid development, and great success has been achieved in integrating the national economy into the world economy. The Republic of Azerbaijan already has foreign trade relations with 140 countries of the world. During the years 1995-2009, the volume of foreign trade turnover increased by more than 16 times. During these years, imports increased by more than 9 times, and exports - up to 23 times.

Currently, Azerbaijan's foreign trade activity has specific features. The following factors characterize these features:

- the country lives in the period of transition to a market economy;
- rich in natural resources;
- is an oil exporter;
- geographical location (location on the Europe-Asia transport corridor);
- local production is based mainly on the former Soviet standards, etc.

These factors have had an impact on the definition of the republic's foreign trade strategy. And in the future, the positive and negative influence of these factors should be established, they should be taken into account when increasing the competitiveness of the country's foreign trade.

The processes of international economic integration play an exceptional role in increasing the competitiveness of foreign trade of the Republic of Azerbaijan and in its regulation. Naturally, bilateral trade and economic ties can be considered as one of the above processes. However, in international economic integration are important multilateral trade and economic relations, including relations with international organizations. These types of links include the following examples:

- cooperation with countries that are members of a commonwealth within the CIS;
- cooperation with countries - members of the Economic Cooperation Organization of the Black Sea countries;
- cooperation with GUAM countries within the framework of this organization;
- cooperation with International financial institutions (IMF, WB, EBRD, etc.);
- cooperation with other economic communities (EU, etc.) and organizations (World Trade Organization, World Customs Organization, etc.), etc.(10).

CIS countries have a special weight in the foreign trade of Azerbaijan. And especially it should be noted that in the export to the non-oil sector of the CIS republic occupy the first place. Experience shows that this community and,

especially, the Russian Federation, which is a member of this organization, are of particular importance in the matter of rational use of the export potential of our country. In our opinion, in the process of increasing the competitiveness of foreign trade, it is necessary to pay great attention to trade and economic relations with these countries in the future.

The geographical and regional structure of foreign trade relations of our country has specific features. If a number of Western European countries occupy a significant place in exports due to the oil factor, i.e. is a buyer of Azerbaijani oil, the CIS countries, including Russia, are strategic trading partners due to the historical interconnectedness of the economy, neighborhood, the existence of common transport infrastructure links, compliance with product standards, deepening interaction of markets and other factors of this kind. Let us turn to the Table where the geographical structure and dynamics of foreign trade of Azerbaijan are more fully reflected.

Table 3.1

Positions of the CIS countries and the EU in Azerbaijan's foreign trade and commodity structure of exports and imports (%)

Year	2012	2013	2014	2015	2016
Export					
CIS countries	5.2	6.3	3.8	4.1	7.3
EU	46.8	48	53	53	43
Commodity structure of export Azerbaijan,%					
Oil and oil products	93.2	92.8	95.5	88	87.4
Agricultural products	1.3	1.3	1.5	2.6	4.2
Import					
CIS countries	24.6	23.8	22.7	21.3	25.3
EU	27.7	35.1	33.8	31.9	26
Commodity structure of import Azerbaijan,%					
metals and products from them	15.2	12.1	13.6	20.3	15.4
machines and mechanisms	27.2	25.7	28.1	26.7	23.6

Source: State Statistics Committee of Azerbaijan 2017 (38).

The positive balance of Azerbaijan in foreign trade in 2017 amounted to \$ 5 billion 29 million 616.89 thousand, which is 8.2 times higher than in 2016.

According to the State Customs Committee (SCC) of Azerbaijan, in 2017 Azerbaijan's foreign trade turnover amounted to \$ 22 billion 593 million 631.99 thousand. At the same time, exports for the reporting year amounted to \$ 13 billion

811 million 624.44 thousand, imports - \$ 8 billion 782 million 7 , 55 thousand. In 2016, the foreign trade turnover of Azerbaijan amounted to \$ 17 billion 675 million 727.26 thousand, including exports - \$ 9 billion 143 million 279.75 thousand, imports - \$ 8 billion 532 million 447.51 thousand

Thus, in 2017, the foreign trade turnover of Azerbaijan increased by 27.8%, exports - by 51.1%, imports - by 2.9%.

In the export structure, the main volume was accounted for oil (77.52%), petroleum products (2.46%), natural gas (8.64%), electricity (0.37%), fruits and vegetables (3.64%), tea (0.07%), oils of plant and animal origin (0.12%), sugar (0.29%), alcoholic and nonalcoholic products (0.16%), chemical products (0.58%), plastics and products of which (0.73%), cotton (0.24%), cotton fiber (0.12%), ferrous metals and products from them (0.6%), aluminum and products from it (0.85%) , other (3.61%).

In the structure of imports, food products accounted for 15.99%, tobacco and tobacco products - 1.9%, cement - 0.08%, pharmaceutical products - 2.84%, plastics and products from them - 3.62%, firewood and wood products - 2.42%, ferrous metals and products from them - 10.09%, machinery, mechanisms, electrical apparatus, equipment and spare parts for them - 21.26%, vehicles and spare parts - 12.28%, furniture - 0.97%, other - 28.55%.

In 2017, Azerbaijan carried out main operations with exports with Italy (31.9% of total exports), Turkey (9.89%), Israel (4.63%), Russia (4.25%), the Czech Republic (4.03 %), Canada (3.87%), Georgia (3.41%).

Azerbaijan carried out main operations on imports with Russia (17.7%), Turkey (14.5%), China (9.73%), USA (8.21%), Ukraine (5.24%), Germany (5 , 05%).

One of the ways to improve the competitiveness of the country's foreign trade can be membership in the WTO.

The need for Azerbaijan's accession to the WTO is due to:

- without the use of new technologies, the economic development of the country is impossible. The standards of these technologies are determined by the WTO system. National security is also closely related to technological progress.

- when joining the WTO, Azerbaijan will be able to attract investments by introducing generally accepted standards of foreign economic regulation into national legislation;

- According to World Bank estimates, WTO membership will bring about 3.3% of GDP to Azerbaijan in the first three years. But along with these advantages, there are a number of difficulties:

- The main component of Azerbaijan's exports is raw materials (70% of Azerbaijan's exports) - exports of high-tech goods in Azerbaijan are insignificant (Azerbaijan's share in world exports of high-tech products is about 0.2–0.3%);

- Azerbaijan is committed to increasing integration into the world economy;

- foreign capital should not occupy key positions in the main areas of production of the Azerbaijani market.

- The WTO aligns its actions with the policies of the International Monetary Fund, which in turn advocates US interests. By joining the WTO, our country has to bear responsibility for both the problems of the United States and the political component of macroeconomic processes. As a result, Azerbaijan is in the center of problems that are not relevant to it, for example, energy supplies from the Middle East;

- WTO accession contributes to the negative impact on the domestic market of the countries, that is, the Azerbaijani small business can be ousted from various sectors of the economy;

Entering the WTO, Azerbaijan needs to carry out the transformation of vulnerable industries, taking into account modern technologies. In our opinion, the entry into the WTO of Azerbaijan is not so much a necessity, as an inevitability. Our country still needs to raise its economy. If Azerbaijan will stand aside when making important economic decisions at the global level, then it is possible that ultimately these decisions will be taken against us. For the successful participation of the

Republic of Azerbaijan in the WTO, it is necessary today to develop those industries that are the most vulnerable, taking into account the innovation progress both within the industry and abroad. In addition, regulatory acts should be adopted that would further enhance the investment attractiveness of Azerbaijan. Solving the above tasks will require systematic and coordinated work of all branches of government.

WTO membership has the following positive effects:

- Azerbaijan will be able to take part in the development of new rules for international trade, taking into account its national current and strategic interests;
 - the best conditions for local products to access foreign markets;
 - with the entry into the WTO, the investment attractiveness of the country increases due to the introduction of generally accepted standards of foreign economic regulation;
 - access to international trade dispute resolution mechanisms;
 - improving the quality and competitiveness of domestic products as a result of an increase in the flow of foreign goods, services and investments in the Azerbaijani market;
 - lower prices for imported goods;
 - Improving the image of Azerbaijan in the world as a full participant in international trade (22).

In Azerbaijan, the most important element in the implementation of foreign economic policy is government support and assistance to enterprises and industries working for export, which is expressed in a whole system of measures aimed at promoting exports. At one time, in the practice of a number of new industrialized countries, such a policy of supporting export industries was effectively used, and it was connected with the need to replenish the country's currency resources.

Therefore, those industries that are able to enter the external market with competitive products should receive certain state assistance. This assistance can be in the form of direct assistance, that is, subsidies, concessional loans, etc., as well as in the form of indirect assistance - through tax breaks, export insurance, the provision of export bonuses and a number of other types of assistance. For example,

the state can take on personnel training for export-oriented enterprises, create the necessary political and economic conditions for their activities abroad.

A positive trend is the formation and development of the share of the private sector in the total exports of the Republic of Azerbaijan. This is quite natural in the conditions of transition to market relations and the growing role of national entrepreneurship in industrial and agricultural production. At the same time, the slow and insufficiently consistent development of market relations hinders not only domestic production, but also the expansion of exports from the private sector. Despite the existence of a law on the equal rights of different owners when entering foreign markets, there is still some discrimination against individual private firms and entrepreneurs. The concentration of the most important spheres of production in the hands of state enterprises and the influence of state bodies pushes private entrepreneurs from the sphere of foreign trade turnover, despite the fact that in the exchange turnover the share of the non-state sector has reached 96.4% and in money service more than 50%. However, this is not enough for the active participation of private entrepreneurs in foreign trade activities. At the same time, as world experience shows, without a strong competitive environment, one cannot speak of export development and structure improvement. Therefore, the state should pay more attention to this problem and in every way encourage private entrepreneurship in order to increase the export potential of the republic and diversify exports. The experience of the newly industrialized countries, in particular, South Korea, quite clearly shows the system of state policy in the field of encouraging and encouraging private entrepreneurship to enter foreign markets.

When a government or government agency is interested in stimulating foreign business on its territory, the number of such enterprises can be significant. Many firms operating in the republic are supported by the government. The state should also support domestic entrepreneurs to allow themselves to feed, clothe and shod their country. In the opinion of leading specialists, the achievement of food security should be begun with the restoration of the agro-industrial sector, food, light and other industries.

Considering the fact that export is the most important indicator of the country's development, the priority is the development of new export directions. Emphasis should be placed on areas in which our country has certain opportunities for competition in the global market. These areas include education, culture, fundamental and developmental applied engineering. At the same time, the export of "know-how" should take place on a mutually beneficial basis, allowing for the joint exploitation of one or other development carried out in our country. One of the options is also active introduction to the markets of developing countries, where it is possible to ensure a fairly high level of competitiveness and quality of a number of products and technologies (aerospace, microbiological, educational) while implementing an adequate pricing policy.

Finally, it is possible to increase the competitiveness of trade, when future exports from our country will be financed by partners in the world market through fairly stable and long-term programs. Investments in the implementation of R & D in our country, in education based on our existing potential, in the development of environmentally friendly technologies can ensure the future export of the results of this activity. The possibilities of such an orientation will increase significantly with the accession of the Republic of Azerbaijan to the World Trade Organization.

3.3. Perspectives of inclusion into international production clusters

Currently, the dominant goal of the economic policy of both developed and developing countries is the growth of national competitiveness and the expansion of the share of national companies in the domestic and world markets, increasing the efficiency of their activities.

Globalization processes, intensification of international competition, which characterize the world economy, were an objective prerequisite for changing the competitiveness management paradigm, which consists in abandoning traditional industrial policy and transition to a new system of production organization based on the advantages of specialization and cooperation.

Intensive development of technology, logistics, means of transport has led to the fact that the transfer of information and the movement of financial flows have become almost instantaneous, and the transportation of goods - cheap and fast. In this regard, the most important factors in achieving and maintaining superiority over competitors are not only innovation and education, but also interconnection between enterprises, which provides conditions for creating network structures - clusters.

The cluster approach is first of all a new management technology, which allows to increase the competitiveness of both a particular region or industry, and the state as a whole.

The experience of developed and new industrialized countries suggests that improving the industrial structure, improving the competitiveness of the national economy can be very effective if there is a diversified system of subcontracting relations of leading manufacturers with small and medium-sized companies that take on the solution of certain highly specialized tasks in the design and production of individual nodes and components. This is how an industrial cluster is formed.

A cluster is, first of all, an association of persons: enterprises, suppliers of equipment, components, specialized production and service services, research and educational organizations related by relations of geographical proximity and functional dependence. In some cases, a cluster may partially have signs of a property association, but this association does not take place by law (as in a technology park), but on the basis of an agreement between its participants. The consolidation of property of persons on the basis of an agreement (transaction) is not a property complex.

Industry, which is the main sector of the economy of Azerbaijan. Since the middle of the last century, metallurgy, mechanical engineering, fuel and energy, food, light, chemical and other industries began to develop.

Table 3.2

The volume of industrial production at enterprises of the Azerbaijan Republic (million manat)

	2009	2010	2011	2012	2013	2014
All industries,including:	22564	27978	35027	34565	33898	35646
Government sector	5036	5575	6817	6875	6397	6893
Private sector	17528	24030	28210	27690	27501	27924
Mining industry	16460	20862	26894	25607	24655	25983
Manufacturing industry	836.1	5735.7	6392.4	7031.8	7342.8	7126.1
Manufacturing industry	1148.3	1225.5	1555.9	1724.3	1773.9	1765.4
Water supply, waste recycling	119.5	154.5	184.3	201.7	225.1	223.4

Source: State Statistics Committee of Azerbaijan 2015

As we see from the table, for the period 2009-2014. the volume of industrial production increased by 3.5 times. In this direction, an important role was played by reforms carried out at manufacturing enterprises.

In 2014, the industrial sector of Azerbaijan was under special attention. This year more than 230 new industrial enterprises were put into operation, the existing production facilities were expanded and the foundations of the country's future industrial industry were laid.

Table 3.3

Growth rates of industrial production in Azerbaijan, %

Year	Value
2005	40
2006	50
2007	25
2008	6
2009	8,6
2010	3,5
2011	-5,2
2012	0
2013	3
2014	1,2
2015	1,5

Source: State Statistics Committee of Azerbaijan 2016

In Azerbaijan in 2009, the law “On the establishment of special economic zones in the Republic of Azerbaijan” and the corresponding Presidential Decree on its application was adopted. With the adoption of the Law and its implementation, it is expected to expand innovation activities in the regions of the country, modernize

various sectors of the economy, and increase the export potential of the country's oil sectors. Based on the specified normative acts, it is supposed by creating special economic zones and technoparks to increase the level of activity of entrepreneurship, scientific and technical developments, innovative elements of management and other components designed to contribute to improving the efficiency of the economy of Azerbaijan.

The creation of technology parks is also being implemented as part of a project to form a regional innovation zone, the project of which involves stimulating small and medium-sized innovative entrepreneurship, manufacturing and exporting electronic equipment and software, turning the country into an effective transit information center, preparing and developing human resources for the emerging information society, introduction of information technology in various industries. According to forecasts, with the successful implementation of the project, the growth in revenues from the creation of RIZ will reach \$ 12 billion by 2020 (1).

An example of a successfully implemented project in this area is the Sumgait Technopark. The decision to create it was taken as part of the implementation of large infrastructure projects in the industrial sector of Azerbaijan. In total, 16 plants will be located on the territory of the technopark. Currently, production is being adjusted on the basis of modern technologies of export-oriented products, in particular, various cables, transformers, high-voltage equipment, hydroturbines, water pumps, electric motors, pipes. At present, six factories are already operating in the Sumgait Technopark, and in the near future two more enterprises will be commissioned. The construction and reconstruction of eight more facilities continues.

In addition, in this industrial zone in the next 2-3 years it is planned to create a new industrial park, which will house a number of plants for the production of chemical products.

Thanks to the construction of Sumgayit Technological Park, thousands of jobs were opened, which led to an improvement in the social level of the population. Highly qualified specialists with extensive experience in this field are involved in

the work at this technopark. All actions to attract staff are fully consistent with the overall socio-economic policy of the Azerbaijani government.

Also in the near future it is planned to build an energy technology park under the auspices of the State Agency for Alternative Energy and Renewable Energy under the Ministry of Energy of Azerbaijan, which includes two segments: solar and wind energy.

Balakhani Industrial Park was established according to the Decree of the President of the Republic of Azerbaijan on December 28, 2011, December 19, 2012 Balakhani Industrial Park was commissioned.

Balakhansky Industrial Park was created to improve the social level of the population, increasing the number of jobs, supporting entrepreneurship, and introducing modern technologies that meet international standards. The specialization of this technopark is the recycling of domestic and the provision of relevant services managed by OJSC Clean City (Tamiz Shahar). Tamiz Shahar OJSC takes all possible measures for the commissioning and operation of the region's first industrial park in the region in the field of waste management. Being new to this field, Tamiz Shahar OJSC signed a memorandum with the Turkish company Exitcom Recycling, which are leaders in this field (3).

Azerbaijan confesses IT-industry. Proposals for the formation of such a technopark on the territory of our country were prepared by the international consulting company BoozAllenHamilton. This project has 5 main directions:

- DATA-center;
- Human resources development;
- Development of medium and small businesses;
- Attraction of investments and development of the export potential of the country.

Azerbaijan when creating technology parks is based on the experience of other countries. On February 16, 2016, the delegation of the Republic of Azerbaijan arrived in Tatarstan and collected data on the activities of the IT park. The delegation visited the DATA-center of the IT-park, got acquainted with the projects of the

company-resident of the IT-park "KIR". In the business incubator for the delegation, a presentation of start-up projects "Avtodoria", "KamazSport", Gradient Technologies and StartPack, as well as familiarization with the largest resident of the IT park - the company "BARS Group" was held.

In the city of Ganja in the near future should open one of the largest technology parks. Not so long ago, the government bodies of the Republic of Azerbaijan took measures to stop finished aluminum products in the country. This is due to the opening of a new aluminum plant in Ganja. This plant produces high-quality products, more than 50 thousand tons and this figure should increase to 100-200 thousand tons. It is planned to create a technopark at the Ganja Aluminum Plant, and at the end to create other enterprises.

It should be noted that Azerbaijan has 2 aluminum plants in Sumgayit and Ganja, as well as its own raw material base in Dashkesan region (alunit).

In the next 2-3 years, a new chemical technopark is planned to open in Sumgayit. At this technology park, it is planned to create dozens of factories with the latest technologies for the production of chemical products that meet all international standards. In the future, in Garadagh district of Baku, it is planned to create a new petrochemical complex for the production of primary products for Sumgayit chemical enterprises.

To create a technology park in Azerbaijan, it is necessary to analyze technology parks in various countries of the world. To compare the technoparks of Azerbaijan with the technoparks of various foreign countries, it should be noted that innovation has a high capital requirement and high risk.

That is why worldwide technology parks are organizations that require long-term investments, whose activities are subsidized by the state.

Table 3.4

Comparative analysis of the quantitative characteristics of foreign and Azerbaijani
technology parks

	Year foundation	of Total area	Number workplaces	of Number resident companies
Research Triangle, USA	1959	2833	52000	170
Technopolis Tsukuba Japan	1983	750	1500	80
Malaysia, Kulim	1996	1700	18500	59
Sophia- Antipolis, France	1969	2400	40000	1452
Turku/ Lahti/ Otaniemi, Finland	1998/ 2008/ 1949	500/ 70/ 200		160/ 50/ 800
One-North, Singapore	2001	200	3200	
Sumgait Technopark Azerbaijan	2009	250	4500	

Source: www.technopark.by/business/228.html

The effective operation of technology parks depends on the presence of three components:

1. area
2. financing
3. Providing benefits

Technoparks of Azerbaijan meet all three components. Large funds from the budget are allocated for the development of technoparks, the state provides support. It can be concluded that the greatest results are achieved by those Technological Parks, where the state provides all possible support in the development of scientific and technological progress, pursues a policy whose main task is to optimize the economic system and susceptibility to the achievements of scientific and technological progress.

The creation of industrial districts is an integral part of the policy of diversification and industrialization in the country's economy, promoting the development and efficiency of industrial sectors, rational use of land and other

resources, supporting small and medium-sized businesses, increasing employment in the industrial sector and promoting the support and development of clustering.

In this regard, it may be useful to develop cooperation with some international organizations, including the United Nations Industrial Development Organization (UNIDO), in order to further study and apply international experience in industrial clusters.

To support industry and create clusters in the Republic of Azerbaijan, it is advisable to take the following measures:

- establishment of cooperation with international organizations for the application of the cluster model in the industry of Azerbaijan;
- taking measures to create and improve the regulatory framework;
- analyze the economic situation in the regions and identify areas that are suitable for the cluster;
- organization of meetings and discussions with the participation of small and medium-sized entrepreneurs specializing in the furniture industry;
- Taking into account the provision of concessional loans from the National Fund for the Support of Entrepreneurship as a stimulating stimulus for the advancement of clusters (18).

CONCLUSION

As a result of the study, it was revealed that today, in the conditions of intensified competitive struggle in most countries of the world, great importance is attached to the problem of increasing the competitiveness of the national economy. This problem is particularly relevant for developing countries. The competitiveness of the national economy is the ability of a country and its business entities to produce and sell their goods and services on world markets.

International competition and foreign investment are special catalysts that encourage local producers to improve themselves. At the same time, international competition can not only help national companies, but also completely make individual industries unprofitable. No country can be competitive in all industries. If it exports in the same industry, then this leads to increased costs for materials and labor, which adversely affects less competitive segments. Constantly growing exports lead to an appreciation of the national currency, thereby hampering its further growth.

Although international trade and investment can significantly improve national productivity, they can also put it at risk. This is due to the fact that for each industry there is a level of both absolute productivity relative to foreign competitors and relative. Innovative development occupies a special place in enhancing the country's competitiveness. The innovation stage concerns countries with a high level of economic development that have made the transition from an economy importing technology to an economy creating technology. This transition, however, is considered to be the hardest, since development based on innovation requires the direct participation of the state in encouraging high rates of innovation through investment (both private and public) in research and development, higher education, and improving capital markets and the legal framework - all that supports the opening of new high-tech enterprises. The state of the economy is negatively affected by inefficient public finance management and high inflation, and protection of intellectual property rights, a developed judicial system, and other measures can have a positive effect. Along with institutional factors, education and skills

improvement of the work force, constant access to new knowledge and technologies can be crucial. The factors determining the competitiveness of the economy have a different impact on the economic systems of the countries of the world, depending on the starting conditions and the current level of development.

According to the conclusions of the World Economic Forum, the most competitive are the economies of those countries that are able to pursue a comprehensive policy, take into account the whole range of factors and

The absence of real prerequisites for effective practical realization of economic integration, the immaturity of socio-economic relations, the primitiveness and structural undifferentiation of national economies, the underdevelopment of market and financial infrastructures can doom a country that has joined the union to stagnate or fail completely.

Based on the analysis we made the following conclusions:

1. Economic integration affects the competitiveness of national economies.
2. Influence can be both negative and positive.

Thus, when a country joins a particular integration grouping, it is necessary to take into account all possible consequences in order to prevent a decrease in the competitiveness of the national economy.

In Azerbaijan, the process of liberalization of foreign trade in the first years of independence was carried out unilaterally, which was not very balanced and not always economically justified.

On many issues that need to be addressed before accession and, over the next few years after it, a common approach has not been developed. This applies, first of all, to determining the range of industries and production to which temporary protective measures should be applied in the domestic and foreign markets, specific mechanisms and levels of such protection.

The search for ways to increase competitiveness becomes an important function of the government: now it is obliged to find and find areas of competitive (comparative) advantages of the country and, with the help of measures of economic regulation, stimulate their development. Under the competitiveness of the country

usually understand how successfully its enterprises compete in the production of goods and services with enterprises located in other states.

The factors that shape the state's economic competitiveness may even include its geographic location. In particular, some experts believe that the location of Azerbaijan and Georgia on the intersection of major transport and communication lines connecting Europe with Asia and the North with the South is their main comparative advantage.

The introduction of information and communication technologies will speed up the process of registering a business and issuing licenses. Of course, a great contribution comes precisely from ASAN, but, you see, there are still a lot of controversial issues that take a huge amount of time and bureaucracy. The development of a mechanism for obtaining real feedback from the private sector will also benefit the development of business. The main thing is that the reforms are not just carried out to advance in the ranking, but transformed into results on the ground.

A competitive economy is not possible in a country with socio-economic problems. Without solving the main problems it is impossible to talk about competitiveness. First of all, it is necessary to reduce the unemployment rate, keep inflation at around 10%, fight the export of capital from the country, and solve the problems of corruption. This will lead to the improvement of the country's economy, increase of its investment attractiveness, to economic stability, and will attract investment to the country. To conduct a successful economic policy to increase the competitiveness of the national economy requires a stable political situation in the country, timely payment of obligations for external debt, and diversification of the economy.

The main directions of increasing the competitiveness of the economy of Azerbaijan can be the following:

- compliance of products with quality standards adopted in international practice.

- modernization of priority sectors on the basis of the cluster approach, the creation of complexes, covering and combining individual sectors into a single whole

- priority development of non-oil clusters: ICT sector; Tourism; Transport and logistic; Agribusiness industry development;

- development in the regions of industrial towns and a network of special and innovative business zones;

- creation of favorable conditions for attracting investments.

- modernization of production technologies, reforming enterprises producing products according to the old inefficient technology. Reduction of labor intensity, material intensity and energy intensity of the production process to increase profitability. promotion of export-oriented enterprises.

- stimulation of innovative, high-tech and technological enterprises.

Ensuring the socio-economic development of all regions of the Republic of Azerbaijan at the level of modern requirements and improving the competitiveness of the economy using the available resources and geographical location will create conditions for national products to take their rightful place in the world market.

In Azerbaijan, the most important element in the implementation of foreign economic policy is government support and assistance to enterprises and industries working for export, which is expressed in a whole system of measures aimed at promoting exports.

The most important factors in achieving and maintaining superiority over competitors are not only innovation and education, but also interconnection between enterprises, which provides conditions for creating network structures - clusters.

The creation of industrial districts is an integral part of the policy of diversification and industrialization in the country's economy, promoting the development and efficiency of industrial sectors, rational use of land and other resources, supporting small and medium businesses, increasing employment in the industrial sector and promoting the support and development of clustering.

Summing up the above, I would like to note that only a sufficiently strong state is able to ensure effective economic development and successfully adapt to the current conditions dictated by globalization and the era of high technologies. Azerbaijan, as a developing country, is taking serious steps to improve the structure of the economy and become a post-industrial country.

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РЕЗЮМЕ

В условиях глобализации производства и капитала конкурентоспособность национальной экономики приобретает особое значение, стираются границы между внутренним и внешним рынками из-за отмены многих внешнеэкономических барьеров. В связи с этим мировой рынок превращается в единое поле конкурентной борьбы, и занимать на нем достойное место может только та страна, которая способна обеспечить высокую конкурентоспособность своих товаров. Сегодня в условиях обострения конкурентной борьбы в большинстве стран мира придают большое значение проблеме повышения конкурентоспособности национальной экономики. Целью исследования является изучение степени присутствия Азербайджана в региональных интеграционных структурах, изучить государственную стратегию в пути развития и диверсификации национальной экономики с целью повышения конкурентоспособности страны, проанализировать позиции Азербайджана в международных рейтингах и индексах, а также государственную политику проводимую для развития инновационных технологий с целью повышения конкурентоспособности страны. Основными направлениями повышения конкурентоспособности экономики Азербайджана могут стать: модернизация приоритетных секторов на основе кластерного подхода, создания комплексов, охватывающих и объединяющих отдельные отрасли в единое целое; развитие в регионах промышленных городков и сети специальных и инновационных зон предпринимательства; формирование принципиально новых механизмов регулирования и финансирования инновационной деятельности, разработка законодательной базы по созданию технопарков и зон высоких технологий, всей инфраструктуры национальной инновационной системы; приоритетное развитие ненефтяных кластеров: сектор ИКТ; развитие промышленного производства.

XÜLASƏ

İstehsal və kapitalın qloballaşması kontekstində milli iqtisadiyyatın rəqabət qabiliyyəti xüsusilə vacibdir, çoxlu xarici iqtisadi maneələrin aradan qaldırılması səbəbindən daxili və xarici bazarlar arasında sərhədlər silinir. Bu baxımdan dünya bazarında rəqabət mübarizəsinin tək bir sahəsinə çevrilir və yalnız mallarının yüksək rəqabətliliyini təmin edə bilən bir ölkə bunun üzərində layiqli yer tuta bilər. Bu gün dünyanın əksər ölkələrində ağırlaşdırılmış rəqabət şəraitində milli iqtisadiyyatın rəqabət qabiliyyətinin artırılması probleminə böyük əhəmiyyət verilir. Tədqiqatın məqsədi Azərbaycanın regional integrasiya strukturlarında iştirakının dərəcəsini öyrənmək, ölkənin rəqabət qabiliyyətini artırmaq, Azərbaycanın beynəlxalq reyting və göstəricilərindəki mövqeyini təhlil etmək üçün milli iqtisadiyyatın inkişafı və diversifikasiyasında dövlət strategiyasını öyrənmək, həmçinin rəqabət qabiliyyətini artırmaq üçün innovativ texnologiyaların inkişafı üzrə dövlət siyasətini öyrənməkdir. Azərbaycan iqtisadiyyatının rəqabət qabiliyyətinin yaxşılaşdırılması əsas istiqamətləri bunlardır: klaster yanaşması əsasında prioritet sektorların müasirləşdirilməsi, ayrı-ayrı sektorları bütöv birləşdirən komplekslərin yaradılması; sənaye şəhərlərinin inkişafı və regionlarda xüsusi və innovativ biznes zonaları şəbəkəsi; innovasiya tənzimləmə və maliyyələşdirmə prinsipi yeni mexanizmlərin formalaşdırılması, texnoparkların və yüksək texnologiya zonalarının yaradılması üçün qanunvericilik bazasının inkişafı, milli innovasiya sisteminin bütün infrastrukturunu; qeyri-neft qruplarının prioritet inkişafı: İKT sektoru; sənaye istehsalının inkişafı.

ABSTRACT

In the context of globalization of production and capital, the competitiveness of the national economy is of particular importance, the boundaries between the domestic and foreign markets are erased due to the abolition of many foreign economic barriers. In this regard, the world market is turning into a single field of competitive struggle, and only a country that is able to ensure the high competitiveness of its goods can occupy a worthy place on it. Today, in conditions of aggravated competition in most countries of the world, great importance is attached to the problem of increasing the competitiveness of the national economy. In this regard, the thesis work is of particular relevance in order to address the issues and challenges facing the government, which contribute to improving the competitiveness of the country.

The object of the research is the Azerbaijan Republic in the context of modern regional integration. The analysis of the participation of the Republic of Azerbaijan in regional integration processes, theoretical and practical aspects of increasing the competitiveness of the country in the context of regional integration.

The aim of the study is to study the degree of Azerbaijan's presence in regional integration structures, to study the state strategy in the development and diversification of the national economy in order to increase the country's competitiveness, to analyze Azerbaijan's position in international ratings and indices, as well as the state policy for developing innovative technologies to improve competitiveness country.

The implementation of this goal involves the following tasks:

- 1) Study of the theoretical basis, the evolution of approaches and the impact of integration processes on the competitiveness of the country.
- 2) Analyze the degree of participation of Azerbaijan in regional integration processes, identifying a place in international ratings and indices.
- 3) Consider the mechanisms that stimulate the improvement of the competitiveness of the country using the advantages of regional economic integration, examine the prospects for further inclusion in international clusters.

Based on the analysis we made the following conclusions: economic integration affects the competitiveness of national economies; influence can be both negative and positive.

Thus, when a country joins a particular integration group, it is necessary to take into account all possible consequences in order to prevent a decrease in the competitiveness of the national economy.

The main directions of increasing the competitiveness of the economy of Azerbaijan can be the following:

- compliance of products with quality standards adopted in international practice.
- modernization of priority sectors on the basis of the cluster approach, the creation of complexes, covering and combining individual sectors into a single whole
- priority development of non-oil clusters: ICT sector; Tourism; Transport and logistic; Agribusiness industry development;
- development in the regions of industrial towns and a network of special and innovative business zones;
- creation of favorable conditions for attracting investments.
- modernization of production technologies, reforming enterprises producing products according to the old inefficient technology. Reduction of labor intensity, material intensity and energy intensity of the production process to increase profitability. promotion of export-oriented enterprises.
- stimulation of innovative, high-tech and technological enterprises.