

37TH INTERNATIONAL SCIENTIFIC CONFERENCE ON  
 ECONOMIC AND SOCIAL DEVELOPMENT –  
 "SOCIO ECONOMIC PROBLEMS OF SUSTAINABLE DEVELOPMENT"  
 BAKU, 14-15 FEBRUARY 2019



# CERTIFICATE OF APPRECIATION

HEREBY WE PROUDLY CONFIRM THAT

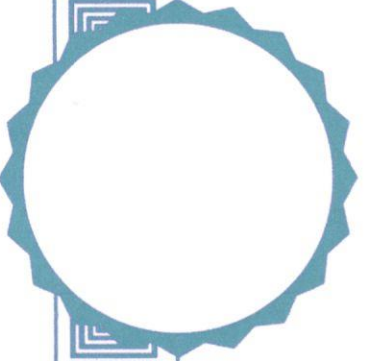
*Ramiz Shirinov*

HAS SERVED AS A DELEGATE TO THE ESD CONFERENCE AND SUCCESSFULLY PRESENTED THE PAPER:

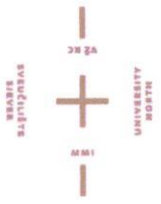
■ DOMINANCE IMPROVEMENT OF THE EXPANSION MECHANISM  
 OF AZERBAIJAN FOREIGN ECONOMIC RELATIONS

*S. Yagubov*

PROF. SAKIT YAGUBOV  
 SCIENTIFIC COMMITTEE



BAKU, AZERBAIJAN  
 14-15 FEBRUARY, 2019



Varazdin Development and Entrepreneurship Agency  
in cooperation with  
Azerbaijan State University of Economics (UNEC)  
University North  
Faculty of Management University of Warsaw  
Faculty of Law, Economics and Social Sciences Sale - Mohammed V University in Rabat



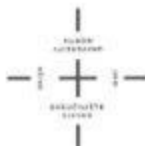
## Economic and Social Development

37<sup>th</sup> International Scientific Conference on Economic and Social Development –  
"Socio Economic Problems of Sustainable Development"

### Book of Proceedings

Editors:

Muslim Ibrahimov, Ana Aleksic, Darko Dukic



ISSN 1849-6903



9 771849 690004 >

Baku, 14-15 February 2019

Varazdin Development and Entrepreneurship Agency  
in cooperation with  
Azerbaijan State University of Economics (UNEC)  
University North  
Faculty of Management University of Warsaw  
Faculty of Law, Economics and Social Sciences Sale - Mohammed V University in Rabat

Editors:

Muslim Ibrahimov, Ana Aleksic, Darko Dukic

## **Economic and Social Development**

37<sup>th</sup> International Scientific Conference on Economic and Social Development –  
"Socio Economic Problems of Sustainable Development"

### **Book of Proceedings**

Baku, 14-15 February 2019

<b>MACROECONOMIC ANALYSIS AND EVALUATION OF THE TRANSITION TO THE SUSTAINABLE DEVELOPMENT STRATEGY OF AZERBAIJAN .....</b>	<b>199</b>
Mahish Ahmedov	
<b>EVALUATION OF EXPORT DIRECTIONS OF AZERBAIJAN IN THE WORLD MARKET.....</b>	<b>206</b>
Muzaffar Mammadov	
<b>IMPACT OF INTEREST RATES ON MANUFACTURING'S SHARE OF GDP.....</b>	<b>212</b>
Farhad Mikayilov, Salman Najafov	
<b>APPLICATION OF INNOVATIVE KNOWLEDGE FOR EFFECTIVE RECOVERY OF INDUSTRIAL WASTE IN MANUFACTURING PROCESSES OF WOODWORKING INDUSTRY .....</b>	<b>219</b>
Eva Ruzinska	
<b>ON INTERNATIONAL EXPERIENCE OF ESTABLISHING GROWTH POLES....</b>	<b>229</b>
Muslim Ibrahimov, Victor Zaharov, Elena Strybkova, Mikhail Kochergin, Samadova Mehriban	
<b>THE ROLE OF FINANCIAL CONTROL OVER INCREASING THE EFFICIENCY OF USING BUDGET FUNDS.....</b>	<b>238</b>
Ramil Huseynov	
<b>NEW APPROACH TO MANAGEMENT EDUCATION IN THE POST-SOVIET STATES.....</b>	<b>248</b>
Kamil Shahbazov	
<b>STRUCTURAL MODEL OF ECONOMIC DEVELOPMENT OF AZERBAIJAN: CHALLENGES AND OUTLOOKS.....</b>	<b>253</b>
Irshad Karimli	
<b>DOMINANCE IMPROVEMENT OF THE EXPANSION MECHANISM OF AZERBAIJAN FOREIGN ECONOMIC RELATIONS.....</b>	<b>261</b>
Ramis Azizov	
<b>STATISTICAL ANALYSIS OF EMPLOYMENT AND UNEMPLOYMENT IN AZERBAIJAN .....</b>	<b>267</b>
Ramiz Javadov	
<b>ROLE OF TOURISM IN SOCIAL DEVELOPMENT OF THE REPUBLIC OF AZERBAIJAN .....</b>	<b>271</b>
Saadat Gandilova Tagi	
<b>LINKING INNOVATION AND NATIONAL COMPETITIVENESS .....</b>	<b>279</b>
Rozana Veselica	
<b>EFFECTIVE UTILIZATION OF HUMAN POTENTIAL AND LABOR PRODUCTIVITY.....</b>	<b>288</b>
Alirza Israfil Mammadov	

## **DOMINANCE IMPROVEMENT OF THE EXPANSION MECHANISM OF AZERBAIJAN FOREIGN ECONOMIC RELATIONS**

**Ramis Azizov**

*Azerbaijan State Economic University (UNEC),  
Azerbaijan, Baku  
nahmedoglu@mail.ru*

### **ABSTRACT**

*Nowadays internal and external (foreign policy) course of Azerbaijan Republic could be an example for the other countries of the region. Azerbaijan demonstrates the practice of systematically conducting a balanced political course in such a complex region as the South Caucasus and the international position of the country is growing day by day. The article notes that Azerbaijan is a country with very favourable climate conditions and rich natural and soil resources, large reserves of high-quality oil and natural gas. This article discusses the development of external economic relations of Azerbaijan, a policy that guarantees the distribution of natural and industrial resources. At the present stage economic development of Azerbaijan is largely determined by globalization processes. Internationalization and the challenge of globalization reinforces the need to increase the openness of the national economy. The purpose of this article is to show the ways to strengthen the external economic orientation towards globalization, to open up new opportunities for development of the country. The idea of expanding world economic relations with both international organizations and individual countries is being justified, the possibilities of new technologies, the organization of management, knowledge and much more are being strengthened. The final part of the article is noted that the country's international trade gives Azerbaijan greater flexibility in the production and export of products with minimum costs. Also it states that in recent years Azerbaijan has increased its share in world trade by expansion of oil and natural gas extraction, reconstruction and construction of new power plants, restoration of the Great Silk Road and the tasks that today are set in the direction of expanding the base for tourism.*

**Keywords:** *Azerbaijan, development, external policy, globalization, trade*

### **I. INTRODUCTION**

According to the results of the World Economic Forum's Global Competitiveness Report (2017-2018) the economy of Azerbaijan is more competitive in comparison with other countries. Azerbaijan occupies the 35th line in it. Being an active participant in international integration associations and economic organizations, Azerbaijan using its geographical location and significant hydrocarbon reserves, subsequently leads foreign policy aimed to promote international trade and economic cooperation. Involvement in global economic relations becomes an indispensable condition for development of the country. Foreign economic activity in terms of economic independence carries with it a large reserve of its impact on both the domestic market and the involvement of the republic in the international labor division. Dynamic development of the economy and increasing its efficiency are main ways of development of foreign economic relations. Considering that we do not mean only development of the production potential, but also maintenance environment protection, and improvement of life and working conditions of population. As we know development of international trade gives the country the opportunity to sell and buy and to make reasonably decision regarding the development of the country's export potential and, finding the most appropriate way to expand it. At the same time, entering the world market always forces to reckon with the possibility and necessity of modifying and changing economic decisions in the future.

For the development of foreign economic relations, the policy of production must ensure the distribution of natural and production resources. To create such conditions the republic has a huge potential: excellent natural, climatic and soil conditions for growing agricultural crops; large reserves of high-quality oil and natural gas, which are of key importance in geopolitical terms; rich mineral resources (deposits of iron ore, non-ferrous metals, building materials); recreational resources; geographical location and transport networks for the passage of the ever-increasing flow of transit cargo and passengers from Europe to Asia and back, connecting Azerbaijan with many countries of the world. But as well as natural resources, Azerbaijan has an accumulated scientific and technical potential and an enterprising population with a favorable external environment - a political and legal system, and a sufficient increase in foreign investment.

## 2. CHAPTER 2

One of the most significant sources of income for the country is the high level of exports. Practically in the world companies producing competitive products receive large profits. For many countries, sales are the main motive for participation in foreign economic activity. In other cases, procurement allows you to purchase unique products that are not available in your own country. For Azerbaijan, trade is the most important direction of saturating the domestic market with goods and services. But foreign economic activity is not only operations, but also an intensive exchange of qualified specialists, new technologies, and access to investments, cheap labor and much more. Azerbaijan seeks to intensify foreign economic activity not only with the aim of improving and expanding economic activity, but also to determine on the basis of completely new approaches to expand facilities, the quantity and quality of goods produced, seeks to define the contours of its business activity in the world, to ensure, as a result, changes in economic and social life. As the country improves the economic legal environment of foreign economic activity, major changes in society will be accompanied by fundamental economic changes. International cooperation opens up great opportunities for the development of the national economy, because it can offer investment, technology, managerial experience, and access to world markets. The development of foreign economic activity indicates that the world economy is accompanied by a specialization of production. The fact is that a country trading with other countries specializes in the production of certain goods in volumes exceeding its domestic demand at the lowest cost. And here the manufacturer should try to acquire more customers. This will reduce its vulnerability to the loss of any one or more importers. Having access to goods produced in another country, which we cannot produce ourselves and at the same time exporting products for the production of which Azerbaijan has an advantage, it is possible to raise the standard of living of the population. Now Azerbaijan is more dependent on the import of many industrial and food products. This type of dependency distracts significant credit resources that could be used in various sectors of the economy in order to produce goods for domestic consumption and, consequently, reduce unemployment. But we should not talk about the abolition of dependence, but about changing and improving its trading advantages. Attracting foreign companies, the state has now made large investments in the gas sector. However, the state should take an active position in identifying other key sectors of the economy and assist them in acquiring the necessary investments by providing incentives. By directing efforts into the industries such as petrochemical, mechanical engineering, metallurgy, silk, winemaking, carpet weaving, fruit and vegetable, fish, tourism economy can become less dependent on the import of finished products. Production of local products that can compete with imported products should be encouraged. The recent devaluation of the national currency makes local products less expensive and clearly imported products more expensive and that leads to decrease in demand, therefore, to a reduction in imports. Exchange rates also affect the demand for products of a particular country.



These arguments may explain the reasons for government intervention in foreign trade. International trade gives countries greater flexibility in the specialization of production and export of products that use minimum costs. The country will benefit if it imports goods that are less efficient in this country. Only advanced economies with technological advantages are most capable of producing diverse and complex products. At the same time, these countries have an excess of highly qualified specialists. Investments in the development of tourism can be more efficient than, say, oil production. Therefore, it is necessary to find more efficient ways to expand exports. Using our natural wealth for tourism can give the country a significant economic benefit. Many countries have long realized this. It is necessary to exercise caution when using natural resources, carefully assess the forms and methods of their involvement from the point of potential environmental impact and preservation of the ecological balance. The problem of finding rational world economic relations can largely be solved by increasing the financing of agriculture. In many countries, the development of agriculture is carried out on the basis of two forms of financing: at the expense of credit sources and at the expense of own funds of economic units. There are countries where agriculture is subsidized (developed countries allow themselves to do this). A significant place in the development of agriculture is taken by the creation of a developed infrastructure - water, energy and gas supply. The problem of investing the infrastructure of villages should be solved at the macroeconomic level. There is an urgent need to build small manufacturing industries in areas where crops are grown, to channel funds to modernize existing enterprises and equip them with the most up-to-date machinery and technology. On this basis, it would be possible to somewhat reduce rural unemployment. Further improvement of the existing mechanism for the distribution of investment funds is required to expand peace ties. There are more and more opportunities for the development of foreign relations in Azerbaijan. Now he is in the process of joining various international organizations. This will accelerate the process of integrating the republic's economy into the world economy. World trade poses a number of challenges for the improvement of market relations. The effective participation of some forms of management in trade operations reflecting national interests implies their further growth and a relative reduction of other forms. However, if imports are based on an appropriate organizational and legal system, then with regard to exports, it should be considered as features of the advantages in the production of certain goods and services. An important requirement for entering the world market is to have advantages: either in manufacturing products, or in the supply of fuels with energy resources, or the availability of technology, preferably in infrastructure. Having advantages in quality or price of the goods produced, the country can strengthen its position in the global market. Azerbaijan can increase its share in world trade. The main role in these changes may have: expansion of oil and natural gas production, attracting foreign oil companies; assistance of foreign companies in the reconstruction and construction of power plants (will allow to export electricity); reconstruction of oil refining and petrochemical industries, whose products have a large export potential; the development of engineering industries (in particular, oilfield equipment) using advanced technologies will allow them to be exported to other countries; the availability of building materials favors the development of construction; availability of conditions for the production of all types of food, which will provide an opportunity for the country's self-sufficiency in food and its supply to the external market; recreation of the Great Silk Road and those ambitious tasks that today are set in the direction of expanding the base for tourism - hotels, transport, roads. The expected flow of tourists will generate the tourism industry, will be a solid source of income for the country; rational use of geopolitical location will provide a significant contribution to the income of the country. Of course, it must be borne in mind that foreign trade is changing under the influence of the scientific and technological revolution of geopolitical and economic factors occurring in the world.

For the development of an economy that satisfies the requirements of the world market, it is necessary to ensure growth conditions from both the internal and external environment. Only their joint consideration will make it possible to outline the changes that are required for the implementation of bills for the development of the economy in market relations. Among these conditions it can be noted: the need to assess with a sufficient degree of reliability of natural, material and labor resources, as well as the natural and climatic conditions that characterize the main motive of economic activity; the need to assess the current state of the economy and identify the main directions of change (taking into account the internal and external environment) for economic growth; evaluation of economic, legal, political systems and the possibility of practical implementation of economic changes in the country; assessment of the country's participation in international trade, conditions conducive to increasing demand. At the present stage, for the development of international trade, Azerbaijan has good starting points: the presence of natural resources and climatic conditions, a relatively developed industry, a certain scientific and technical potential, a sufficiently skilled labor force. The political and legal foundations for the stability of the country have been created. Therefore, the state is capable of changing the country's economy to the extent that the world economy demands, into the integration with which the republic seeks. Already now, it is possible to overcome to a certain extent those obstacles that exist in the field of foreign trade. These conditions are created by the development of small and medium-sized businesses and the increase in oil exports. To promote equilibrium between exports and imports, it is necessary to attract large capitals in the manufacturing industries. For the practical implementation of this event, the state should privatize individual monopolies, the financing of which it cannot assume in full or in part. Better use of the geographic environment by expanding the development of tourism can be a source of attracting additional funds from abroad, which can be used to import the necessary machinery, equipment and technology. The growth of export capacity is determined by the development of industries involving the involvement of natural resources - this is the oil and gas industry. At the same time, if the development of this industry is consistently transferred to international principles in the field of organization and management, then we can ensure its effective functioning. Azerbaijan is one of the first in terms of economic growth in the world. A successful oil-based oil strategy was modernized, a non-oil economy developed, social welfare improved, assets backed by assets, and strategic foreign exchange reserves that exceeded GDP. It should be noted that in 2017 the foreign trade turnover of Azerbaijan amounted to 22 billion 593 million 631.99 thousand dollars. At the same time, exports for the reporting year amounted to 13 billion 811 million 624.44 thousand dollars, import - 8 billion 782 million 7.55 thousand dollars. According to the Customs Committee, in January-September 2018, Azerbaijan exported 21,945,925 tons of crude oil and crude oil products derived from bituminous minerals. For the first 9 months of this year, the volume of exported products in annual comparison increased by 43%, the cost - approximately doubled. Exports of crude oil and crude petroleum products derived from bituminous minerals amounted to 81.18% of total exports of Azerbaijan. In recent decades, Azerbaijan has been a supporter of organizations conducting various events. Azerbaijan is also the initiator and participant of important projects. For its strategic role as a natural bridge between Europe and Asia, Azerbaijan has always been an active participant and an important initiator of projects of regional and interregional cooperation. Today, Azerbaijan participates in the implementation of a number of key projects on the development of transport corridors East-West and North-South. The introduction of the Baku-Tbilisi-Kars strategic railway connecting Azerbaijan, Georgia and Turkey within the East-West international transport corridor will facilitate regional trade by providing cross-border rail links between East and West. The first container train to Europe from Central Asia, the Caspian Sea, Azerbaijan, Georgia was launched in 2016. This proven railway train, which proves that the transit route can be reduced from 30 to 35 days to 15 days, is another major



project with a capacity of 25 million tons per year, the largest and multi-purpose port on the Caspian Sea - the New Baku International Sea Trade Port (Alat). Located near the railway crossings of the Alat port with Russia and Iran, as well as near Baku airport, it allows it to cross other ports of the Caspian Sea with an efficient railway and regional coastal zone and unlimited access to remote regions. Azerbaijan is also one of the active initiators of the international North-South corridor, which will provide transportation of goods from Northern Europe and Russia to the Persian Gulf, India and other countries. Construction work on the Qazvin-Rasht section of the Qazvin-Rasht-Astara railway (Iran) has been completed. The Astara-Astara section (as well as the Iranian border) and the railway bridge across the Astara River were completed on the Astara (Azerbaijan) railway. The construction of the Rasht-Astar part of the missing part is still completed, and Azerbaijan has allocated funds. Once the project is successfully commissioned, it will make a significant contribution to regional cooperation by joining the railways of Azerbaijan, Russia and Iran. Thanks to the initiation and implementation of projects in the field of sustainable energy, Azerbaijan recognized itself as an energy supplier and has become an important bridge between Asia and Europe. Today, Azerbaijan is one of the largest infrastructure and energy projects in Europe, the Southern Gas Corridor and its two main parts, the Trans-Anatolian Pipeline and the Adriatic Pipeline, which provide transportation of hydrocarbons from the Caspian basin. Decree of the President of the country 2020: "Looking into the future" The development concept is an indicator of the beginning of a new stage of development in the country. The main strategic goal of the concept was to achieve sustainable economic growth and high social welfare, effective government and the rule of law, the full implementation of all human rights and freedoms and the active status of civil society in the social life of the country, taking into account the available resources and resources. It can be noted that for the first 9 months of 2018, the following indicators were observed:

- In general, the growth of the non-oil sector amounted to 2.5%
- Non-oil industry growth 3.1%
- Agricultural production increased by 2.8%
- Azerbaijan's foreign trade turnover increased by 7%
- Trade surplus amounted to 4.4 billion dollars

In January-November of this year, foreign enterprises and companies allocated Azerbaijan a total of 4 billion 754 million manat. According to the State Statistics Committee, 3 billion 838 million manat (80.7%) of the funds allocated by foreign countries and international organizations, which accounted for investors from the United Kingdom of Great Britain, Switzerland, Turkey, Malaysia, USA, Japan, Russia, Iran and the Czech Republic. Note that the amount of funds invested in the country from domestic sources is much larger. A total of 12 billion 899 million manat was invested in the main capital from all financial sources in January-November 2018 for the development of the economic and social spheres of the country. This is 8.8% less than the same period last year. The volume of funds channeled into the fixed capital of their domestic resources amounts to 63.1% of the total investments. Besides to oil, oil products and natural gas, Azerbaijan can provide products of the chemical industry — iodine and bromine, non-ferrous metals, aluminum, copper, mercury, to the external market. From time immemorial, Azerbaijani handmade carpets, garments, and crafts have been valued throughout the world. There are interest in the world market; cotton, tobacco, tea, fruit and others. One of the factors contributing to the recognition of priority in trade operations with more developed countries is modern technology and technology, allowing for faster improvement of production technology. For the development of foreign economic relations, the production policy must ensure that the distribution of natural and industrial resources so that they are agreed and basic needs. To create such conditions, the republic has great potential: excellent climatic and soil conditions for growing crops, large reserves of high-quality oil and

natural gas, and rich mineral resources. Investments in the development of tourism can be more efficient than, say, oil. Therefore, it is necessary to find more efficient ways to expand exports. One of the most positive factors is that domestic investment accounts for about 70 percent of the total portfolio. The experience of developed countries shows that the private sector plays an important role in gross domestic product. The development of the private sector demonstrates the positive legitimacy of economic processes. Formation of 83% of the Azerbaijani economy in the private sector is an indicator of the development trend. At the present stage, the economic development of Azerbaijan is largely determined by the globalization processes 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 and globalization processes are 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 openness of the economy, its integration into the world make an increased demand for the use of the principles of the functioning of the world economy. First of all, it is the creation of all the necessary organizational and legal conditions. At the same time, the creation of business information services and their interaction with similar organizations in other countries may have a major role in the development of the world market. In the search for reliable partners, identifying their needs, such services, as the practice of foreign countries shows, to a significant extent predetermine the success of trade relations. The strategy for the development of foreign economic relations of Azerbaijan involves both taking into account the natural and economic conditions, as well as strengthening rational, equal and beneficial relations with the states of the world.

### 3. CONCLUSION

In modern conditions, involvement in world economic relations is becoming an indispensable condition for the full development of the country. Foreign economic activity in conditions of economic independence harbors a large reserve of its impact both on the domestic market and on the involvement of the republic in the international division of labor. The main ways of developing foreign economic relations are the dynamic development of the economy and increasing its efficiency. This refers not only to the development of the production potential, but also to preserve the environment, improve working conditions and the life of the population. The greatest advantage of the development of international trade is that, giving the country the opportunity to sell and buy, it allows to evaluate the processes and activities associated with them, to make a fairly reasonable and correct decision regarding the development of the country's export potential.

### LITERATURE:

1. Bulatov A., Livenseva N. (2008). *World economy and international economic relations*.
2. Gasanov A. (2005). *Modern international relations and foreign policy of Azerbaijan*. Baku.
3. Philip Kotler, Gary Armstrong, Robert Carbaugh. *International Economics*.
4. [www.economy.gov.az](http://www.economy.gov.az) – official site of the Ministry of Economy
5. [www.export.az](http://www.export.az) - Official export portal of products and services made in Azerbaijan