

**THE MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN  
AZERBAIJAN STATE ECONOMIC UNIVERSITY  
INTERNATIONAL MAGISTRATION AND DOCTORATE CENTER**

**MASTER DISSERTATION  
ON THE TOPIC**

**“IMPORT AND EXPORT RELATIONS IN THE ECONOMY OF  
AZERBAIJAN”**

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**THE MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN  
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## **Elm Andı**

Mən Novruzlu Pərixanım Əhliman qızı, and içirəm ki, “Azərbaycan iqtisadiyyatında idxal və ixrac əlaqələri” mövzusunda magistr dissertasiyasını elmi əxlaq normalarına və istinad qaydalarına tam riayət etməklə və istifadə etdiyim bütün mənbələri ədəbiyyat siyahısında əks etdirməklə yazmışam.

# “AZƏRBAYCAN İQTİSADİYYATINDA İDXAL VƏ İXRAC ƏLAQƏLƏRİ”

## Xülasə

**Tədqiqatın aktuallığı.** Azərbaycanda idxal-ixrac fəaliyyətinin reallaşdırılmasının hazırda olduğu vəziyyəti qiymətləndirərkən, ilk öncə, ölkədə valyuta təhlükəsizliyinin təşkili proseduru, onun iqtisadi və sosial aspektini diqqətə almaq vacibdir. Bildiyimiz kimi xarici ticarət əlaqələrinin genişlənməsi ölkə iqtisadiyyatı üçün olduqca mühüm nüanslardandır. Bazar iqtisadiyyatı şəraitində idxal - ixrac potensialının inkişaf etdirilməsi, çatışmazlıqlarının aradan qaldırılması, bu sektorda geriləmə hallarının qarşısının alınması üçün qabaqayıcı tədbirlər hazırlamaq son dövrlərdə öz aktuallığını qorumaqdadır.

**Tədqiqatın məqsəd və vəzifələri:** Azərbaycanın bütün dünya ölkələri ilə idxal-ixrac əməliyyatlarının araşdırılması, qarşılıqlı münasibətdə olan çatışmazlıqların aşkarlanması və müvafiq təkliflərin verilməsi dissertasiya işinin əsas məqsəd və vəzifələridir.

**İstifadə olunmuş tədqiqat metodları:** Dissertasiya işi yazılarkən müqayisəli təhlil və ümumiləşmə, sistemli yanaşma metodlarından istifadə olunmuşdur.

**Tədqiqatın informasiya bazası:** Dissertasiya işinin informasiya bazasını yerli və xarici tədqiqatçıların elmi araşdırmaları, kitabarı, jurnallar, eləcə də, Azərbaycan Statistika Komitəsinin rəsmi göstəriciləri, Dünya ticarət təşkilatının nəşrləri, Dünya bankının statistik göstəriciləri təşkil edir.

**Tədqiqatın məhdudiyyətləri:** Son illərdə Azərbaycanda idxal - ixrac münasibətləri inkişaf etsə də bu mövzunu tam hərtərəfli əhatə edən ədəbiyyatın olmaması tədqiqat prosesində məhdudiyyətlər yaratmışdır.

**Tədqiqatın nəticələri:** Azərbaycanın xarici ticarətinə birbaşa təsir edən iqtisadi münasibətləri tənzimləməklə ölkələr arasındakı idxal-ixrac potensialını yüksəltmək istiqamətində təkliflər verilmişdir.

**Nəticələrin elmi-praktiki əhəmiyyəti:** Azərbaycanın idxal - ixrac potensialı, ümumilikdə xarici ticarət əlaqələrinin araşdırılması nəticəsində əldə olunan çox mühüm iqtisadi nəticələrlə Azərbaycanın xarici ticarət əlaqələrində artıma nail oluna bilər.

**Açar sözlər:** idxal və ixrac əməliyyatları, xarici ticarət əlaqələri, dünya ticarət təşkilatı

## ABBREVIATIONS

<b>BSEC</b>	Black Sea Economic Cooperation
<b>CIS</b>	Commonwealth of Independent States
<b>ECO</b>	Economic Cooperation Organization
<b>EU</b>	European Union
<b>GDP</b>	Gross Domestic Product
<b>SOCAR</b>	State Oil Company of Azerbaijan Republic
<b>TANAP</b>	Trans-Anatolian Natural Gas Pipeline
<b>UN</b>	United Nations
<b>UNIDO</b>	United Nations Industrial Development Organization
<b>US</b>	United States
<b>USSR</b>	Union of Soviet Socialist Republics
<b>WTO</b>	World Trade Organization

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## INTRODUCTION

**Actuality of the work:** In the course of the most recent 20 years, the economy of the Republic of Azerbaijan has been centered, basically, on the generation of oil and gas crude materials. The breakdown of costs for these items in world markets additionally hit the economy of Azerbaijan. Negative results are not defeated as of not long ago. The development of the gross national item was at the very least dimension (under 2% every year), the installment parity of the republic just in the principal quarter of 2018 achieved a positive dimension. Another genuine test to the monocultural improvement of the economy is the advancement of logical and innovative advancement, which over the long haul limits the utilization of oil assets, makes good conditions for the advancement of option, spotless and sustainable power sources. Considering the present situation, an impartially important end is the improvement of the non-oil area of the economy that would make it conceivable to utilize the asset and human variables of the economy and the republic all the more completely and guarantee its supportable advancement and intensity. This can be accomplished just on the way to enhancement of the national economy, its imaginative advancement.

**The statement and level of studying the problem:** The analyzing import and export relations of Azerbaijan, main lacks and affect to economy is contains research problem.

**Purpose and objectives of the study:** The motivation behind this work is to think about the hypothetical ideas of monetary enhancement, the experience of outside nations in making a multi-sectorial economy, the investigation of present day difficulties to the advancement of the national economy and the improvement of recommendations on institutional and auxiliary issues of the improvement of the non-oil economy of Azerbaijan.

**The research object and subject of the dissertation:** The object of the examination is the present condition of advancement of the national economy, challenges confronting it in the second decade of the XXI century. The subject of

the examination are hypothetical and viable issues of the advancement of the broadened, multifunctional, stable, trade arranged economy of the republic.

**Theoretical and methodological basis of the research work:** Comparative analysis and generalization, systematic approach, systematic analysis, logical generalization, comparison of scientific ideas and statistical research methods was used in the dissertation work.

**Sources and information base of the study:** The Information Database of Dissertation is composed of scientific studies, books, magazines of local and foreign researchers, as well as the official statistics of the Azerbaijan Statistical Committee, publications of the World Trade Organization, and statistical indicators of the World Bank.

**Limitations of research:** Although import and export relations have been developing in recent years in Azerbaijan, lack of literature covering this topic has created limitations in the research process.

**Theory and practical significance of research work:** Important economic outcomes from Azerbaijan as a result of the import and export potential of the country, as well as the study of foreign trade relations in general, are very important for everyone who is exploring this field.

**Structure and length of dissertation:** The thesis contains introduction, three chapter, conclusions and recommendations, references and appendix. To improve the accuracy of the research 2 figures, 7 tables and 8 charts were used in the dissertation. The total length of dissertation covers 89 pages.



# **Chapter 1. THEORETICAL ASPECTS OF THE ECONOMIC STUDY OF FOREIGN TRADE**

## **1.1. Analysis of classical and modern theories of international trade**

International trade speculations are just various hypotheses to clarify international trade. Exchange is the idea of trading products and enterprises between two individuals or substances. Universal exchange is then the idea of this trade between individuals or elements in two unique nations.

Individuals or substances exchange since they trust that they profit by the trade. They may need or need the merchandise or administrations. While at the surface, this many sound straightforward, there is a lot of hypothesis, approach, and business procedure that comprises worldwide exchange.

In this segment, we'll find out about the distinctive international trade speculations that have developed over the previous century and which are most important today. Furthermore, we'll investigate the variables that sway universal exchange and how organizations and governments utilize these components to their individual advantages to advance their interests.

To all the more likely see how current worldwide exchange has advanced, it's critical to see how nations exchanged with each other truly. After some time, business analysts have created hypotheses to clarify the components of worldwide exchange. The primary authentic hypotheses are called established and are from the point of view of a nation, or nation based. By the mid-twentieth century, the hypotheses started to move to clarify exchange from a firm, instead of a nation, viewpoint. These hypotheses are alluded to as present day and are firm-based or organization based. Both of these classifications, traditional and current, comprise of a few worldwide speculations (Kim, S.J. and K.A. Reinert 2009).

Created in the sixteenth century, mercantilism was one of the most punctual endeavors to build up a monetary hypothesis. This hypothesis expressed that a nation's riches was controlled by the measure of its gold and silver possessions. In its easiest sense, mercantilists trusted that a nation should expand its property of gold and silver by advancing exports and debilitating imports. As it were, if

individuals in different nations purchase more from you (trades) than they pitch to you (imports), at that point they need to pay you the distinction in gold and silver. The goal of every nation was to have an exchange overflow, or a circumstance where the estimation of exports are more prominent than the estimation of imports, and to keep away from an exchange shortfall, or a circumstance where the estimation of imports is more prominent than the estimation of exports.

A more intensive take a gander at world history from the 1500s to the late 1800s clarifies why mercantilism prospered. The 1500s denoted the ascent of new country expresses whose rulers needed to reinforce their countries by structure bigger armed forces and national foundations. By expanding exports and exchange, these rulers had the option to store up increasingly gold and riches for their nations. One way that a considerable lot of these new countries elevated exports was to force confinements on imports. This methodology is called protectionism is as yet utilized today (Maertens, M. and J.F.M. Swinnen 2006).

In spite of the fact that mercantilism is one of the most seasoned exchange speculations, it remains some portion of current reasoning. Nations, for example, Japan, China, Singapore, Taiwan, and even Germany still support sends out and demoralize imports through a type of neo-mercantilism in which the nations advance a mix of protectionist arrangements and confinements and household industry endowments. About each nation, at some point, has actualized some type of protectionist approach to watch key businesses in its economy. While trade situated organizations as a rule bolster protectionist strategies that support their ventures or firms, different organizations and purchasers are harmed by protectionism. Citizens pay for government sponsorships of select exports as higher assessments. Import confinements lead to more expensive rates for shoppers, who pay more for remote made products or administrations. Organized commerce advocates feature how facilitated commerce benefits all individuals from the worldwide network, while mercantilism's protectionist approaches just advantage select ventures, to the detriment of the two purchasers and different organizations, inside and outside of the business.

More early, Adam Smith scrutinized the main commercial hypothesis of the time in *The Wealth of Nations*. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*. Late forms have been altered by researchers and business analysts. Smith offered another exchange hypothesis called total preferred position, which concentrated on the capacity of a nation to deliver a decent more productively than another country. Smith contemplated that exchange between nations shouldn't be managed or confined by government arrangement or mediation. He expressed that exchange should stream normally as indicated by market powers. In a theoretical two-nation world, if Country A could deliver a decent less expensive or quicker (or both) than Country B, at that point Country A had the preferred position and could concentrate on practicing on creating that great. So also, if Country B was better at creating another great, it could concentrate on specialization too. By specialization, nations would create efficiencies, in light of the fact that their work power would turn out to be progressively gifted by doing likewise undertakings. Generation would likewise turn out to be increasingly proficient, in light of the fact that there would be a motivator to make quicker and better creation strategies to expand the specialization (Marc-William Palen 2014).

The hypotheses of Smith and Ricardo didn't enable nations to figure out which items would give a nation a preferred position. The two speculations expected that free and open markets would lead nations and makers to figure out which products they could deliver all the more proficiently. In the mid-1900s, two Swedish financial experts, Eli Heckscher and Bertil Ohlin, concentrated on how a nation could increase near preferred position by delivering items that used variables that were in bounty in the nation. Their hypothesis depends on a nation's creation factors-land, work, and capital, which give the assets to interest in plants and hardware. They verified that the expense of any factor or asset was an element of free market activity. Components that were in extraordinary supply in respect to request would be less expensive; factors in incredible interest in respect to supply would be progressively costly. Their hypothesis, additionally called the factor

extents hypothesis, expressed that nations would deliver and send out merchandise that required assets or components that were in extraordinary supply and, subsequently, less expensive creation factors. Interestingly, nations would import products that required assets that were hard to come by, however higher interest.

In the mid-1950s, Russian-brought into the world American financial expert Wassily W. Leontief examined the US economy intently and noticed that the United States was bottomless in capital and, in this manner, should send out progressively capital-concentrated products. Notwithstanding, his exploration utilizing genuine information demonstrated the inverse: the United States was bringing in progressively capital-serious merchandise. As per the factor extents hypothesis, the United States ought to have been bringing in labor-serious products, yet rather it was really sending out them. His investigation wound up known as the Leontief Paradox since it was the turnaround of what was normal by the factor extents hypothesis. In resulting years, business analysts have noted generally by then, work in the United States was both accessible in unfaltering supply and more profitable than in numerous different nations; thus it appeared well and good to trade work escalated products. Throughout the decades, numerous financial specialists have utilized hypotheses and information to clarify and limit the effect of the oddity. In any case, what stays clear is that worldwide exchange is unpredictable and is affected by various and frequently evolving components. Exchange can't be clarified perfectly by one single hypothesis, and all the more significantly, our comprehension of universal exchange speculations keeps on developing (Hill, L., 2001).

Modern theories of international trade: The Heckscher-Ohlin hypothesis clarifies why nations exchange products and enterprises with one another, the underscore being on the distinction of assets between two nations. This model demonstrates that the similar preferred position is really affected by the connection between the assets nations have (relative wealth of creation components) and generation innovation (which impacts the relative force by which the distinctive creation factors are being used amid the generation cycle (Feenstra, Robert C. 2004).

The model begins with the assumption that nation A produces two items: nourishment (X) and materials (Y). These two sorts of generation need two unique sources of info, domain (T) and work (L), which are accessible in restricted amounts. In a similar time, nourishment generation (X) requires more land, so it tends to be said it is an area serious and material (Y) creation requires more work, being along these lines work concentrated.

Starting with these assumptions, the Heckscher-Ohlin model clarifies the suggestions exchange between two nations A and B has, if the nations produce similar items: nourishment (X) and materials (Y).

**Table 1. Heckscher-Ohlin model**

Country	Inputs and production without trade		The relative abundance and trade specialization in the product for which there is a factor intensity.	
	Labour (L)	Territory (T)	L/T	T/L
<b>A</b>	<b>X</b>	<b>Y</b>	<b>X</b>	<b>-</b>
X	20	95	0.21	4.75
Y	10	5	2.00	0.50
Total	30	100	0.30	3.33
<b>B</b>	<b>X</b>	<b>Y</b>	<b>-</b>	<b>Y</b>
X	3	5	0.60	1.66
Y	10	2	5.00	1.20
Total	13	7	1.85	0.53

**Source:** Hovey, C., & Rehmke, G. (2008).

A nation having a greater idea in an asset than in another is relative plentiful in that asset and will in general produce more items that utilization that asset. Nations are progressively effective in delivering merchandise for which they have a relative bounteous asset.

As per the Heckscher-Ohlin hypothesis, exchange makes it workable for every nation to practice. Every nation sends out the item the nation is most fit to deliver in return for items it is less fit to create. For our situation, nation An is relative plentiful in region (T) and will have practical experience in delivering

sustenance (X) and nation B is relative copious in labor (L) so it will spend significant time in creating materials (Y). For this situation, exchange may profit the two nations included.

The adjustments in relative costs of merchandise powerfully affect the relative salary got from the various assets. Global exchange likewise importantly affects the dispersion of salaries.

There are at any rate two reasons why exchange has a significant impact upon the pay dissemination:

a) Assets can't be exchanged quickly and without expenses starting with one industry then onto the next.

b) Ventures utilize various components and an adjustment in the generation blend a nation offers will lessen the interest for a portion of the creation factors while for other people, it will build it.

Paul Samuelson and Ronald Jones, two American business analysts, expounded an exchange model dependent on explicit variables (Shiozawa, Y. 2007)

This is a tri-factorial model since it relies upon 3 factors: work (L), capital (K) and space (T). Things like sustenance (X) are made by using a territory (T) and work (L) while created things (Y) use capital (K) and work (L). From this essential point of reference it is definitely not hard to see that work (L) is a convenient factor and it might be used in the two divisions of development, while space and capital are express components.

A nation having capital plenitude and less land will in general produce more fabricated items than nourishment items, whatever the cost, while a nation with a domain wealth will in general produce more sustenance. In the event that different components are steady, an expansion in capital will mean an increment in minor efficiency from the made part, while an ascent in the idea of domain will expand the creation of nourishment in the drawback of makers.

At the point when the two nations choose to exchange, they make an incorporated worldwide economy whose assembling and sustenance creation is

equivalent with the aggregate of the two nations' preparations. In the event that a nation doesn't exchange, the generation for a decent equivalents the utilization.

The additions from exchange are greater in the fare division of each nation and littler in the part contended by imports.

The "Why" and "How" of outside exchange is of everlasting enthusiasm for financial or exchange economies on which there are various hypotheses or models of which the 2008 Nobel Prize market analyst Paul Krugman's hypothesis is the most recent or the freshest. Educator Krugman is praised for his exchange hypothesis as well as without fail section in the unbelievable New York Times (NYT) which is of incredible financial educative esteem and is perused with extraordinary enthusiasm, following which Professor Krugman is considered a "people's business analyst" which is an uncommon respect to the regarded market analyst of a youthful age of 56 (Born in 1953). One may differ with a large number of his week by week focuses, yet not his duty to the incomparable American reason and its kin. For example, previous President Bush may have been tossed into his monetary and military adventurism due to that eternity blows of 9/11. Educator Krugman's present concern, aside from his thorough scholastic activities, is the US budgetary emergency, for which the Keynesian interventionist cure is upheld (Krugman J., 2009). The emergency is an alternate story (Ahmed, 2009a). Educator Krugman is dynamic in a ton of open activity in wellbeing.

The inquiry is whether Krugman exchange hypothesis holds any light for the creating economies like that of India, battling hard on the outside exchange front. It might involve shock that India, which in its pre-pioneer times had a world notoriety on exchange, pulling in gold from to the extent Rome, is today subject to interminable exchange disequilibrium or irregularity. What is the premise of exchange? How are the bins of fare and import merchandise chosen? In the long voyage of exchange hypothesis, beginning with Adam Smith's Wealth of Nations of Laissez faire and exchange dependent on various qualities of countries to deliver various products, Krugman's new exchange model, another exchange model radiating from a similar Princeton University, credited to Marc Melitz, noted to be

a rising market analyst of exchange business analyst (Financial Express, 2009, p. 3) of the present age or age (Krugman, P. R. 2009).

In this way, extraordinary exchange models seem to clarify the example of exchange or their occasions, for any monetary hypothesis is notable to be a result of its occasions, from which there seems, by all accounts, to be no extreme or last truth or hypothesis in financial aspects in any of its fields, including exchange, the financial aspects of which is on the upsurge in view of the flood in world exchange and new examples of exchange as West-West exchange. India is additionally looking all the more eastbound, for example, ASEAN, yet, its US, EU/West exchange ties are solid, primarily with the US.

The goal of this isn't to assess Professor Paul Krugman, for which one feel too little a sear, yet to become familiar with the message of Krugman's financial matters and its message, assuming any, to one's battling country, India, in the midst of ceaseless exchange disequilibrium. It is, at the end of the day, to draw exercises for India. For, India is an uncommon instance of improvement and exchange with an extraordinary assortment, decent variety. It is cheering to take note of that there is incredible American, energy for "more liberated exchange with India", motivated and enthused by Krugman's new exchange hypothesis, or in light of it. India, with assortment of decent variety is viewed as exchange alluring (James, K. S., & Van Rudiger, A. 2008).

In this way, India seems to score in regard of "assortment", human, geographic, and produce merchandise, which seems to underlie Krugman's hypothesis of monopolistic challenge of "assortment" of the equivalent good(s), which gives off an impression of being the premise of "comparative nations" exchange hypothesis propounded by Krugman. All things considered, assortment is said to be the flavor of life. This straightforward truth is said to be the unavoidable truth and the premise of celebrated new exchange model of Professor Krugman. The seeds, as indicated by Krugman himself, of the new exchange model are said to be in Dixit-Stiglitz take a shot at monopolistic challenge, as per which MC of assortment of brands of the equivalent good(s) gives most extreme customer's



utility. Educator Krugman states his case for another exchange hypothesis and financial aspects the accompanying words.

The uspicions of the model are: (1) enormous number of merchandise and same individual utility capacity; (2) one factor of creation work and "a similar cost work"; (3) full business; and (4) benefit amplifying firms with opportunity passage and exit (Krugman, 1980). Krugman's is an intriguing economy and exchange for the universe of new monetary geology and monopolistic challenge. There is a decent purchase to the traditional financial and exchange universe of fixed factor enrichment, impeccable challenge, consistent returns, one-estimate fits-all, ware homogeneity, facilitated commerce, south-north exchange, not-to-do-anything with exchange governments, and such others of the old world, and introducing of the advanced monetary and substances of customers thirst and assortment, comparative factor gifts, defective monopolistic challenge, item separation, item or brand imposing business model, monopolistic challenge or brand contention, expanding returns, dynamic government, modern push, south-south, north-north exchange and amplification of both buyer utilities and maker merchant benefits. Teacher Krugman is likewise credited with propounding a New Economic Geography (NEG) that clarifies the appropriation of various monetary exercises over the areas in the terms of "summed up outside economies instead of those particular to a specific industry" (Krugman, 1991), wherein the Krugman universal IR-Increasing Returns-ends up being the fundamental determinant. Teacher Krugman's new exchange financial matters are offered as pursues: NEG is of the new mechanical scenes and the elements of them, or of the area of monetary exercises, farming, and businesses (Hovey, C., & Rehmke, G. 2008).

## **1.2. Globalization trends in the development of international trade**

In a global economy, no country is independent, which is related with explicit progressions of merchandise, individuals and data. Every country is included at various dimensions in exchange to sell what it produces, to obtain what it needs and furthermore to deliver more proficiently in some monetary areas than its

exchange accomplices. Regardless of whether global exchange, or long separation exchange since there were no countries in the cutting edge sense, has occurred hundreds of years, as old exchange courses, for example, the Silk Road can affirm, exchange happened at a regularly expanding scale in the course of the most recent 600 years. It presently has a significantly progressively dynamic impact in the financial existence of countries and districts, yet exchange ought to occur just if there is an advantage for the accomplices included (Hovey, C., & Rehmke, G. 2008).

Trade can be a comfort, yet additionally a need. It is a comfort, as bolstered by regular monetary hypothesis, when exchange advances financial effectiveness by giving a more extensive assortment of products, frequently at lower costs, quite on account of specialization, economies of scale and the related similar points of interest. It is a need when exchange empowers to get products that would some way or another not be accessible in a national economy, for example, vitality, minerals or nourishment. In any case, the advantages of exchange can be liable to conflict with a few hypothetical establishments of universal exchange verbalized to give a clarification of its reason (Ahmadov, Ingilab, Stella Tsani, and Kenan Aslanli. 2011):

- Mercantilism. An exchange framework where a country attempted to force a positive exchange balance (a larger number of fares than imports, especially esteem savvy) on different countries to support the aggregation of riches. This framework was predominant amid the frontier period and regularly embraced by contract organizations accepting an imposing business model on exchange. Mercantilism speaks to the direct opposite of unhindered commerce since exchange relations are controlled and adjusted to profit one accomplice to the detriment of the other. In any case, mercantilism set up the establishments of a global exchanging framework, but an unequal one.
- Neomercantilism. A later exchange framework, which likes mercantilism inclines toward building up a positive exchange parity to meet monetary advancement objectives. Fare situated procedures can be viewed as a type of neomercantilism, especially if a legislature set up a motivator and appropriation framework (for example facilitated commerce zones), which

presents extra preferences to the components of creation. Neomercantilism can likewise be a reaction by certain administrations to the aggressive and problematic outcomes of unhindered commerce, especially if the exchange accomplices are occupied with neomercantilist methodologies. The result is tax and non-levy estimates managing exchange and securing national business parts that are seen to be liable to unjustifiable challenge. Thusly, neomercantilist systems can be dubious and subject to dispute.

- Absolute focal points. In view of a country (or a firm) ready to create more effectively in a financial segment while utilizing less assets (for example capital, work) than some other potential contenders. It in this way has a flat out favorable position. Global productivity would thus be able to be improved with exchange as a country can concentrate on its total preferences, exchange its surplus and import what it needs. The downside of this point of view is that in principle countries having no total favorable circumstances ought not be associated with exchange since they may have little to pick up from it. Supreme points of interest will in general be a suffering trademark; especially for assets where enormous makers keep a preferred position up to an asset is accessible or has a market.
- Comparative favorable circumstances. Regardless of whether a country (or a firm) has supreme favorable circumstances over a wide cluster of financial parts, it can concentrate on the segments it has the most astounding relative points of interest (the distinction of its generation costs and those of its rivals) and import products in segments it has less similar preferences. The relative profitability expands the complete creation level since that regardless of whether a country (or a firm) has no supreme preferences, it can concentrate on parts where the all out efficiency gains are the most critical. A relative bit of leeway can likewise be the result of economies of scale connected to an item or part where the subsequent lower costs gives intensity. Relative focal points will in general be a brief trademark, which can change with the development of work expenses and innovation.

- Factor gifts. Grows the similar focal points viewpoint by underlining that trade is identified with the variables enrichments of a country. The most essential blessings are capital, land and work. A country will send out merchandise to which it has prominent factor blessings and imports products in which it has rare factor enrichments. Accordingly, countries that have minimal effort work accessible will center in labor serious exercises while countries having high capital blessings will center in capital concentrated exercises. Factor gifts can be improved through capital and HR ventures.

The globalization of generation is associative to the globalization of trade as one can't work without the other. This procedure has been encouraged by huge specialized changes in the vehicle part. The scale, volume and productivity of global trade have all kept on expanding since the 1970s. Thusly, space/time assembly was a continuous procedure that suggested a progressively broad market inclusion that could be gotten to with a lower measure of time. It has turned out to be progressively conceivable to trade between parts of the world that recently had constrained access to universal transportation frameworks. Further, the division and the fracture of creation that accompanied these procedures likewise extended trade. Trade along these lines adds to bring down assembling costs (Ageeva, S., Suslov, N. 2011:).

Without global trade, couple of countries could keep up a satisfactory way of life, especially those of littler size. With just household assets being accessible, every nation could just deliver a set number of items and deficiencies would be pervasive. Global trade takes into account a huge assortment of assets – from Persian Gulf oil, Brazilian espresso to Chinese work – to be made all the more generally available. It likewise encourages the appropriation of a wide scope of fabricated merchandise that are delivered in various pieces of the world to global markets. Riches turns out to be progressively inferred through the local specialization of financial exercises. Along these lines, creation costs are brought down, profitability rises and surpluses are created, which can be traded or traded for products that would be too costly to even consider producing locally or would

essentially not be accessible. Subsequently, global trade diminishes the general expenses of generation around the world. Customers can purchase more merchandise from the wages they gain, and ways of life should, in principle, increment.

Global trade shows the degree of globalization with expanded spatial interdependencies between components of the worldwide economy and their dimension of joining. These interdependencies suggest various connections where streams of capital, merchandise, crude materials, individuals and administrations are built up between areas of the world. Global trade is additionally subject to much dispute since it can at time be a troublesome monetary and social power as it changes the conditions wherein riches is appropriated inside a national economy, especially because of changes in costs and wages. One specific test concerns the substitution of work and capital. While in a basic economy work and capital (frameworks) can be reconverted to different utilizations, in complex economies work and capital can't be effectively reallocated. Along these lines, trade can in the meantime lead to more products being accessible at a lower cost, however with suffering joblessness and rotting foundations (unused industrial facilities and connectors). Thusly, this can affect economies to receive protectionist arrangements since this change is made a decision to be excessively troublesome.

The idea of what can be viewed as global trade has changed, especially with the rise of worldwide esteem chains and the trade of middle person products they include. This pattern clearly mirrors the systems of worldwide organizations situating their assembling resources so as to bring down expenses and augment new market openings. About 80% of the worldwide trade happens inside esteem chains overseen by global enterprises. Worldwide trade has in this way developed at quicker rate than worldwide product generation, with a developing multifaceted nature of dissemination frameworks bolstered by store network the board rehearses. The structure of worldwide trade streams has moved with many creating economies having a developing investment in global trade with an expanding offer of assembling exercises (Albassam, B. A., 2011).

Globalization has been joined by developing progressions of made products and their developing offer of Global trade. The pattern since the 1950s included a relative decrease in mass fluids, (for example, oil) and increasingly dry mass and general load being traded. As of late, the offer of powers in Global trade has expanded, for the most part because of rising vitality costs. Another rising trade stream concerns the expansion in the imports of assets from creating economies, in particular vitality, items and farming items, which is a difference from their ordinary job as exporters of assets. This is characteristic a monetary enhancement just as expanding gauges of living. There are anyway noteworthy changes in the development rates of global trade that are connected with financial cycles of development and retreat, vacillations in the cost of crude materials, just as troublesome geopolitical and budgetary occasions.

The topography of Global trade stays commanded by a couple of enormous monetary alliances, for the most part in North America, Europe and East Asia, which are normally alluded as the ternion. Alone, the United States, Germany and Japan represent about a fourth of all Global trade, with this amazingness being genuinely tested by rising economies. Further, G7 nations represent half of the Global trade, a predominance which has suffered for more than 100 years. A developing offer is being accounted by the creating nations of Asia, with China representing the hugest development both in supreme and relative terms. Those land and financial changes are likewise reflected over trans-maritime trade with Trans-Pacific trade becoming quicker than Trans-Atlantic trade.

Neo-mercantilism is intelligent of Global trade streams as a few nations have been effectively seeking after fare arranged monetary improvement strategies utilizing foundation advancement, appropriations, and trade rates as instruments. This technique has been trailed by creating economies and is related with becoming physical and capital stream lopsided characteristics in Global trade. This is especially intelligent in the American compartment trade structure, which is exceedingly imbalanced and having intense contrasts in the organization of imports and fares. An enormous offer of these uneven characters were the result of the

monetary arrangements of sending out nations obtaining American money related instruments, for example, securities. This empowered the US dollar to maintain its esteem ( Ahmadov A., 2014).

Lopsided characteristics can likewise be misdirecting as items are made out of parts fabricated in a few nations with gathering regularly occurring in a minimal effort areas and they are then sent out to real utilization markets. In global trade insights, an area accepts the full estimation of completed merchandise imported somewhere else while it might have just added to a little offer of the absolute included esteem. Electronic gadgets are illustrative of this issue. Trade awkward nature likewise doesn't reflect well the utility an economy gets from it, for example, less expensive merchandise for shoppers. Further, the development of web based business has brought about new on-screen characters to be engaged with global trade, now and again in a roundabout way. For example, requesting an item online may result in a global trade constrained by a solitary organization.

Regionalization has been one of the predominant highlights of Global trade as the heft of trade has a local implication, advanced by closeness and the setting of financial coalitions, for example, NAFTA and the European Union. The closer financial elements are, the more probable they are to trade because of lower transport costs, less potential deferrals in shipments, normal traditions systems and semantic and social affinities. The most exceptional trade relations are inside Western Europe and North America, with a later pattern including trade inside

### **1.3. Features of modern international trade**

There are some uncommon highlights of worldwide exchange so we need a different clarification.

In the first place, since there is no global money, we should manage the issue of trade rates. Furthermore, nations can and do force confinements on exchange or boundaries to exchange that singular organizations would be unfit to force without government support. Models are duties, standards, and appropriations. Thirdly, inputs, particularly work, and are not as versatile globally as they are locally. At

last, there are contrasts sought after examples and promoting contemplations crosswise over national outskirts (<http://www.economicdiscussion.net/2012>).

A nation need just figure out what it can do best in respect to the options accessible to it. Countries settle on similar decisions. These choices rely upon the country's enrichments of work, characteristic assets, and foundation.

Relative Advantage in Production: Nations like people augment their potential prosperity and utilization by creating merchandise and enterprises that they are particularly appropriate to deliver. To pick up from exchange, countries needn't bother with an outright favorable position in respect to different countries yet a relative bit of leeway. Financial expert David Ricardo built up the comparative bit of leeway idea to clarify the premise of exchange from the supply-side. The accompanying precedent pleasantly outlines Ricardo's contention. Following Ricardo let us expect that solitary two nations exist: England and Portugal. There is just one information: work.

**Table 2. Comparative advantage**

	Clothing (yards per worker-day)	Wine (gallons per worker-day)
England	60	45
Portugal	30	30
Productivity (England/Portugal)	2/1	3/2

**Source:** Economicdiscussion.com, 2018 <http://www.economicdiscussion.net/essays/international-trade-features-comparative-advantage-and-benefits/20912>

Table 2. demonstrates explicit generation capacities for the two nations. In this model it takes one specialist day in England to deliver 45 gallons of wine and one laborer day to create 60 yards of garments. In Portugal, wine generation is 30 gallons for every laborer day and attire creation is 30 yards for each specialist day.

The two nations can each deliver both the merchandise: apparel and wine. The nations can exchange the two merchandise unreservedly with each other yet work is stationary universally. Ricardo accepted that innovation does not change



because of exchange, and that the main contrast in the expense of creating the two items is the measure of work utilized (<http://www.economicdiscussion.net/2012>).

This precedent expect that work in England is more gainful than work in Portugal in producing the two items. This implies England has a flat out preferred position in the creation of both the merchandise, so it might clearly appear that exchange between the two nations would lead England to deliver the two products and Portugal to create nothing.

Numerical Example: Assume that the supply of work is fixed in the two nations. Every nation must distribute its work to expand its general generation and consumption conceivable outcomes. Since one laborer day in England yields either 80 yards of apparel or 80 gallons of wine, England must surrender 80 yards of dress for each 80 gallons of wine it produces. The 80 yards of dress is the open door cost of delivering 80 gallons of wine.

Since there is no known method for changing over garments legitimately into wine, the utilization of work to produce wine decreases the measure of work accessible to create garments. The inward proportion demonstrating the exchange off of yards of garments to gallons of wine in England is in this manner equivalent to 60 units/60 units or 1/1.

In Portugal this proportion is 30 yards/30 gallons, or 1/1; that is, the open door cost of 1 gallon of wine in Portugal is 1 yard of attire. Portugal would exchange a portion of its wine for England's apparel as long as it would get more dress by exchanging wine for attire than by delivering dressing itself.

Britain would utilize a similar thinking in deciding whether to exchange materials for wine. By producing materials and pitching some of them to Portugal for wine, it could expand its general utilization of wine and materials. The motivating force to exchange will depend on the rate at which the nations exchange wine for materials.

Give us a chance to think about what occurs if the value proportion for exchange is 1 gallon of wine for 1.2 yards of materials. Table 2 abridges the accompanying circumstance. Assume that at full limit England can deliver 1,000

yards of materials and Portugal can create 600 gallons of wine. Britain can change over materials to wine by creating wine while lessening its yield of materials (International Trade: Features, Comparative Advantage and Benefits [http://www.economicdiscussion.net/papers/universal\\_exchange\\_highlights\\_near\\_preferred\\_position\\_and-advantages/20912](http://www.economicdiscussion.net/papers/universal_exchange_highlights_near_preferred_position_and-advantages/20912)).

The exchange off is  $\frac{4}{3}$  yards for 1 gallon. For instance, at a generation dimension of 700 yards, it would have 225 gallons of wine. On the off chance that it rather created 1,000 yards of materials and sold 300 yards to Portugal, it would have 700 yards left finished and 250 gallons of wine.

Portugal could create 600 gallons of wine by utilizing every one of its assets completely. It could rather produce 300 gallons of wine and 300 yards of materials. By creating 600 gallons and pitching 250 to England, it would have 350 gallons of wine and  $1.2 \times 250$ , or 300, yards of materials. By exchanging, the two nations have shown improvement over they would have done without exchange. In this precedent, they have delivered an additional 75 gallons of wine with a similar all out yield of materials.

This straightforward precedent recommends that the breaking points to commonly gainful exchange are between at least 1 yard and a limit of  $\frac{4}{3}$  yards of materials for each gallon of wine. At an exchanging proportion between these two breaking points the two nations would be in an ideal situation with exchange than without exchange. Request Considerations: The primary forecast of the Ricardian hypothesis is that nations with various cost points of interest have a motivator to exchange. The cost at which they exchange additionally relies upon interest conditions in every nation. For whatever length of time that the value proportion lies between the points of confinement set by similar favorable position, the two nations gain from exchange.

For this situation the two nations expanded their utilization of wine. On the off chance that the exchanging cost of materials for wine were lower than 1.2 (that is, less materials in return for 1 gallon of wine), Portugal would need to surrender

more wine to devour a similar measure of materials. The lower cost would mirror Portugal's more grounded interest for materials.

It is intriguing to take note of that regardless of whether the similar preferences were the equivalent in the two nations, there still may be an impetus to exchange. Real markets are not as homogeneous as recommended by this model. For example, individuals have various inclinations for French, Italian, American, and Portuguese wine, which actuates worldwide exchange among these nations regardless of whether the relative preferred position is the equivalent in every nation.

**Table 3. Mutually beneficial trade**

	No Trade		With Trade			
	Production and Consumption		Production		Consumption	
	Wine	Textiles	Wine	Textiles	Wine	Textiles
England	225	700	0	1,000	250	700
Portugal	300	300	600	0	350	300
<b>Total</b>	<b>525</b>	<b>1,000</b>	<b>600</b>	<b>1,000</b>	<b>600</b>	<b>1,000</b>

**Source:** International Trade: Features, Comparative Advantage and Benefits <http://www.economicdiscussion.net/essays/international-trade-features-comparative-advantage-and-benefits/20912>

Contrasts in tastes inside every nation will prompt both a variety of cars obtained in a nation and two-path exchange autos among such car producing nations as Germany, France, England, and Sweden.

**Inadequate Specialization:** In the wine and material model we reasoned that the two nations ought to have some expertise in creating just a single item. As a matter of fact, we don't see total specialization in reality. We had total specialization in this model in light of the supposition of a consistent peripheral profitability of work in the two nations. In any case, as a general rule we expect that in the end there will decrease peripheral profitability of information.

With lessening negligible efficiency there will be inadequate specialization in every nation. Fragmented specialization happens when a nation delivers a few products, some of which it likewise imports. With lessening peripheral profitability

the nation needs progressively more noteworthy measures of the contribution to build yield at the equivalent minor rate.

This implies the negligible expense of each extra unit of yield is expanding. Fig.1. indicates how expanding peripheral cost will influence the creation of the two items in a nation. Every nation will choose to deliver a yield level where peripheral cost rises to negligible income.

Fig. 1. shows minor cost bends for wine and materials in Portugal and England. The figure shows the pre exchange yields and a worldwide exchange cost between the two boundaries of minimal cost set by yield levels before exchange. After the two nations start to exchange, they will confront similar costs.

Britain will expand its generation of textiles to the point where the exchange value rises to its minor expense. It will lessen the generation of wine. Precisely, the contrary thing will occur in Portugal: expanded wine creation and lower material generation. This examination can be stretched out to cover multiple products. Nations produce a wide scope of items subject to various creation capacities. We expect that a nation will trade those products wherein it has the best near bit of leeway and import a greater amount of the merchandise where it has a relative burden. On the off chance that the nation has no impact on the world value, it will set its yield level where the minimal cost rises to the world cost. Nations with a similar favorable position will have generally lower negligible cost bends and will create more yield at world costs. The Balance of Payments: Just as nations ascertain their national salary or GNP in order to have a general thought of the household dimension of creation, most nations track their outer financial exchanges.

Such a record is known as the parity of universal installments. It is a precise record or articulation of every monetary exchange between the individuals from the nation of origin and those of another nation or the remainder of the world in a bookkeeping year. At the end of the day, the equalization of installments account is an intermittent report that abridges the progression of monetary exchanges with outsiders. In the event that it along these lines gives us a general proportion of the

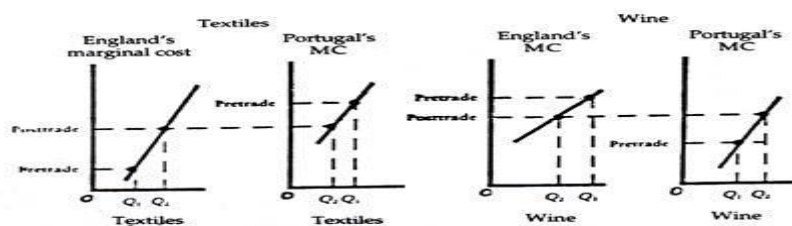
progression of merchandise, administrations and capital between a nation and the remainder of the world.

It is an exceptionally helpful report since it gives data on different significant viewpoints, for example, the country's fares, imports, cash loaned abroad and income of local occupants on resources found abroad, cash acquired abroad and profit on local resources possessed by outsiders, global capital developments, and authority exchanges by Central Bank and governments.

Parity of installments (BOP) accounts is set up based on the standards of twofold passage accounting. Accordingly, as different records, parity of installments record pluses (credits) and minuses (charges).

Every section on the charge (-) side of the record is coordinated by an indistinguishable passage on the credit side (+). Any exchange including surge of remote trade (money) from a nation, (for example, imports) is recorded as a charge, or less, thing.

**Figure 1. Incomplete specialization**



**Source:** International Trade: Features, Comparative Advantage and Benefits  
<http://www.economicdiscussion.net/>

Like any exchange including inflow of remote trade (cash) into a nation, (for example, sends out) is recorded as credit, or in addition, thing. When in doubt whether any exchange ought to be treated as charge or credit thing relies upon whether it acquires outside cash for the announcing nation. Remote monetary standards are other nation cash.

In this setting one needs to recollect the accompanying standard: If a financial exchange gives us progressively remote cash, as fares do, it is to be

recorded as a 'credit' thing. In the event that, then again, in financial exchange like an import lessen our load of remote cash, it is to be treated as a 'charge' thing.

Four Components: The equalization of installments exchange of a nation has four segments:

- (1) Current record,
- (2) Capital record private and authority (government),
- (3) Statistical error and
- (4) Monetary developments or authority financing (save) account. We

currently view every one of the classifications.

Current Account: All exchanges installments and endowments that are identified with the buy or clearance of products and enterprises in a bookkeeping year are incorporated into the present record.

When in doubt three noteworthy sorts of exchanges are incorporated into the present record:

- (i) The trade (fare and import) of product merchandise (called obvious),
- (ii) The trading of administrations (called invisibles) and
- (iii) Unilateral (uneven and unlimited) exchanges.

Parity of Trade: The contrast between the estimation of a nation's (stock fares and that of imports is known as the parity of (stock) exchange. On the off chance that the estimation of a nation's obvious fares misses the mark concerning (surpasses) the estimation of unmistakable imports, it is said to have a shortfall (overflow) in its equalization of exchange.

(I) Export and Import of Invisible: notwithstanding obvious (exchange) things a nation likewise fares and imports invisibles, which comprise of administrations and speculation, pay. The fare and import of different administrations, called 'invisibles' additionally exert impressive impact on the outside trade showcase. The fare of different administrations, for example, protection, transportation, the travel industry and banking produces an interest for rupees by outsiders similarly as the fare of products does ( International Trade: Features, Comparative Advantage and Benefits

[http://www.economicdiscussion.net/articles/global\\_exchange\\_highlights\\_relative\\_preferred\\_position\\_and-advantages/20912](http://www.economicdiscussion.net/articles/global_exchange_highlights_relative_preferred_position_and-advantages/20912)).

**Parity on Current Account:** The equalization on current records is an a lot more extensive term than the parity of (obvious) exchange. Truth be told, the parity on current record abridges the contrast between our complete fares and imports of products and enterprises.

The contrasts between: (a) The estimation of a nation's fares of products and enterprises and (b) The estimation of its imports of merchandise and ventures in addition to net one-sided exchanges is known as the parity on current record, if the estimation of a nation's fares is not exactly (surpasses) the estimation of its imports in addition to the one-sided exchanges, the nation is said to encounter a shortfall (excess) on current record exchanges. In 1989-90 India ran a (net) current record obligation shortage of Rs. 9,823.9 crores.

**Capital Account Transactions:** Capital record exchanges comprise of two wide things: (a) Direct ventures by Indian in genuine resources abroad (or by outsiders in India) and (b) Loans to and from outsiders. In the event that an Indian agent (speculator) buys a material plant in Japan, the Japanese vender will need to be paid in yens.

The Indian financial specialist will supply rupees (and request yen) in the remote trade showcase. In this way, Indian venture abroad (i.e., capital fare from India) is to be entered as a charge thing in a critical position of installments account. Interestingly, outside interest in India (i.e., capital import) makes an interest for rupees in the remote trade showcase. In this way, it is entered as a credit thing.

**The Office Financing (Reserve) Account:** Governments need to keep save adjusts to make different equalization of installments changes.

Such holds take three distinct structures:

- (i) Gold,
- (ii) Foreign monetary forms and
- (iii) Special illustration rights (SDRs) with the International Monetary Fund.

Nations experiencing parity of installments deficiencies, i.e., shortage on their present and capital record balance, can draw on their stores.

Truth be told, the official save account demonstrates how a shortfall in a critical position of installments is secured. There are four different ways of covering such a shortfall, viz., by selling gold, by selling remote trade, by selling outside resources or by getting from different nations or IMF. Similarly, a nation getting a charge out of a surplus to be decided of installments can develop their stores of outside monetary standards and hold offsets with the IMF, i.e., SDRs.

Presently the world is on the inconvertible paper cash framework and most nations offset their books with government installments or receipts of remote monetary standards.

Under the present gliding swapping scale framework nations ordinarily license an ascent or fall in the remote trade estimation of their money to realize harmony in the conversion standard market. Now and again countries teach their national banks to purchase and pitch monetary standards trying to strongly decrease the conversion scale.

These adjusting streams given by governments or national banks are known as 'official save exchanges'. The most widely recognized method for making such settlements is for nations to purchase or sell Government securities.

Adjusting the Accounts: Reflecting the twofold section accounting methods, the amassed parity of installments account must adjust. Actually, any present record deficiency is cleared out either by getting or by decreasing remote resources. "For", as RA. Samuelson and W.D. Nordhaus have put it: "it is definitional that what you get you should either pay for or possess for. This implies the equalization of global installments all in all must by definition demonstrate a last zero parity."

The typical strategies that are utilized by various nations are:

(a) Deflation:

It alludes to decreasing household request by

(a) Raising bank rate,



- (b) Raising expense rates,
- (c) Cutting government spending and deficiency,
- (d) Reducing bank loaning.

All these outcome in a decrease of cash livelihoods and costs through a withdrawal of the cash supply. A fall in costs makes trades aggressive: sends out which currently seem less expensive to outsiders are invigorated. In actuality imports are diminished on the grounds that they are presently costlier than previously.

(b) Devaluation of the Currency: This alludes to the official decrease in the outside estimation of a nation's cash as far as another money or gold. Therefore costs of imports rises and fall. In any case, imports will be successfully decreased if the interest for them is adequately versatile.

(c) Exchange Depreciation: This implies enabling a cash to fall in an incentive on the outside trade advertise as far as different monetary standards. Therefore sends out become less expensive to outsiders and imports dearer in the home market. One of the benefits of unreservedly fluctuating trade rates is that they automatically right disequilibrium to be determined of installments through the free play of universal market powers.

(d) Exchange Control: all in all, trade controls necessitate that the administration, as opposed to the free market, choose the request of need for the importation of products and enterprises.

This choice may then be actualized distributing the constrained supply of outside trade among contending employments. This game-plan is available to a nation with a fixed rate of trade and reluctant to cheapen its money. The achievement of this kind of arrangement relies upon a nation's stores of remote cash.

(e) Commercial Policy: It alludes to confinement of imports by duties, impermanent additional charges on import shares.

Exchange Policies: Despite the normal advantages of expanded exchange among countries, there is solid worldwide assumption for confining exchange to

accomplish explicit goals. Protectionism appears as appropriations; send out restrictions, quantities, and tariffs.

The two quantities and tariffs increment the cost paid by Indian purchasers. Moreover, more assets are utilized to create these items than would be in the event that they were delivered by the most productive providers.

Tariffs: A nation can and imposes a levy on imports or fares. A duty is an assessment added to the cost of a decent when the great crosses the limits of the bringing in nation. Fare taxes are moderately uncommon. While import taxes do produce income, the foremost explanation behind their utilization today is protectionism.

There are three unique sorts of tariffs: promotion valorem, explicit obligation, and compound obligation. A promotion valorem duty is a fixed level of the cost of the great.

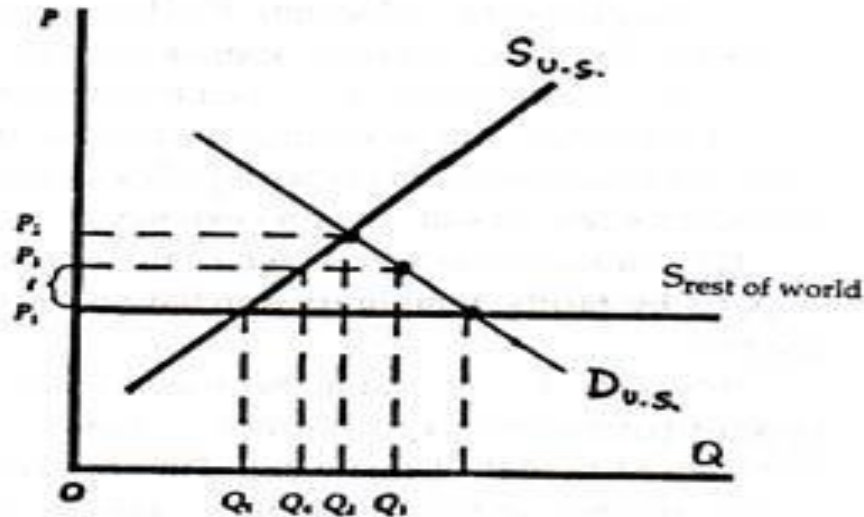
A particular obligation levy is a fixed whole of cash per unit of the great (for instance, Rs. 1000 for each TV). A compound obligation joins an advertisement valorem levy and a particular obligation on a similar decent. The particular obligation levy is simpler to direct on the grounds that it is amount explicit and does not rely upon deciding the proper cost of the item.

The two kinds of levy have basically the equivalent monetary impacts.

Financial Effects: Figure 2 demonstrates the impacts of a duty on a generally aggressive industry.  $P_1$  is the overall world cost for good Q.  $S$  is the Indian association's supply bend, and  $D$  is the interest bend for good Q from Indian customers.

In the event that there was no world exchange, Indian providers would satisfy their nation's need at value  $P_2$ . With exchange, the Indian domestic cost is equivalent to the world cost. In the event that the world cost is  $P_1$ , Indian customer's buy  $Q_1$ , and household providers supply  $Q_0$ . The distinction between  $Q_1$  and  $Q_0$  is net imports. It is shown in the figure 2 which is considered very significant in current affairs.

Figure 2. Tariffs



**Source:** International Trade: Features, Comparative Advantage and Benefits <http://www.economicdiscussion.net/essays/international-trade-features-comparative-advantage-and-benefits/20912>

**Intentional Export Restraints:** Due to global exchange understandings, the created nations don't utilize standards to confine imports of made products. Notwithstanding the prohibition on quantities, nations regularly request "willful" send out portions instead of a compromised levy or amount. These courses of action are two-sided understandings between two nations and are enforceable by the sending out nation.

Fare limitations are not as viable as amounts on account of the trouble of controlling imports. As far as it matters for its, the trading nation does not as a rule need to control its fares. Organizations in that nation can frequently dodge the restrictions by selling through a third nation not expose to the understanding (International Trade: Features, Comparative Advantage and Benefits [http://www.economicdiscussion.net/papers/worldwide exchange highlights similar preferred position and-advantages/20912](http://www.economicdiscussion.net/papers/worldwide%20exchange%20highlights%20similar%20preferred%20position%20and%20advantages/20912)).

**Global Commodity Agreements:** Countries with outrageous convergence of fares in a couple of items, for example, espresso, tin, cocoa, and sugar, may encounter sharp variance in income from the fare of these products because of unexpectedly huge or little collects or changes in expert duction by different nations.

For some agrarian items a suddenly enormous collect should prompt sharp drops in market costs. A little collect ought to send costs higher. This may seem like an oddity.

Reliance on fare incomes and wide fluctuations in market costs has driven many fare nations to shape worldwide product concurrences with the purchasing countries. In contrast to a cartel, which contains just the creating units and countries, a ware understanding incorporates the purchasers moreover.

Thus after giving this information, I would like to give a table which demonstrated trade indicators for several world countries.

## **Chapter 2. ECONOMIC-STATISTICAL ANALYSIS OF FOREIGN TRADE OF AZERBAIJAN**

### **2.1. Economic importance and aspects of foreign trade relations in the economy of Azerbaijan**

Foreign trade policy is an important component of the general economic policy. When implementing the foreign trade policy actions, the target of the state is to achieve certain goals. In this part Azerbaijan's foreign trade policy and integration of Azerbaijan's economy to the world economy after the gaining independence will be presented.

Commencement of the independent development of Azerbaijan after the collapse of the Union of Soviet Socialist Republics (the USSR) became a turning point in its social and economic development. Goal-oriented policy was launched in the field of reforms in economy, enlargement of trade and economic relationships with other states, involvement of foreign investment in the country. Under the Soviet Union, Azerbaijan was integrated to the unified "complex of economy"; and foreign economic relationships were under the monopoly of the central government and managed from that level.

After the collapse of the USSR, the foreign trade turned to be a very important factor in the development of Azerbaijan. In this period, Azerbaijan's dependence on foreign markets significantly increased (Bayramov V.. & G. Abbas. 2001).

Priorities of Azerbaijan's foreign trade policy consists of maintaining the country's image as an attractive country for foreign capital, improvement of the structure of exports and imports, development of the non-oil sector through utilization of opportunities abroad, increasing employment in export sectors, preserving the value of the manat, continuation of efficient cooperation with international financial institutions, sustaining control over the level of foreign debts, reduction of Azerbaijan's dependence on foreign capital and oil revenues.

Successful completion of transition to a market economy, growth rate of the economy and efficient integration with the world economy requires a maximum

degree of liberalization in foreign trade policy. In this regard, the Republic of Azerbaijan tries to liberalize foreign trade policy (Ahmadov, Ingilab, Stella Tsani, and Kenan Aslanli. 2011).

Currently, Azerbaijan participates in various regional groups in Eurasia to minimize dependency on any geographical region. These regional groups are:

- Commonwealth of Independent States (CIS);
- Economic Cooperation Organization (ECO);
- Organization of the Black Sea Economic Cooperation (BSEC);
- Organization for Democracy and Economic Development (GUAM).

Besides the above regional groupings, integration to the European Union (EU) is an important priority among Azerbaijan's foreign economic policies. Increased integration with EU would enable Azerbaijan to use its available resources more efficiently and would also enable the country gain an improved access to modern technology, investments and foreign capital and also develop a non-oil sector. To this aim, the Action Plan within the framework of European Neighbourhood Policy between the Republic of Azerbaijan and the EU was endorsed in November 2006.

Accordingly, a Memorandum of Understanding on Strategic Partnership in the field of Energy was signed between the Republic of Azerbaijan and the European Union on November 7, 2006.

As we can see from table, total geographical structure of imports have been decreased from 2014, so it drop about 1,5% in 2014 compared with 2013. This decreasing continue during 2016-2017 and this index reach to 8 782 007,5 in 2017.

In the wake of picking up autonomy, Azerbaijan began to sign contracts with Western nations about oil creation and transportation of oil. The main contract to be marked was Azeri-Chirag-Guneshli - International Contract marked on September 20, 1994, endorsed in Parliament on December 2, and became effective on December 12. Due to its potential stores assessed at 6 billion barrels (950,000,000 m<sup>3</sup>) of oil, this undertaking is frequently alluded to as the "Agreement of the Century". The anticipated speculation for this task is \$13

billion. After the agreement, in 1995, Azerbaijan International Operating Company (AIOC) was sorted out and was made out of eleven noteworthy global organizations: BP (UK), Amoco (US), LUKoil (Russia), Pennzoil, (presently Devon of US), UNOCAL (US), Statoil (Norway), McDermott (US), Ramco (Scotland), TPAO (Turkey), Delta Nimir (presently Amerada Hess of US), and SOCAR (Azerbaijan). Be that as it may, the issue of how to convey the oil to European markets existed.

**Table 4: Geographical structure of imports, thousand US dollars**

Geographical regions	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Total Reimport</b>	<b>5266744,0</b>	<b>5713525,3</b>	<b>7169980,9</b>	<b>6123110,5</b>	<b>6600611,6</b>	<b>9755968,7</b>	<b>9652870,6</b>	<b>10712502,5</b>	<b>9187697,6</b>	<b>9216677,1</b>	<b>8489140,4</b>	<b>8782007,5</b>
Europe	3219270,7	3290667,7	4179234,7	3459353,9	3507694,9	5645076,9	4797767,7	6103547,7	5051353,3	5019083,1	4528536,3	4318198,3
Asia	1663111,8	1957418,1	2511626,8	2172821,4	2585183,8	3182139,2	3790729,3	3673393,3	3224153,1	3092305,8	3179400,6	3445445,1
America	324257,2	434088,2	431898,7	439271,7	461839,3	891618,5	1004869,5	823642,0	879444,9	1065332,5	713901,8	991927,5
Africa	47497,9	17583,4	36519,2	34132,5	22866,5	14397,3	34741,4	84210,3	7010,7	13285,1	19271,8	24535,9
Oceania	12606,4	13767,9	10701,5	17531,0	23027,1	22736,8	24762,7	27709,2	25735,6	26670,6	48029,9	52900,7

**Source:** The State Statistical Committee of the Republic of Azerbaijan

This issue was fathomed by the understanding for the development of the Baku-Tbilisi-Jeyhan pipeline among Azerbaijan, Georgia and Turkey in 1998. The pipeline was authoritatively opened in July 13, 2006 and now transports unrefined petroleum 1,760 km (1,094 miles) from the Azeri-Chirag-Guneshli oil field in the Caspian Sea to the Mediterranean Sea. The Baku-Tbilisi-Jeyhan pipeline is relied upon to make a noteworthy commitment to the world vitality supply with its more

than 1 million barrels for every day limit. This pipeline may likewise transport oil from Kazakhstan's Kashagan oil field just as from other oil fields in Central Asia. The legislature of Kazakhstan declared that it would assemble a trans-Caspian oil pipeline from the Kazakhstani port of Aktau to Baku (Ageeva, S., Suslov, N. 2011).

**Table 5: Export of energy products (in volume terms)**

	2010	2011	2012	2013	2014	2015	2016	2017
Crude oil, thsd ton	44 507,9	39 028,7	36 756,5	36 707,8	35 227,3	35 109,9	34 972,4	32 845,2
Natural gas, million cubic metre	6 187,2	6 817,4	6 616,7	7 308,0	8 093,2	8 145,2	8 049,1	8 856,9
LPG, thsd ton	155,9	109,4	90,0	92,5	35,1	15,5	58,8	82,4
Motor gasoline, thsd ton	196,8	96,5	60,1	24,6	13,4	4,7	4,5	7,0
Kerosene - type jet fuel, thsd ton	114,6	78,9	146,0	131,3	196,7	236,5	236,3	181,0
Naphtha, thsd. ton	64,5	-	-	-	-	-	-	-
Diesel fuel, thsd ton	1 569,4	1 359,1	1 139,0	1 084,8	1 523,2	1 655,0	1 228,1	1 603,2
Fuel oil - low sulphur, thsd ton	184,3	213,1	107,1	228,3	236,8	113,4	23,4	12,5
Petroleum coke, thsd ton	389,9	262,5	192,9	214,7	286,7	263,9	172,7	257,3
Bitumen, thsd ton	14,0	20,0	11,1	-	3,2	-	-	-
Lubricants, thsd ton	80,8	72,6	49,4	40,5	36,3	14,9	9,4	20,9
Other petroleum products, thsd ton	-	-	-	27,2	25,8	25,8	1,9	10,8
Electricity, million kWt hour	462,4	804,8	680,3	495,6	489,3	265,0	1 095,5	1 282,5

**Source:** The State Statistical Committee of the Republic of Azerbaijan

As we can see from above table, in recent years the natural gas, LPG, motor gasoline, petroleum coke, lubricants and electricity products increased significantly. The diesel, fuel oil and crude oil decreased. Improving economic relations with different countries affect trade of above products.

Above table describe that, except natural gas, diesel, other petroleum products and electricity products, all other indicators increased about 1.5% in recent years. We can see the maximum value change in motor gasoline, thus, it increase from 81,0 to 130,4 in 2017.



Azerbaijan is taking steps for efficient integration to the world economy and multilateral trade system as well as World Trade Organization (WTO), for the purpose of developing its foreign trade. Azerbaijan aims to become a member of this organization during the upcoming years.

**Table 6: Import of energy products (in volume terms)**

	2010	2011	2012	2013	2014	2015	2016	2017
Crude oil, thsd ton	-	-	-	-	0,1	-	-	62,6
Natural gas, million cubic metre	-	-	-	-	-	-	298,4	2 109,9
Natural bitum and natural asphalt, thsd ton	0,7	0,3	1,4	4,5	1,1	7,1	1,0	1,6
LPG, thsd ton	0,1	-	-	0,1	-	-	-	
Motor gasoline, thsd ton	0,4	1,0	0,3	0,2	193,6	45,8	81,0	130,4
Diesel fuel, thsd ton	0,1	0,1	3,1	2,0	0,9	12,4	3,9	1,2
Kerosene - type jet fuel, thsd ton	-	-	-	-	-	-	-	82,2
Other kerosene, thsd ton	0,5	0,3	19,6	28,4	4,5	14,5	10,6	2,5
Fuel oil	0,2	-	-	9,5	20,9	135,0	186,7	197,6
Petroleum coke, thsd ton	0,1	0,1	-	-	0,1	4,0	0,1	0,8
Bitumen, thsd ton	-	-	-	20,5	0,1	-	4,8	7,1
Lubricants, thsd ton	26,5	26,1	20,5	27,3	37,0	37,3	26,2	32,8
Other petroleum products, thsd ton	-	-	-	34,0	19,2	31,9	15,9	10,7
Electricity, million kWt hour	99,8	128,0	140,9	127,3	124,1	107,5	114,4	107,8
Other fuel products, thsd ton	9,9	9,3	10,6	11,0	7,0	8,8	5,4	6,4

**Source:** The State Statistical Committee of the Republic of Azerbaijan

Above table describes that, trade turnover decreased during 2015-2017 years. But in 2017 it tries to increase this indicator. So in 2016 the imports has been 8489,1 but in 2017 it increase to 8 782,0. Also exports was 13 457,6 in 2016, but it increased to 15 475,6 in 2017.

Another aspect of cooperation that the Republic of Azerbaijan pursues with international economic organizations consists of those with specialized the United Nations (UN) agencies on development of industry and agriculture with an international focus. Consequently, cooperation with United Nations Industrial

Development Organization (UNIDO), Food and Agriculture Organization of the United Nations (FAO), and International Fund for Agricultural Development (IFAD) is of high importance (Abdullayev, S., Dadaşova, G. and Feyzullayev, C. 2006: p.12).

**Table 7: Dynamics of foreign trade turnover**

Years	In million US dollars				percentage change from previous year *)		
	turnover	imports	exports	balance	turnover	imports	exports
2010 <sup>2</sup>	33 160,7	6 600,6	26 560,1	19 959,5	106,5	105,0	106,9
2010	27 960,8	6 600,6	21 360,2	14 759,6	120,0	105,0	125,3
2011 <sup>2</sup>	44 161,7	9 756,0	34 405,7	24 649,7	104,0	145,3	92,6
2011	36 326,9	9 756,0	26 570,9	16 814,9	103,9	145,3	88,7
2012 <sup>2</sup>	43 813,5	9 652,9	34 160,6	24 507,7	95,5	96,9	95,1
2012	33 560,9	9 652,9	23 908,0	14 255,1	89,3	96,9	86,2
2013 <sup>2</sup>	43 554,1	10 712,5	32 841,6	22 129,1	102,7	109,1	100,7
2013	34 687,9	10 712,5	23 975,4	13 262,9	106,3	109,1	105,1
2014 <sup>2</sup>	39 407,5	9 187,7	30 219,8	21 032,1	95,7	85,4	99,0
2014	31 016,3	9 187,7	21 828,6	12 640,9	94,1	85,4	98,0
2015 <sup>2</sup>	25 809,0	9 216,7	16 592,3	7 375,6	99,9	99,5	100,1
2015	21 945,8	9 216,7	12 729,1	3 512,4	104,3	99,5	106,3
2016 <sup>2</sup>	21 596,6	8 489,1	13 107,5	4 618,4	92,7	89,6	94,4
2016	21 946,7	8 489,1	13 457,6	4 968,5	112,9	89,6	129,7
2017 <sup>2</sup>	24 257,6	8 782,0	15 475,6	6 693,6	89,3	83,9	92,9
2017	22 593,6	8 782,0	13 811,6	5 029,6	80,0	83,9	77,6

Source: The State Statistical Committee of the Republic of Azerbaijan

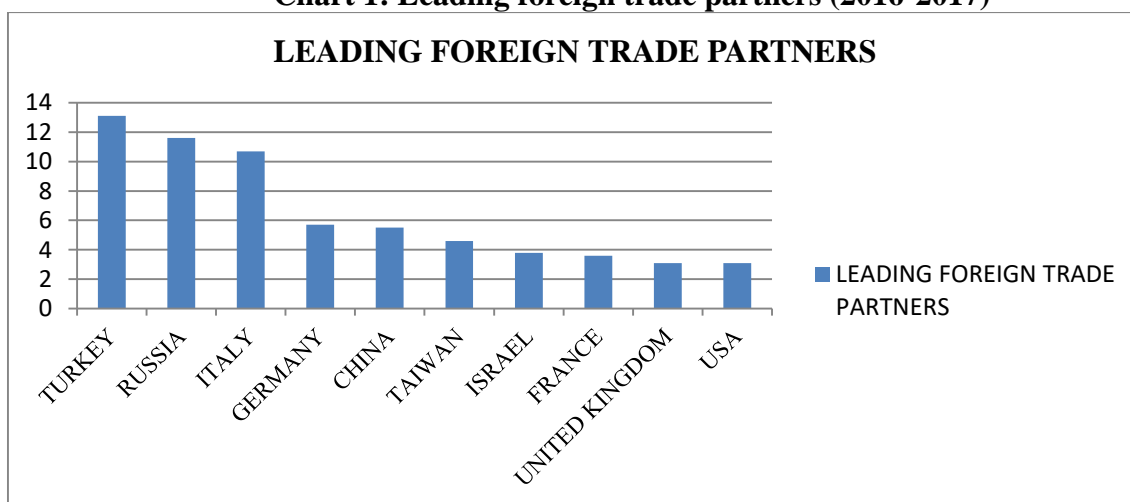
## 2.2. The most important trade partners of Azerbaijan

The growing predominance of oil exports clearly emerges from diagram, which reports the sectorial composition of exports between 1995 and 2001. Oil in 1995 accounted for just 58.6% of total exports to climb up to 91.5% in 2001. This trend is explained by an increase of both output and oil. The first stage of exploitation of the ACG field by the AIOC consortium boosted total crude oil production and export from 9 million tons a year in 1997 to 14 million tons in 2001. On top of this, oil prices went up from 12.5 in 1998 to nearly 25 in 2001.

Even though this trend is partly due to artificially high oil prices in the midst of international political instability, a possible reversal of this trend will anyway be compensated by the perspective dramatic increases in oil and gas extraction, following the full exploitation of the ACG oil field and of the Shah Deniz gas field. The increase in the export share of oil is not only explained by increasing oil production and prices, but also by the decline or the stagnation of the other export items. Total non-oil exports declined from 265.3 million dollars in 1995 to 200.7 in 2001. 116.8 million dollars of raw cotton made up 18% of the country's export in 1995. In 2001 there were virtually no exports of raw cotton.

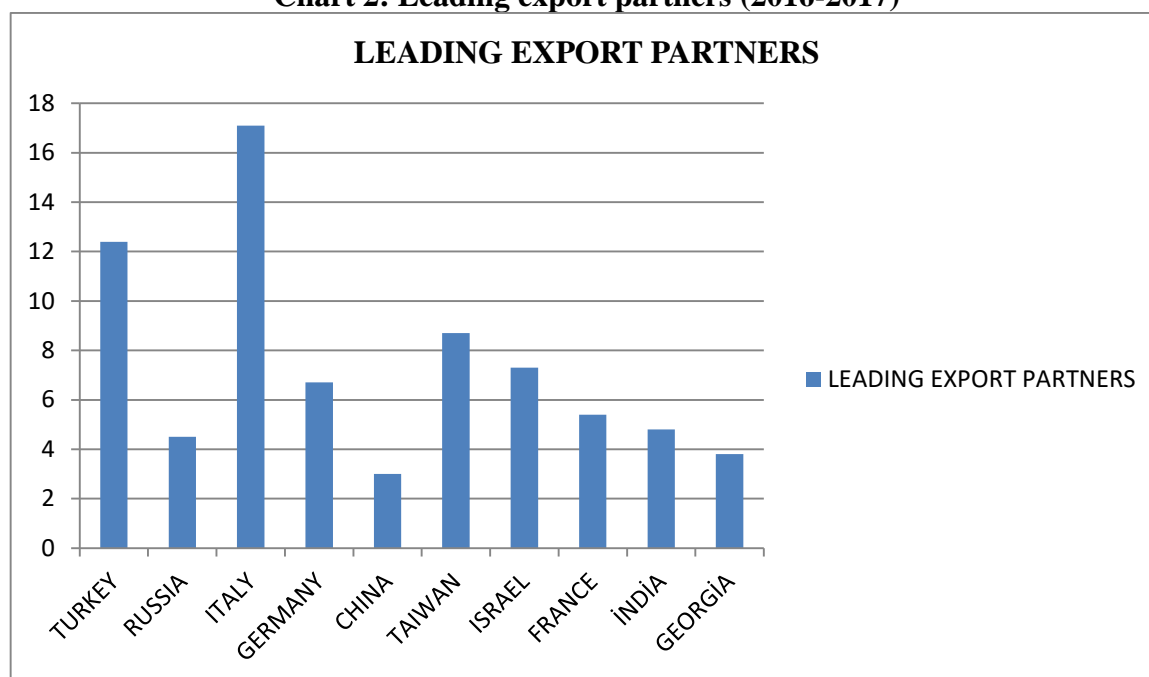
The lack of non-oil exports is the reflection of the broader output constraint problem faced by Azerbaijan. Firms that are exporting or can do so in non-oil sectors are very few. Given the small size of the domestic market – no more than one million people with some purchasing power - the export market is the main potential outlet for manufacturing and also agricultural production. Azerbaijan's 'pseudo' export market was captive and it was the Soviet Union. Azerbaijan was a net exporter of raw and processed fruits and vegetables, of machines for oil extraction, of cotton. The collapse of the Soviet Union left Azerbaijan and the other Caucasian countries without export markets and with huge excess capacity. Although most small and medium size enterprises were privatized, this was not enough to boost export supply (Abdullayev, S., Dadaşova, G. and Feyzullayev, C. 2006).

**Chart 1: Leading foreign trade partners (2016-2017)**



**Source:** Summarized by author according to World Bank, 2019

**Chart 2: Leading export partners (2016-2017)**



**Source:** Summarized by author according to World Bank, 2019

As we can see from above chart, the leading export and import partners of Azerbaijan have been Turkey, Russian and Italy during 2016-2017. The vitality division is the key and the biggest piece of Azerbaijani economy. Vitality division has made a solid commitment to the financial development in the nation. It is the significant beneficiary of speculations, specifically FDI and present day innovations. Thusly, Azerbaijan can supply 100% of its gross vitality request from the nearby sources. The nation does not rely upon remote assets in the vitality area.

Azerbaijan sends out oil, gaseous petrol and power. Azerbaijan is independent in vitality, which furnishes business with solidness and security of supply. Besides, Azerbaijan is positioned 36th universally in the Energy Architecture Performance Index 2017. This estimates the degree to which a nation's vitality design verifies its monetary development, the natural effect of vitality supply and utilization, just as the degree to which a vitality supply is secure, open and enhanced. The vitality part in Azerbaijan comprises of 3 primary components: extraction of oil and gas, ordinary power age, and usage of sustainable power sources.

Azerbaijan is among the biggest makers of oil and gas around the world. It is one of the world's most established oil makers and the city of Baku and the Absheron Peninsula have for quite some time been known as notable locales for oil. The main oil well on the planet was penetrated in the Bibiheybat part of Baku in 1847, eleven years before the primary well in Pennsylvania, USA. At the turn of the twentieth century, Azerbaijan represented portion of the world's oil generation. The first since forever oil pipeline, petroleum processing plant, oil tanker, railroad tank (storage), and working seaward stage are all piece of Azerbaijan's oil history. Following its autonomy from the Soviet Union in 1991, an effective oil and gas system was actualized by the Azerbaijan government, with the marking of the "Agreement of the Century" in 1994. This was trailed by an arrangement on the Shah Deniz gas field in 1996, which prompted an uncommon measure of global venture streaming into the oil and gas division (Bahmani-Oskooee, M. and Alse, J. 1993: p.25).

In December 2013, a consortium of 10 organizations marked an arrangement to build up the Shah Deniz field, found in 1999. It is one of the world's biggest gas and condensate fields. As indicated by British Petroleum (BP), the administrator of the improvement, it has roughly 40 Tcf of flammable gas set up. The undertaking will achieve USD 50 billion of capital venture into Azerbaijan and its accomplices, with the advancement of the Southern Energy Corridor. This incorporates the South Caucasus Pipeline Expansion, the Trans-Anatolian Pipeline (TANAP), and the Trans-Adriatic Pipeline (TAP), will convey another USD 50 billion speculation to Azerbaijan and different members in the passage. It places Azerbaijan as a key vital vitality accomplice for Europe, and will energize open doors for neighborhood makers to supply their items and administrations to the business.

Azerbaijan has been at the focal point of exchange among Asia and Europe for centuries, as the Silk Road went through Azerbaijan. Today, as exchange streams increment among Europe and Asia, Azerbaijan is developing as a vehicle and coordinations center at the junction of Eurasia (Rəcəbli, H. 2003).

Azerbaijan is a home for the "Vehicle Corridor Europe-Caucasus-Asia" TRACECA, the global program on production of a vehicle passageway from Europe to Asia through the Caucasus. It includes the European Union and 14 conditions of Eastern Europe, Caucasus and Central Asia. Its lasting secretariat is situated in Baku, Azerbaijan. It is no big surprise that Azerbaijan has the Program, as the Trans-Caspian East-West Corridor is viewed as the most limited linkage among China and Europe, both in separation and time. The normal length of the hall is 4,200 km, and conceivable travel period is around 12 to 14 days which empowers freight shippers to have 70% efficient in examination with conventional sea shipment. Meanwhile this course gives a lot of chances to rising economies of Central Asia to achieve European markets. Moreover, Azerbaijan is right now collaborating with its accomplices on the making of quicker South-to-North transport passage. Hypothetically, utilizing the two passages Azerbaijan can draw in extra exchange volume of right around 230 million tons (Abbasova N., 2017).

### **2.3. Analysis of main products and sectors in the GDP of Azerbaijan, the main role of oil and non-oil sectors in the foreign trade relations**

Disregarding plenitude of normal assets, the extension of the oil business has been ruined by its old framework and the "frustratingly moderate" development of products through the significant ports, as indicated by the U.S. Office of Trade in 2002. The economy is attempting to use the nation's huge riches in non-renewable energy sources with a specific end goal to dislodge the poverty that affects around 45% of its populace who lives on under US\$2 every day. Apparently, 80% of Nigeria's vitality incomes stream to the legislature, 16% spreads operational expenses, and the rest of the 4% go to financial specialists. In any case, the World Bank has assessed that because of debasement 80% of oil incomes advantage just 1% of the populace (Kim, S.J. and K.A. Reinert 2009).

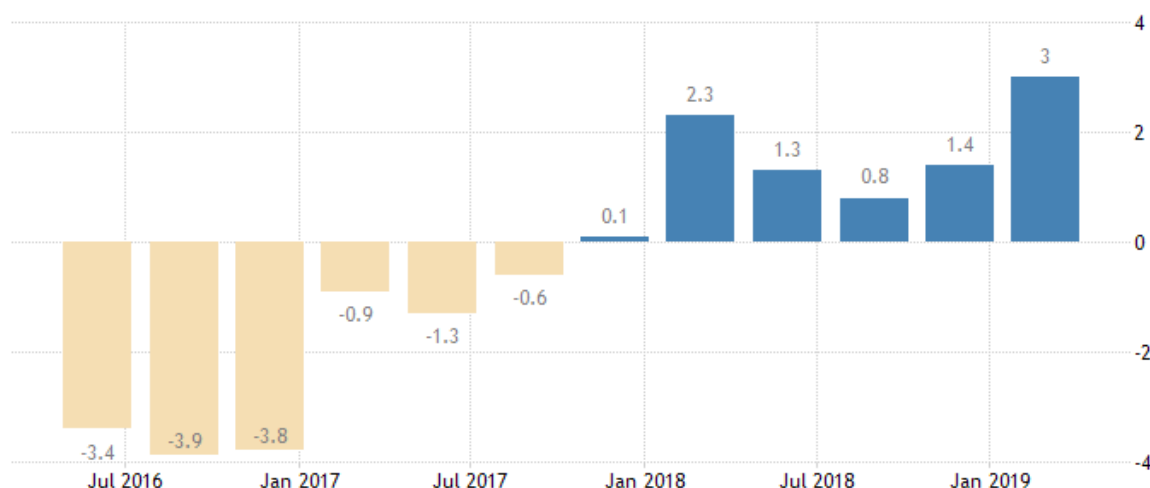
Current GDP per capita of Nigeria extended 132% in the Sixties achieving a pinnacle development of 283% in the Seventies. Be that as it may, this demonstrated unsustainably and it, therefore, shrank by 66% in the Eighties. In the

Nineties, enhancement activities at long last produced results and decadal developments were reestablished to 10%. Because of expansion, per capita GDP, in 2012, remains lower than in 1960 when Nigeria proclaimed freedom. Nigeria is positioned 30th (40th in 2005, 52nd out of 2000), on the planet as far as GDP (PPP) starting at 2012, and third biggest inside Africa (behind South Africa and Egypt). The Gross Domestic Product per capita in Nigeria was last recorded at 1052.34 US dollars in 2012. This is equal to 8 percent of the world's normal. From 1960 until 2012, Nigeria GDP per capita found the middle value of 686.2 USD achieving a record low of 431.0 USD in 1968 and an unsurpassed high of 1052.3 USD in 2012 (Ahmadov A. 2014).

The issue is the overdependence on the capital-escalated oil area, which gives under 25% of GDP, in spite of giving 95% of remote trade profit and around 65% of government incomes. Nigeria delivers just around 2.7% of the world's oil supply (Saudi Arabia: 12.9%, Russia: 12.7%, USA: 8.6%). As per the CBN (2013), unrefined petroleum creation, including condensates and flammable gas fluids, is evaluated at a normal of 1.88 million barrels for each day. With 35 billion barrels of demonstrated oil holds and another 5 billion being developed, oil is the soul of the Nigerian economy. It has an expected 159 trillion cubic feet of demonstrated petroleum gas holds, making the nation one of the main ten flammable gas gifts on the planet (Boschma R., and Capone G., 2015).

A few procedures are available to an economy in its endeavor to accomplish maintainable monetary advancement, contingent upon its chronicled foundation and asset blessing. One such technique is the asset drove system. Nigeria is extremely wealthy in unrefined petroleum and has procured 6 billion of petrodollars. Unfortunately, Nigeria has not seen anything like a similar kind of monetary achievement that helped Canada, the United States and Australia industrialize in the Mid-twentieth Century. That is on the grounds that in these propelled economies; oil creation never rose to such a level as to overwhelm the whole economy. Then again, in Nigeria, oil is the significant business (Mikheeva N. N., 2016).

**Chart 3: GDP of Azerbaijan (billion manats&dollars)**



**Source:** State Statistical Committee of the Republic of Azerbaijan; World Bank, 2017

As we can see from above chart the GDP increased in recent years. As we know from Azerbaijan statistic committee indicators, the decrease in oil costs since 2014 combined with bringing down oil generation in Azerbaijan has converted into a consistent decrease in Gross Domestic Product of Azerbaijan, coming to - 3.1% out of 2016. Then again, the effect of the development division, which saw a 30,7% decrease in 2016 likewise exacerbated the GDP development. Subsequently, ostensible GDP of 2016 has turned out to be 60.4 billion manats (\$37.8 billion dollars US). The offer of non-oil creation in GDP has expanded by 2.5% and achieved 62.6%<sup>1</sup> in the initial 9 months of 2017. According to statistical results of committee and above chart we can say that, the GDP has been increased from 2019 January.

As observed from the chart above, GDP of Azerbaijan as far as dollars had a lofty drop starting from 2014. The fundamental purpose for this pattern is the depreciation of national money which happened in February and December 2014. Therefore, swelling set in 2014 which has prompted, as can be seen in the diagram, to a sharp disparity between GDP as far as manats and dollars. The national bank has expanded financing costs, which make taking advances expensive, keeping in mind the end goal to diminish the total request and stem elevated amounts of swelling ([www.stat.gov.az](http://www.stat.gov.az) ).



Amid these months, sends out were 4.4 billion dollars while imports were 6.2 billion dollars, which has prompted an outside exchange overflow of 1.8 billion. For a similar time of 2016, sends out were 5.8 billion dollars and imports were 5.5 billion dollars, adding up to a 0.3 billion dollars exchange excess. This bigger exchange surplus in 2017 has prompted an inflow of remote monetary forms which the economy urgently needs. It is significant that contrasted with 2016, sends out have diminished by 25%, in the interim imports saw a 12% expansion. The fundamental purpose for the diminishing of aggregate fares is because of oil sends out, which saw a lessening of 43.17%. Then again late debasements have made neighborhood items more focused on outside business sectors and the reduction in trades was in part counterbalanced by the expansion in fares of horticultural items, particularly cotton, which was sent out 6.68 times additionally amid the initial 9 months of 2017 contrasted with a similar period in 2016. Imports of meat, grain, and pharmaceutical items have had the biggest increment amid the previously mentioned period.

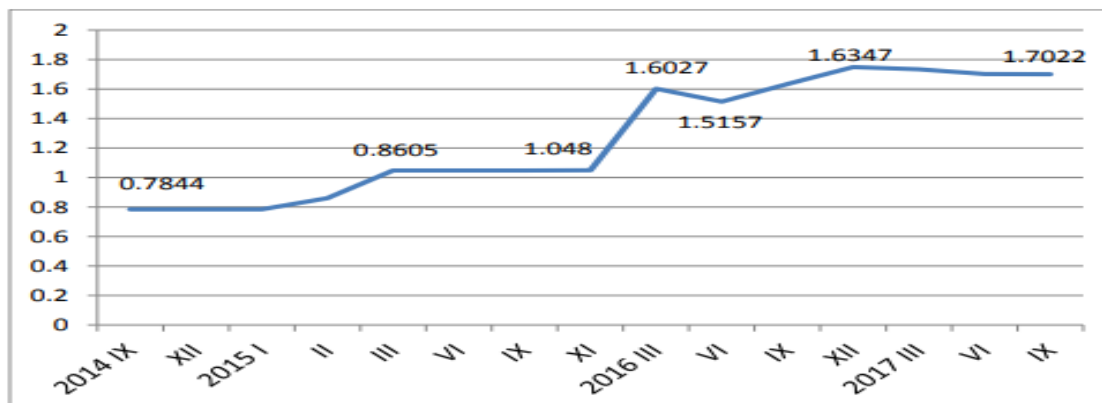
As of August 2017, outside stores of the national bank remain at 5.1 billion dollars, a 21.6% expansion from 4.19 billion dollars in August 2016. It is vital to call attention to that the primary purpose for this expansion is the 7.5 billion dollars exchanged from the State Oil Fund to the Central Bank. This was the primary exchange from SOFAZ to the Central Bank.

Spending incomes and uses for the time of January – September 2017 have been 12.04 billion manats (6.92 billion dollars) and 12.78 billion manats (7.35 billion dollars), separately, which created a spending deficiency of 738.6 million manats, 42% more than the spending shortage of a similar time of a year ago.

Expanded oil costs prompted an expansion of outside stores of the State Oil Fund of Azerbaijan by 8.67% since the start of 2017 and right now remain at 36.02 billion dollars starting at 1 October, 2017. This implies 87.6% of all outside money holds are packed in SOFAZ, 2.4% not exactly in September of 2016.

The outside obligation of Azerbaijan on 1 July, 2016 was 7.63 billion dollars or 20% of the aggregate GDP. Starting at 1 July 2017 it is 7.17 billion dollars, which is 18.9% of aggregate GDP, 1,1% not as much as a year ago.

**Chart 4: Official Exchange Rate of AZN to USD**



**Source:** Central Bank of Azerbaijan, 2017

As we can see from above the official conversion scale of AZN starting at 1 September 2017 was 1\$ to 1.7002 AZN, as indicated by the Central Bank. Aside from a sharp increment in January – February, the conversion scale of a dollar to manat has been pretty much stable amid the initial 10 months of 2017. Notwithstanding this dependability, the populace keeps on having low trust in the cash due to the huge downgrades of a year ago ([www.stat.gov.az](http://www.stat.gov.az) ).

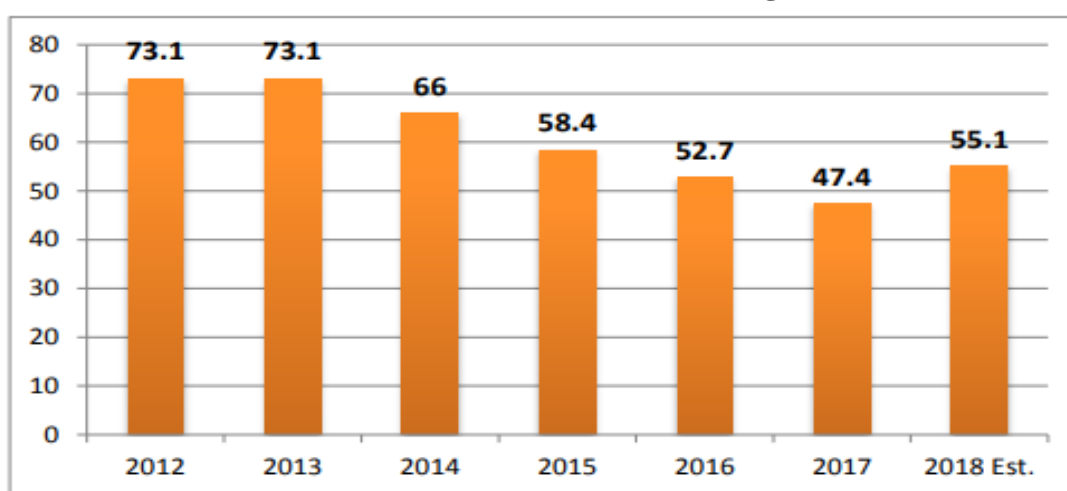
Oil GDP decreased by 3.4 % in Azerbaijan. Mean GDP extended by 2.2 % in light of non-oil advancement Growth Domestic Production (GDP) accomplished 53.7 billion manats (\$ 68.9 billion US) in the underlying eleven months of 2014 in Azerbaijan-State Statistics Committee reports. Total national output extended by 2.2% appeared differently in relation to a comparative time of prior year. Total national output per capita was 5710.7 manat (7 281.3 US dollars) in the indicated period.

Non-oil part expanded by 6.5% contrasted with the relating time of earlier year, its offer in GDP expanded from 56.9% in the earlier year to 59.8%. Notwithstanding, oil-gas GDP declined by 3.4% contrasted with the comparing time of a year ago ([www.stat.gov.az](http://www.stat.gov.az) ).

60.2 of GDP was delivered underway zone, and in addition, 42.6% in industry, 12.5% in development, 5.1% in farming, ranger service and angling and 32.5% of it was an offer of administration fields. 24.3% of significant worth included generation in administrations fields was given in terms of professional career and support of transport implies, 14.9% by transport and distribution center, 6.5% by convenience of sightseers and cooking administrations, 5.5% by data and correspondence administrations, 48.8% by social and other administration fields rendering administrations to financial elements. Net of assessment to the item and import was shaped 7.3% of GDP (www.stat.gov.az ).

In the showed period, add up to modern yield was 29.8 billion manat (\$ 38,2 billion US) in Azerbaijan. 38.4 million tons oil and 17.0 milliard cubic meter attractive gas and different items were delivered in the mining area with 70.4% industry item. The volume of generation in a non-oil segment of industry expanded by 6.6% contrasted with January-November of earlier year, it was diminished by 3.0% in the oil-gas division. 92.7% of aggregate industry creation was an offer of merchandise (items), 7.3% mechanical administrations, 80.1% of items were delivered in private area.

**Chart 5: Share of oil sector in state budget**

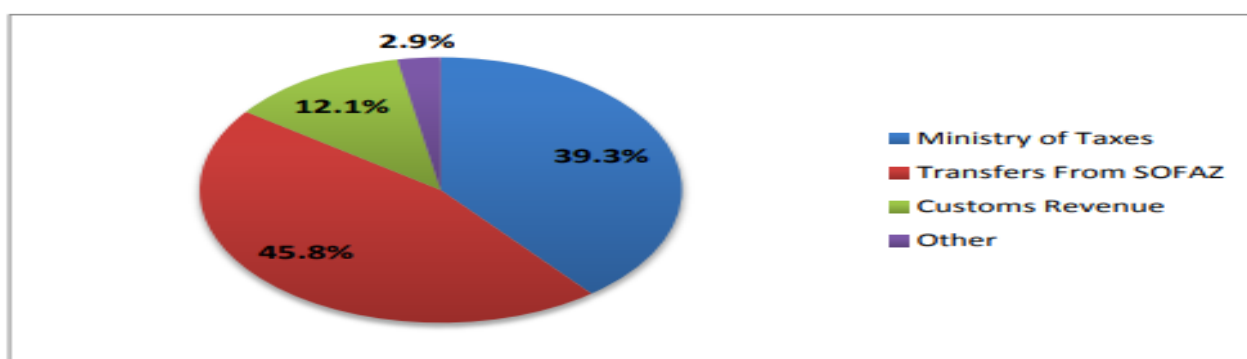


**Source:** Ministry of Finance of the Republic of Azerbaijan, 2017

The above chart describe incomes of the 2018 spending plan are evaluated to be 20.13 billion manats (\$11.84 billion dollars US). For 2018 spending incomes are assessed to be over 24% contrasted with the incomes of 2017. Oil segment

alone will add to 89.3% out of this expansion. The contracting offer of the oil division in spending incomes since 2013 will be turned around one year from now, with an expansion of 7,7%, and will by and by turn into the biggest wellspring of income for the state spending plan, estimations say. It must be noticed that while anticipating the spending incomes for 2018, the cost of 1 barrel of oil has been acknowledged as \$45 US. This is to be utilized as a benchmark cost by the legislature, especially for income collection. By having a lower benchmark the administration imagines a most dire outcome imaginable of oil at \$45 US, while assesses by different associations, for example, the World Bank or the IMF put that estimation higher. Everything over the benchmark will involve an expansion in additional income; this brings the topic of income allotment. Following the drop in oil in 2014, the administration diminished both spending and apportioned real incomes to accomplish monetary union. In any case, as will be demonstrated as follows, the administration plans to expand use with the expanding income. As it were, we can hope to see an arrival to the strategy of high spending distinctively of the pre-oil droop, viably deserting the procedure of monetary union since 2014. The development of GDP at 1.5% for one year from now is required to be filled by this arrival to high spending, especially for capital consumption, a division the administration expectations will stimulate the economy ([www.stat.gov.az](http://www.stat.gov.az) ).

**Chart 6: State Budget Revenue Shares**



**Source:** Ministry of finance of The Republic of Azerbaijan, 2017

As we can see from above chart the ministry of taxes take 39,3%, transfers from SOFAZ take 45,8%, customs revenue takes 12,1% and other expenditures

take 2,9% of overall state budget revenue shares and it prove that the transfers from SOFAZ have a great role.

55.1% of the spending incomes will be created from the oil part. Of that sum, coordinate exchanges from SOFAZ constitute 83.1% while the staying 16.9% comes as tax collection of oil organizations.

The Government of Azerbaijan has started some key enhancements to the visa application process. Therefore, voyagers from the greater part of the nations of the world can apply for a pre-passage visa through the uncommon online ASAN e-visa framework. For the most part, visas are issued as quick as inside 3 working days. This has empowered a travel industry blast, with a 11% expansion in vacationers visiting from the Gulf, Middle East, and Europe in 2016. The improving transport joins with Azerbaijan, brought about Baku being alluring to 26 urban communities, with a populace of in excess of 90 million. The World Economic Forum named Azerbaijan the most-improved nation in the Travel and Tourism Competitiveness Index 2017.

Through the span of the year there have been a few outside components compelling the economy, especially the debilitating of the national monetary forms of Russia, Iran, and Turkey, which are key remote exchange accomplices of Azerbaijan, just as the expanding vulnerabilities in the residential cash advertise. Despite the fact that these difficulties did not prompt an adjustment in the conversion scale of the national cash of Azerbaijan, it adversely influenced the travel industry and farming parts of the nation and decreased the aggressiveness of nearby generation by framing a positive situation for imports. In the meantime, it additionally negatively affected the fare condition. The utilization of the oversaw conversion scale routine has made it hard for the economy to react sufficiently to changing outer variables. In 2018, Azerbaijan's situation on some worldwide evaluations progressed. As per the World Bank's "Working together" report, the nation's position moved by 32 puts and achieved 25th spot. As per the "Worldwide Competitiveness Report 2018" arranged by the World Economic Forum, Azerbaijan positions 69th out of 140 nations. As indicated by the report, the

dangers for macroeconomic soundness in Azerbaijan are high (126th in 140 nations) and the budgetary framework is immature (96th spot among 140 nations). Worldwide Credit Rating Agencies, for example, Fitch, Moody's and Standard and Poor's have fixed their sovereign FICO assessment of Azerbaijan at Ba2 stable dimension. Be that as it may, continuation of changes in a few ways, including financial circles, and the expansion of worldwide appraisals of the nation did not significantly affect the nation's monetary movement, upgrading remote premium and the increasing speed of outside venture inflows. As it were, also to earlier years, changes were pitifully changed into the economy amid 2018.

Financial development in 2018 happened as a conclusion of extension in the IT segment (9.3%), transportation division (7.8%), the travel industry area (7.6%), agribusiness part (4.6%) and exchange segment (3%). The main part wherein decay was watched was development. The esteem included of the development part shrank by 9% consistently. The explanations for the decrease are: downturn of obtaining power, crumbling in capital speculations by the populace just as the lower ventures to the oil segment ([www.stat.gov.az](http://www.stat.gov.az) ).

Amid 2018, the residential and remote financial condition has been increasingly ideal for the Azerbaijani economy. The retreat and stagnation watched all through the 2016-2017 period was substituted by 1.4% development in 2018 – farming, IT, the travel industry and non-oil industry have appeared higher rates of development. Notwithstanding the anticipated decrease in the oil area, it has encountered a 0.3% development because of expanded national gas generation. In that capacity, the weakest piece of the economy a year ago was the development segment. The explanation behind this advancement is the decrease in foundation interests in the oil part and contracting development spending by private substances.

In 2018, monetary strategy slanted towards being expansionary. The strategy has been done by spending the higher-than-anticipated asset incomes. One out of each two manat in state spending incomes has been shaped by exchanges from the Oil Fund. By and large, state spending consumptions expanded by 29.1% amid the

detailing time frame. While there have been some shaky areas in the Central Bank's fiscal arrangement, for example, a lessening in key loan fees and extending the financial base, the approach has been progressively centered around stable trade rates and controlling expansion. In this way, it had no critical impact on business and monetary movement. The continuation of the steady conversion standard approach effectsly affected the shopper value list, de-dollarization procedure and genuine development in livelihoods, while contrarily influencing the fare capability of the non-oil area, imports and allure of the travel industry segment.

While there have been some shaky areas in the Central Bank's fiscal strategy, for example, a reduction in key loan fees and growing the money related base, the arrangement has been progressively centered around stable trade rates and controlling swelling. In this way, it had no huge impact on work and monetary action. The continuation of the steady conversion scale strategy effectsly affected the shopper value record, de-dollarization procedure and genuine development in earnings, while contrarily influencing the fare capability of the non-oil area, imports and engaging quality of the travel industry division. The changes propelled in 2015 have been proceeded in 2018. As indicated by the World Bank's "Working together" report, Azerbaijan is incorporated into the classification of the quickest performing nations in 2018 and the nation's worldwide rating in the pertinent report has improved by 32 positions contrasted with the earlier year([www.stat.gov.az](http://www.stat.gov.az)).

As indicated by the report, Azerbaijan positions 25th among 190 nations. Nonetheless, low speed of basic changes has negatively affected the impacts of financial changes to the non-oil and private part. Accordingly, the development rate in the non-oil division has been lower than the objective. No critical increment in remote venture has been watched and the economy keeps on being defenseless against outside variances. The accompanying changes would be fitting so as to expand the adequacy of changes and accelerate the elements of financial development:

- Successful alteration of open establishments to new difficulties by quickening institutional changes, improving the adequacy of motivation instruments and growing usage chances of important enactment;
- Accession of Azerbaijan to the WTO in a brief timeframe and endorsement of organization concurrences with the European Union, guaranteeing portrayal of the nation in financial and traditions associations;
- Sharp decrease of the taxation rate because of the authorization of monetary exercises;
- Further progression of the business condition and supporting a focused situation;
- Creating a reasonable domain for the arrangement and improvement of elective financing components;
- Preparation of the economy, money related area and remote trade markets for a gliding conversion scale routine.

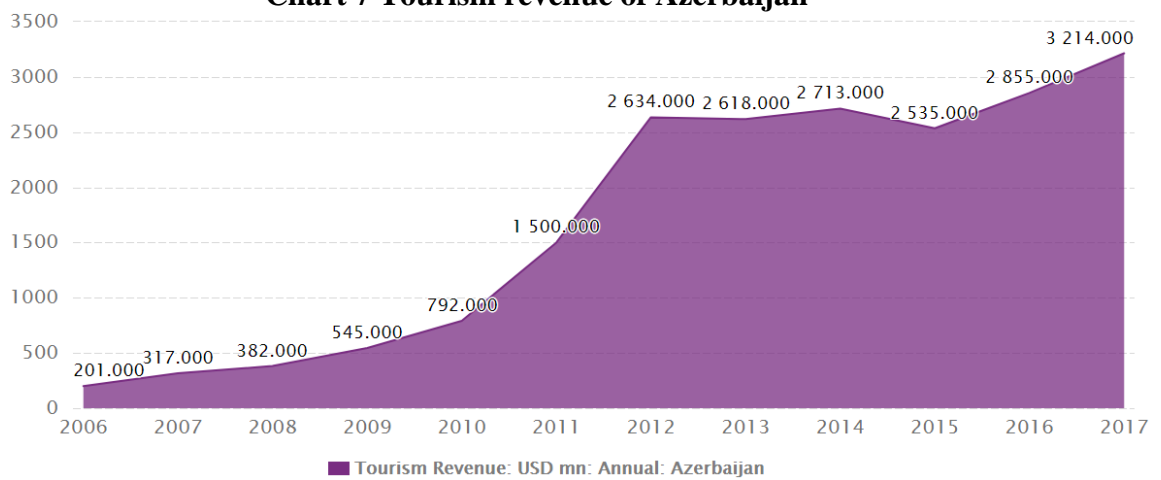
To serve the interest made by universal games, business and political occasions, the travel industry and cordiality framework is growing rapidly. Various top class global lodging networks, for example, Four Seasons, Marriott, Pullman, Hilton, Excelsior, Rixos, Fairmont and others work in Azerbaijan. In 2012, Shahdag Winter-Summer Tourism Complex in Gusar was put into activity. The complex incorporates two inns ("Shahdagh" and "Pinnacle Palace"), exchange focuses, an eatery, bistro, game corridor, equestrian games, skiing and different administrations. Consistently expanding volume of universal guests animates direct speculation into the improvement of the travel industry and related administrations. Another impetus component for speculators was set up in 2016. As indicated by the World Travel and Tourism Council, Azerbaijan is put seventeenth on the planet for the movement and the travel industry long haul development conjecture 2017-2027 (Travel & Tourism Economic Impact 2017: Azerbaijan).

The Strategic Roadmap for the Development of the Tourism business expects to push the segment into the following phase of advancement. This incorporates the advancement of the travel industry dependent on national



estimations of Azerbaijan in the global commercial center and locally. Besides, it incorporates upgrades in the travel industry interchanges framework (counting signage), and global lodging accreditation. This will make open doors for organizations with aptitude in the administration business, putting resources into human capital and down to earth know-how inside the nation.

**Chart 7 Tourism revenue of Azerbaijan**



**Source:** Ministry of finance of The Republic of Azerbaijan, 2017

As we can see above chart Azerbaijan's Tourism Revenue reached 3 USD bn in Dec 2017, compared with 3 USD bn in the previous year. Azerbaijan's Tourism Revenue data is updated yearly, available from Dec 1995 to Dec 2017. The data reached an all-time high of 3,214 USD mn in Dec 2017 and a record low of 57 USD mn in Dec 2001. The World Bank provides annual Tourism Revenue in USD.

## **Chapter 3. THE PROSPECTS AND MAIN PROBLEMS OF FOREIGN TRADE RELATIONS OF AZERBAIJAN**

### **3.1. Strategic interests of Azerbaijan in the context of joining the WTO**

The WTO participation is an issue for every nation joining exceptionally confused strategies in it, which is characterized by some trademark highlights and it might be kept going from 3 as long as 15 years. The WTO enlistment of Azerbaijan is authentically related to the improvement of establishment. Eventually there are laws in the fields of rule, authorized development and hypotheses that don't fulfill any worldwide rules and WTO very requirements. The WTO enrollment will empower the nation to conjecture the nation's exchange strategy, the dimension of straightforwardness will be expanded, the universal exchange accomplices' number will be expanded and the monetary questions will be settled all the more adequately. It is to be noticed that the fundamental minutes examined inside the horticultural understanding make significant the assurance of dies down maximum farthest point and levies (Richard P., Unholy T., 2003).

As indicated by the investigates made by the WTO participation secretariat under the Ministry of Economic Development of the Azerbaijan Republic and as the examination made in the field of remote financial relations show, the speculators are searching for nations with great venture condition and whose speculation strategy is liable to anticipating. Also, the WTO participation applies significant positive impact on drawing in of outside ventures, as the remote business visionary stores valiantly speculation to the nations where the "national routine" is connected, the other key rule of the WTO (no segregation among neighborhood and remote business people). From this point of view, Azerbaijan, setting close contacts with other part states' delegates will give data in regards to changes emerged in the nation consistently. The situation, to be taken by Azerbaijan while exchanges, is resolved for the most part in 4 key ways:

- On wares exchange;
- On administrations exchange;

- On the licensed innovation
- On the issues straying from WTO rules.

Before revealing the standards of these positions it is to be noticed that to forestall the endeavor of commitments not relating to the nation's financial advantages all the while with exchanges there will be favored the courses of action, for example, directing of business meeting and giving the straightforwardness in the participation procedure (The World Bank Group WTO Accession 2005).

a) The weakest and fields with fare capability of the business, just as the need headings on the different products must be resolved and to ensure them inside the transitional period, the traditions obligations, credits, endowments and the duty concessions must be utilized viably. To safeguard the general dimension of normal traditions obligations at a similar rate, the items whose generation isn't reasonable are to be connected the most minimal obligation and different merchandise – the higher import traditions obligation. As far as possible files (bound levies) giving the security of the mechanical fields which with the assurance of traditions obligations is required must be created and the higher rate of diminishing after the participation in examination with the diminishing rate of the primary exchange accomplices, including nations, which are viewed as contenders on similar products, is to be controlled. Considering that the advancement of the business is incomprehensible just dependent on traditions obligations there must be led comprehensive and extensive small scale monetary investigation on the comparing fields. The diminishing of the prime cost, expanding of the quality and the making of offer open doors for the delivered ware are to be given. These investigates contain thoughts communicated by the legislative delegates, outside specialists and giver associations, just as the youthful masters of the colleges. There must be achieved the endorsement of as far as possible rates of the import traditions obligations on the products with extraordinary significance for the farming territory. There will be utilized all sources in illustration up of a timetable mirroring the dimension of inward help and its sorts in the agribusiness.

There will be led relating examinations and arranged ideas to utilize the sorts of dies down forced limitations in a maximal dimension after the procedure of participation. The concessions gave by the exceptional and separated routine connected to the creating nations inside the GATT must be explored efficiently and there will be investigated their utilization in Azerbaijan ([https://www.wto.org/english/thewto\\_e/acc\\_e/nl\\_e/2018\\_07\\_acc\\_newsletter\\_e.pdf](https://www.wto.org/english/thewto_e/acc_e/nl_e/2018_07_acc_newsletter_e.pdf) - 2018.).

b) There will be drawn up an ACC5 guide to be submitted to the WTO secretariat on the administrations and exchange. This guide needs to contain a strategy, the routine of concessions and focal points connected to the remote and nearby business visionaries in all fields of administrations inside the nation. All the while with planning of reports we need to break down the administrations. For instance, in spite of the accessibility of the high qualified bookkeepers in Azerbaijan, the full progression of this market for the remote specialists may prompt negative social outcomes. The fundamental objective of this investigation is to clear up the current circumstance, to decide the size of advancement and to complete its future introductory estimation. Furthermore, it will empower to give right suggestions and to settle on choice in severe consistence with interior markets' interests while discussion with the nearby business circles. The consequences of dealings held inside the multilateral exchanging framework identified with the advancement of the administration fields are found for all time. It is of significant noteworthiness from the point of view of readiness of right responses to the ideas of undertaking nature by the part states regarding new conditions.

c) Now we can recommend that dealings identified with the licensed innovation won't be hard for Azerbaijan. In this way, as per WTO necessities, Azerbaijan is an individual from most of Conventions in the field of insurance of licensed innovation. In the meantime, the altering of the national enactment in the field of copyright has been now directed. At whatever point, there are visualized to take some different courses of action. These incorporate there must be made works in bearing of joining of WIPO the concessions to Performances and Phonograms,

just as the copyright and the Rome Convention. Moreover, it is to be noticed that there will be done sure chips away at organizing of the mechanical property enactment to the TRIPS rules. There were affirmed new laws "on security of the privilege of fundamental outline topologies" and "on lawful insurance of fables". Azerbaijan takes dynamic part in illustration up and endorsement of the worldwide Convention with respect to the Folklore's legitimate security and it has effectively sent its proposition to WIPO. Over the span of completing of works, the exceptional consideration must be paid to the actualities of allotment of protected innovation sorts, abstract and melodic works of Azerbaijan by Armenia and it has achieve the discipline of Armenia through settlement instrument of questions related to WTO (<https://www.economy.gov.az/en/article/wto/21561> .-2018).

d) The issues veering off from the principles of WTO are related to the WTO discretionary understandings' class. However, while the last participation forms, the created WTO individuals have attempted to embrace commitments in regards to the utilization of the referenced understandings and in greater part of cases they have achieved it. In this way, there will be given uncommon consideration to acing of the WTO discretionary standards and their preparation for trying endeavors on attempted of commitments according to the previously mentioned principles. On the guideline, regardless of it isn't of extraordinary significance, it is required to have time and to draw in certain assets in the most significant phase of participation and it will apply impressive effect on the key arrangements.

As the participation procedure grasps pretty much all fields of the economy, all state experts must be included to this procedure. The specialists utilized by the referenced structure units need to do significant capacities as data supply and planning of archives. In every association, at any rate one representative needs to participate in WTO matters legitimately and in the full working time. Particularly, it is to be noticed that a capable establishment, in charge of coordination everything being equal and associations and having adequate labor needs to complete its action in the state specialist being the facilitator of the WTO enrollment process. The referenced organization must have forces to set contact

with the WTO secretariat, the Azerbaijani Mission in Geneva, just as with the relating establishments of the remote nations separated from the working gatherings existing inside the nation. Considering the experience of the other part nations, it is to be noticed that there will be established a Group of exchanges comprising of high qualified, experienced specialists. The Group will be incorporated, other than representatives having incredible involvement in the field of directing of arrangements, the high qualified experts in all fields. The Group of Negotiations needs to furnish the setting of contacts with WTO secretariat, making of contacts just as leading of respective discussions other than checking on the enrollment records and WTO necessities inside the time before the fundamental stage. It might have an impressive influence in establishing of framework for a consent to be come to amid the reciprocal arrangements. The Azerbaijani Mission in Geneva needs to fill in as a scaffold or the middle person by and between the Group of Negotiations with the WTO secretariat, just as the Missions of different nations situated in Geneva. In any event one representative in the Mission must be capable legitimately for WTO matters. In the event that we consider that from December of the present year, there will be directed exchanges on significant archives as it was concurred in the Cancun Round in Geneva inside the system of WTO, it would be imperative to name the Mission head before this term having knowledge in WTO field. For the most part, giving of the adequate straightforwardness in the participation procedure, furnishing the network with data on opportune premise may avert some nonconstructive positions. The media agents must be welcome to all courses of action sorted out by the WTO secretariat, the participation Commission, just as the Group of Negotiations to illuminate these activities. In the meantime, it would be imperative to sort out the instructional classes and workshops devoted to the procedures emerged in WTO, the theory of this association and the course of the participation procedure of Azerbaijan for the media, just as agents of open relationship in Azerbaijan ([http://amcham.az/wp-content/uploads/2016/11/impact\\_FINAL.pdf](http://amcham.az/wp-content/uploads/2016/11/impact_FINAL.pdf) -2018.).

Before embraced of commitments offered to Azerbaijan inside the arrangements, there will be directed discourses and interviews with the agents of the business and open affiliations. In this association, it will be intentional to set up the Consultation Board comprising of delegates of the comparing units under the Commission. Subsequently, the referenced origination takes note of that instructing of the WTO subject in the higher school's homerooms will empower to framing high qualified specialists at an early date. The issue causing exceptional talks among the specialists is the likelihood of utilizing the preventive activities after WTO enrollment. In this association we need to take note of that the WTO guidelines don't preclude entirely the protectionism, empower the expanding of traditions taxes, don't force forbiddance on the quantitative limitations and permitting and permit sponsoring of certain fields. However, every one of these things must be completed dependent on standards endorsed carefully by general guidelines and legitimate standards.

Hence, the joining of Azerbaijan to WTO won't debilitate the current potential outcomes of our state in directing the remote exchange, very opposite, will make lawful conditions for insurance of national merchants and exporters interests and will empower to the progress of the multilateral exchange practice joined by numerous different nations. In this way, we need to acknowledge and perceive the WTO participation of Azerbaijan as a methods advancing the expansion of the present time frame's monetary changes and in this way abridging the progress time frame in the short run, yet not an objective for enrollment under the ideal conditions. As per the thoughts of the specialists of the Ministry of financial Development, the finish of activities recorded in the previously mentioned origination will possess of its commendable spot by Azerbaijan on the planet exchanging framework, incorporating into the worldwide work share, building up the monetary relations with different states, invigorating of financial advancement lastly giving of the economy's change. The objective of the Azerbaijan Republic's administration to be WTO part and the principle matters to be favored by it while arrangements might be named pursues:

1. Accelerating mix procedure to the world monetary framework;
2. Benefiting of concessions allowed by the WTO individuals' to each other;
3. Completing of exchange exchanges dependent on general standards perceived by WTO with the dominant part nations of the world;
4. Achieving the expanding of help to the financial changes in the nation by the universal associations, just as the nations;
5. Including of outside interests in an extraordinary sum after use of the WTO rules.

The general genius and cons of the Azerbaijan enrollment to WTO might be evaluated from different perspectives and the relating disposition on this issue isn't described uniquely by processing the focal points hover of the nation and the characterization of these favorable circumstances on different divisions are significant. In the current conditions, the a matter of contention has not occurred around the bipolar methodologies with respect to the WTO participation, yet additionally discover ways verifying the more preferences of Azerbaijan from WTO promotion to WTO. The issues of augmenting the inclusion geology of WTO contrasting by its driving job and movement on the planet economy globalized quickly inside the last time are among the most real subjects, which including and irritating both the analysts and down to earth people in the different dimension's logical talks. The WTO bending over backward in the field of most extreme progression of the global exchange, making positive states of free challenge, forestalling the quantitative limitations, making exchange arrangement clear and straightforward serves the viable association of the exchange turnover the base of use of national routines dependent on the free access to the business sectors, including through anticipating the quantitative confinements connected on importation,, just as the verifying the exposure and straightforwardness in the outside exchange routine of the part states. By and by, the import traditions obligations are changing around 0-15% and their normal rate - 7-8%, our nation has attempted commitments before ICF to modify the normal rate as 5-6% diapason. I might want to give comparing precedents in the individual of nations,



the act of which is well-known to me. How about we focus: the import traditions obligations in Kirghizia was changing around 050% at on the eve of WTO promotion and the normal rate was equivalent to 10,74 %. The nation has accomplished the concession of protecting the furthest reaches of obligations on the dimension of half while promotion process inside 3 years and the normal rate on obligations decreased from 2000 was 5,4% in 2003. What's more, in Turkey, regardless of this nation is viewed as the WTO establishers as a GATT organizer, the higher rate of the import obligations being successful conveniently on some rural products reaches even 200%. As to China, the traditions obligations was changing around 0-65 % at the eve of WTO increase and to protect this rate while the promotion this nation was allowed the extra concession term up to 2010. By and large, for data reason we need to take note of that the transitional term for the levy concessions while WTO increase was 9 years in Latvia, 7 years in Kirghizia, 5 years for Georgia and 4 years for Moldova. This term is 12-25 years for specific nations (China, India and so on.).

The WTO advancement of Azerbaijan is direct related to the improvement of the order. Before long, there are such laws in the fields of rule, authorized development and theories; they don't meet the requirements of worldwide models and the necessities of WTO. The WTO advancement will enable the country to figure the country's trade game plan, because of which the straightforwardness will be extended, the amount of overall trade associate will be extended and the financial discussions will end up being continuously amazing. It is to be seen that the standard minutes discussed inside the structure of plant understandings join the affirmation of the farthest reaches of subsidies and obligations spared to this field.

Every year, the European Union nations apportion direct appropriations for exportation of the agrarian items in the normal measure of 350 billion USD and the ventures participating in handling of these items are utilizing these sponsorships. Solidly, the regular normal Sweden rancher gets dies down adding up to 33 thousand USD, and the USA and Japan ranchers - 20 thousand USD. In such a case, it is hard to ensure the agrarian market by the lower traditions obligations and

endowments. As indicated by the measurement aftereffects of 2004, the farming segment in the structure of gross yield being 11,4% has achieved a supremacy among the nonpetroleum parts. For the situation on the off chance that we change the improvement of the nonpetroleum part to one of needs of the state's arrangement, the agrarian division will be looked with this peril. It is correct that we reserve the option to get concession from WTO to a ton sponsorships for the agribusiness and its furthest point of confinement might be up to 10 % of the farming generation limit (by and by the maximum furthest reaches of these appropriations for the creating nations is resolved 10% and for the created nations - 5%). Surely, this point of confinement might be viewed as allowable. Be that as it may, the issue is that it is mind blowing the allocation of such appropriations from the state spending plan to the agrarian area. By and by, the Republic of Kazakhstan has looked with this issue and it has gotten the privilege to build this figure up to 5% on account of designation of endowments for farming in the measure of 0,01 %. In any case, the weak chances of the monetary allowance avoided to utilize this right. Considering that the horticulture is the fundamental recorded of commitment in Azerbaijan and the people utilized in this part have made monetary units to meet their own needs, yet not for business reason, we can gauge as respects the augmentation size of the peril. In such a case, it is known already that the segment of horticulture will be looked with issues while WTO participation of Azerbaijan. For the most part, the recorded to be presented to the adjustment rot in this setting won't be confined uniquely with the agrarian area. The circumstance of the money related, banking, protection and other administration segments managed inside numerous years orientation of the remote capital has not be outside the consideration. A t all records, our issues will grasp the mechanical preparing field and it is past any questions, as, this field is administered by the flawless business rules. We have considered that the inclination of value increase in vitality bearers inside the last time would limit the potential outcomes of the agrarian and mechanical fields both in the quality and the cost challenge. Regarding the WTO increase we might be denied from the arrangements help transported to a nation

where we can't mediate. Be that as it may, this denial won't be connected to the organizations, such the World Bank and UNO. For instance, if there is emerged a highly sensitive situation in a nation and one of part states plans to assist it with arrangements, it will be connected a few confinements. For this reason the nation with plans to render help needs to give adequate contention and needs to change its choice with the part states. The WTO secretariat has achieved this end after the involvement in Ethiopia. Thus, this nation has conveyed arrangements help inside 10 years and there was not made any good conditions for animating the movement of ranchers. To anticipate other WTO individuals not to look with such issues, the WTO is applying a restriction in this association. It is proper to make reference to here that the non-part states are qualified for render help to the part states.

The main zone which can get away from this risk might be the oil part, as at any variant it will be artlessness to consider Azerbaijani oil not set allowed to Europe. In addition, the WTO has no unique conditions regarding the oil part. The issue is that as indicated by the understanding came to among WTO and OPEC (Organization of Petroleum-Exporting Countries) displayed as a man of his word understanding, for the time being the oil matters are not in the focal point of consideration of a nation controlling the worldwide exchange rules. Structure this perspective really the conditions identified with the oil area are not a topic of exchanges in regards to the Azerbaijan WTO promotion. In any case, as the last dialogs sorted out by WTO show, this issue will end up topical inside the prompt future. It wound up topical after enrollment of Saudi Arabia to WTO. The issue is that the referenced state is the greatest oil maker and this current nation's economy depends straightforwardly on oil. In addition, the goal of Russia considered the second greatest oil maker of the world to join the WTO at an early date illuminates regarding including the "oil matter" to the WTO motivation. Starting here of view, the recommendation that there will be shaped extraordinary states of WTO regarding the oil segment is expanding. Consequently, the issue whether Azerbaijan will get away from these potential conditions is identified with when our nation will joint this association. In the event that the participation matter is

remained excessively long, the proposals with respect to getting away from the oil division from the procedure are decreased.

The another factor, which may influence our current beginning circumstance at the eve of promotion isn't to understand the obligation of the WTO participation in the creating nations, the little involvement with regards to coordination and the staff lack. In this way, it will be critical to set employable and powerful action at the eve of promotion on the fields grasping different fields. The obligation regarding this action may not be forced distinctly on the secretariat on WTO enrollment. Then again, other than well-experienced negotiators, the lack of high qualified experts on all fields whom there will be had exchanges, non-accessibility of the experts for demonstrating the damping tasks in the field of global business and business law will make other basic issues for Azerbaijan both at the eve and after enrollment process.

The nonappearance of auxiliary and point of view investigation of the national economy at the eve of the nation's WTO increase, the skilled logical research papers on readiness of the challenge resilience records of the fields and sorts of items offer conditions for experimentally grounded contentions in endorsement of choices while noting the exchanges and request and in the meantime limit the express authorities' move potential outcomes. To moderate the issue's warmth it will be urgent and important to give the skillful task of every single basic unit starting from the parliament with respect to this procedure. Over the span of execution, it will be urgent to trades thoughts with the business structures and logical research ventures, just as the specialists. With regards to the referenced procedure, it's leading inside the structure of participation with Mass Media Means and NGOs tons of straightforwardness doesn't offer spot to the previous ones by its significance. With regards to the NGOs and the logical research ventures, it will be indispensable to reinforce their movement in course of examination. The topic of examines made by them incorporates the work division inside the nation, the task of the merchandise outright need from the perspective of the issue of exportation and open doors for substitution of products. This stage

needs to uncover weak and solid parts of the focused capacity both at the eve of WTO enrollment and in context and the challenge continuance lists. Also, the got practice will assist us with increasing the points of interest and to diminish inconveniences and to give the reasonable exchange. The other reason which causes challenges might be the frame of mind of our united neighbor. The reality of our principle and viewpoint exchange accomplice's (Russian) achievement in WTO participation process, which has adjusted off dealings and ventured to the last phase of marking the conventions, bears ground for its promotion to this association before Azerbaijan. In such a case, it is surely that after Russian increase to WTO it will begin to exchanges with Azerbaijan on certain commitments. We must be prepared to the exchange weights of Iran our neighbor. The non-enrollment of this state WTO may irritate the circumstance and develop up the adjustment relapse in certain zones that may make ideal conditions for it to get a handle on Azerbaijani markets, which are not ready to suffer against the challenge. We need to consider that for Iran it isn't just a basic monetary intrigue, yet in addition an issue continuing from political and key targets. Be that as it may, it doesn't imply that we need to move to one side from this procedure. At any case the geniuses which will be gotten after WTO promotion for the network, shoppers and exporters. As it was noted over, the primary standard of WTO is to counteract separation in the remote exchange and to give the free access to the part states markets. The significance of these standards for Azerbaijan stays unquestionably sound. For sure, the quantitative limitations connected to the import tasks infer a genuine obstruction in the field of utilizing the chances of business zones participating in remote exchange for improvement of the national economy. Directly, the quantity of these quantitative confinements is 7.

There are not kidding issues regarding verifying the straightforwardness and exposure in this procedure. Subject to the actualities inferring the expansion of the dormant turnover's ability of the outside exchange step by step and the bare certainty of segregation, the WTO potential outcomes along the lines of settlement of these issues look like imperative. On the off chance that we consider that to be

specific as a result of issues brought about by the inactive turnover of the remote exchange, every year the state spending loses assets in millions dollars and also the entrance of different products to the national market outside the traditions leeway has extensive influence in shaping of out of line conditions for rivalry lastly in encroachment of the free business enterprise, at that point the usage of game plans continuing from WTO's primary standards may aid settlement of numerous issues established in the outside exchange. We are of the sentiment that giving unique consideration to the upsides of the WTO participation doesn't mean talking about the single direction wager stars of the enrollment. It is a long way from reality for Azerbaijan, yet in addition for the created nations with the stopping width. The enrollment "charges" for WTO makes contingent on presenting a penance.

Considering that WTO participation is a confused procedure and it pays various profits for different nations and causing a few challenges in the national economy, it is smarter to talk solidly about positive and negative aftereffects of enrollment to this association for the Azerbaijan State. In any case, it would be increasingly convenient to gather the ace and cons to be gotten because of this procedure from the conventional perspectives of exporters (makers) and merchants (purchasers). Absolutely, in the two settings, the general public will have some star and cons, we need to express frame of mind in this association. As per our feeling, expanding of focal points of the WTO participation depends impressively on the national economy's structure and improvement level.

Hence, initially our economy must be prepared for this procedure, to assemble chances of tact and to acquaint a correct methodology with the issue. There are different realities to be viewed as that the participation to WTO isn't a reason, yet a methods. Through WTO we may expand our potential outcomes to wind up incorporated to the world economy, change our remote exchange, just as forestall the quantitative and specialized limitations, improve the traditions control methodology, to build straightforwardness, accelerate the inclusion of dynamic strategies and advances, know-how, licenses and other driving developments to our nation, modify our laws to the globally perceived gauges and to ensure our

copyrights. Then again, we stick our expectations on the way that after the WTO participation the world's driving banks and insurance agencies will put funds in the part state economy lastly there will be shaped ordinary budgetary framework, enormous cash and long haul credits will settle the capital issues of the non-oil segment of the national economy. In the meantime, it is to be noticed that the WTO doesn't restrict the protectionism, permits expanding of taxes and appropriations, yet all these must be inside the system of standards concurred and endorsed because of arrangements. "The WTO works with governments" – it is one of key standards of the association. For this situation, does this rule imply that the referenced association won't participate with structures, just as business foundations stayed outside the administration?

The official response to this inquiry of WTO is basic: not in any manner! The issue is that one of the key issues talked about in the field of enrollment to WTO incorporates in particular the business visionaries' focal points and impediments. What's more, the issue isn't just in incredible measure of business people star and cons. Unquestionably, each state is keen on inferring of incredible benefits of any change. In a transitional nation as Azerbaijan, determining benefits of business visionaries of the WTO participation is significant and positively it doesn't rely upon the referenced association, however on the dimension of association of this action. The WTO participation implies the shaping of improved administrative base.

The financial improvement, just as the industrialization is straightforwardly identified with the nation's outside exchange approach. This issue assuming genuine: all nations pursue intently the worldwide outside exchange strategy going for accomplishing achievements in and profiting by the remote exchange. The fundamental highlights of the monetary framework settled upon much of the time by us and topic of exchanges held in the universal field incorporate leading of orderly and fast adjustments in the state organization framework. Starting here of view, on a worldwide sense, it will be critical to accomplish basic positions for Azerbaijan and positively on account of essence of some postponements in this

field it builds the likelihood of negative impacts of expedient adjustments in the worldwide field for Azerbaijan.

### **3.2. Prospects for expanding the share of the non-oil sector in Azerbaijan's foreign trade in accordance with the strategic roadmap of the national economy**

Vital Road Maps on the national economy and the primary parts economies are called upon to guarantee the economy's aggressiveness, its consideration and improvement of social welfare based on feasible financial advancement in Azerbaijan. Reacting to worldwide difficulties, because of venture assembly, good condition with the expectation of complimentary challenge, access to business sectors and advancement of human capital, Azerbaijan will fortify its situations in the worldwide economy and will join the rundown of high-yielding nations.

The key bearings of the key guide on the national economy and the principle parts of the economy were endorsed by the President of the Republic of Azerbaijan, Mr. Ilham Aliyev on December 6, 2016 and in the fitting request, key guides for the national economy and 11 parts of the economy, in the general comprising of 12 records, were exchanged to the Analytical and Communication Center with directions to lead checking, assessment, and correspondences on the usage of these key guides. The key guide for the eventual fate of the national economy covers short-, medium-and long haul periods, and comprises of a monetary advancement methodology and activity plan until 2020, a long haul vision for the period until 2025, and a dream vision past 2025 (Aghayev R., Zhorab I., Mehtiyev A., 2013).

This report covers the objectives and standards of advancement, yet in addition worldwide patterns in all zones, 360-degree diagnostics of the economy and SWOT investigation of the present circumstance, arranged measures, required speculations and markers of results. Concentrating on the needs chose for the time being, it is wanted to make an establishment for monetary development in the medium-and long haul periods. The key guide will add to all elements of monetary



improvement, including correspondence openings and collaboration with neighborhood and universal agents of the private part. Open ventures will go about as an impetus, and the private segment will be the train of monetary advancement. The fundamental highlights of the prospects for the national economy Over the previous 10 years Azerbaijan has modernized its framework because of its effective oil system, the economy of non-asset assets has been created because of the current wages; government disability improved; expanded state resources, just as made key outside trade saves that surpass the dimension of GDP. Starting in 2014, because of the sharp decrease in oil costs and the monetary emergency confronting exchange accomplices, in the midst of the progressing forms in the nation, specifically, the stoppage in financial development, institutional and auxiliary changes, the equalization of installments shortage and the non-oil spending plan, changes in the money related and banking areas, there was a need in Azerbaijan for another way to deal with monetary improvement. The structure of the national economy can be continued through further improvement of the business condition, the utilization of another approach inside the system of the medium-term procedure, the rebuilding of the money related and banking framework, and the improvement of financial strategy dependent on skimming trade rates, outside business sectors. Hence, four vital objectives were picked inside the national financial viewpoint. Accomplishing these objectives and actualizing guides for 11 segments will open the likelihood for manageable monetary advancement by adjusting the genuine and money related areas. As per the main vital objective, financial soundness will be guaranteed in Azerbaijan and a money related approach dependent on the skimming trade routine will be framed (Musabekov R., 2009).

Coordination of financial and fiscal approaches will guarantee macroeconomic steadiness. Inside the structure of the national financial point of view, the second undertaking is to expand efficiency in the exercises of lawful elements with a huge shareholding having a place with the state and guaranteeing a dynamic monetary improvement through privatization. The third objective is

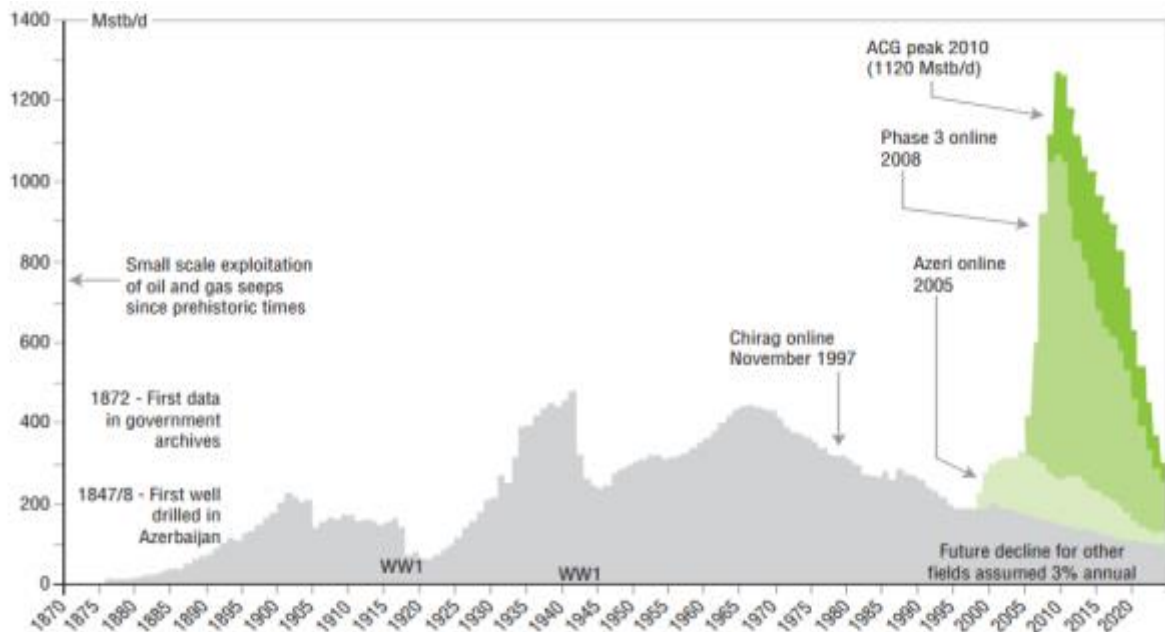
identified with the advancement of human capital, as the improvement of the work market will be facilitated as per the national monetary point of view. At long last, the fourth objective is to further improve the business condition. Additionally secured are general issues of guaranteeing the steady advancement of 11 areas built up with regards to the national financial point of view. In the medium and long haul, the economy of Azerbaijan will create in a domain where it will be presented to different changes. Following such impacts and their comprehension is compulsory regarding beating troubles and exploiting the open doors that they have caused. Despite the fact that the likelihood of event of unusual procedures is high, notwithstanding, the primary markers of the effect of a few worldwide patterns on the worldwide economy in late decades are as of now unmistakable. Probably, four of these effects will be critical for Azerbaijan: moving the worldwide focus of financial capacity to Asia into developing markets, a huge effect of mechanical advancement, a changing geopolitical design, and an adjustment in the cost of oil and gas. Another way to deal with monetary development: a key decision The decision of "development focuses" for the future financial development of the nation is a significant key choice. Because of the decrease in the open doors for the arrangement of significant worth included the model of escalated capital amassing, in the new key time frame, there are two decisions for the nation towards a future development approach: a. work concentrated development model b. development dependent on profitability and proficiency. Reconciliation into the worldwide esteem chain, change to a monetary development approach dependent on profitability and proficiency, in a fitting and coherent period, can turn into a conspicuous vital decision, as far as the nature of financial development and maintainability. In any case, utilizing the open door by consolidating the two models in the short and medium term could give a change to a key decision model in a shorter time allotment. It is particularly important to consider the way that the work power in the areas of Azerbaijan, in correlation with the city of Baku, is to a great extent shabby, and this makes a tremendous

potential for the advancement of a work concentrated bunch in the locales (Yuzbasheva G.Z., 2003).

Nevertheless, the vital decision is to manufacture a way to deal with development dependent on efficiency. This requires a high caliber institutional condition, available wellsprings of financing, legitimate division and specialization of business and, above all, preparation in the field of human capital in concentrated request. Improving business condition. Improving the adequacy of components for state guideline of innovative movement, further improving the nature of expense and traditions organization, limiting limitations on entering the market, and in the meantime giving conditions to free challenge will improve the business condition. In the meantime, constraining the business exercises of the open division (generation, transport, interchanges, monetary administrations, and so on.), the development of chances for private activity is significant. Extending the wellsprings of financing for another development approach is one of the significant issues on the change motivation. Above all else, it is important to affirm the capability of open and private wellsprings of financing, and try critical endeavors to support outside venture. Government subsidizing. Most importantly, it is important to back need areas of improvement. Further, these equivalent territories can be financed through area loaning by the National Entrepreneurship Support Fund and different wellsprings of subsidizing. Putting resources into private reserve funds. Improving the business condition can invigorate undertakings and family units to contribute their reserve funds as speculations, adding to monetary advancement. Development of remote wellsprings of financing. Increasing speed of legal and lawful changes, guaranteeing the standard of law in the nation can give a drive for further extension of business activities of remote financial specialists. Alongside the usage of these changes, the holding of speculation fairs abroad seriously, the arrangement of explicit motivations for putting resources into need segments (under indistinguishable conditions from for residential speculators) can encourage the arrangement of outside financing In request to guarantee the

viability of the new development model, it is important to improve and modernize monetary approaches.

**Chart 8: Azerbaijan long – run Production Profiles**



**Source:** Azerbaijan Statistical Committee, 2019

The key audit until 2020 plans to advance the improvement of the establishments for structure the economy for 2025 and past. Alongside the safeguarding of Azerbaijan's significant job in vitality security and the advancement of transport and coordinations halls in Europe, the economy will continuously create in the territories visualized in the Strategic Roadmap. The principle objective is to build the broadening and specialization of the economy, increment incomes and disseminate them impartially by making more prominent incentive in the non-essential area. In the course of recent years, benefit for oil has expanded the dimension of business. By the by, because of the way that the work force in the oil segment is powerless, the quantity of representatives straightforwardly engaged with this part is just 1 percent of the complete workforce. The 2020 vital audit likewise incorporates further development of market passage openings. Improving exchange framework and expanding exchange receptiveness ought to be so blended with the strategy of ensuring

residential markets so that because of normal utilization of regular assets, a huge piece of the assets stay in the nation and genuinely dispersed (Ahmadov A., 2014).

It is conceived to apply the "brilliant principle" to unravel the reliance of the primary macroeconomic pointers, specifically, the state spending plan on unsustainable oil incomes. Subsequently, a fair dissemination of gathered oil incomes between ages will be 46 guaranteed, and the volume of SOFAZ exchanges to the state spending will be connected to the requirements of practical financial advancement. Cost security, accomplished through money related arrangement, will build trust in the national cash, help in forming a restrained financial strategy and will positively affect monetary development. To put it plainly, the assignments of money related approach, the targets of the development of the monetary system and financial development will bolster each other on an equal premise. The profundity of monetary markets, just as the assortment of administrations, their quality and gainfulness will increment.

Key outline for the period after 2025. The audit for the period after 2025 conceives the arrangement of a solid aggressiveness and a comprehensive economy dependent on the advancement of high innovation and an ideal monetary structure that guarantees an improvement in the government disability circumstance and the accomplishment of an abnormal state of the human improvement list. Publication on crucial vision Strong average workers, significant specialization in districts with advantages, convincing compromise with the world economy, ensuring national financial security and made system will be the guideline backbones of the key vision for the period after 2025. Azerbaijan will be centered around executing squeezing, conclusive and changed evaluations that will make the world handy and strong according to the United Nations Sustainable Development Goals. 52 In the period after 2025 the principal primary purpose of Azerbaijan's economy will be an engaged work control. In particular, more thought will be paid to crafted by youth and women. Through establishments that assurance the execution of versatile methodologies in the work publicize, social talk will be made and far reaching business will be extended. The headway of human capital in

Azerbaijan, not similarly according to the necessities of the national economy, yet also with the requirements of a globalized world economy, will make conditions for overseeing development, which will provoke progressively conspicuous preservation of noteworthy worth in the country (Mikheeva, N. N., 2016).

A solid, exceptionally specific and creative workforce will assume a significant job in fortifying Azerbaijan's situation in worldwide esteem chains. Upgrade of chances in the field of advancements, make conditions for the workforce of Azerbaijan, complete fare exercises in various circles in the arrangement of administrations. The improvement of expert abilities, just as the compelling utilization of work assets, will result in the accomplishment of the dimension of work profitability in Azerbaijan in the dimension of the nations of Eastern Europe as per the significant pointers. When all is said in done, beginning from 2025, over the span of actualizing work showcase guideline, consideration will be paid to the effect of high advancements, including the presentation of canny machines and frameworks, just as elements, for example, the development of correspondence abilities. In the period after 2025, Azerbaijan will give considerably more consideration to natural security, as decreasing carbon dioxide emanations will make conditions for cleaner air, water and soil from a biological perspective. Continuing from the guideline of vitality proficiency, the vitality spent on the creation of every unit of GDP will be limited, and in the period after 2025 the offer of sustainable power source will be expanded in the vitality parity of Azerbaijan. Moreover, taking as a reason for ecological parity, a viable framework for waste administration will be created, including unsafe gases, wastewater treatment and the board of radioactive waste.

Until 2025, the Strategic Road Map gives a normal yearly genuine development of in excess of 3 percent of GDP, and what's more the production of in excess of 450,000 new occupations accomplishing the offer of remote direct venture sent to non-oil GDP by 2025 from the current 2.6 percent to 4 percent. Outside financial specialists assume a significant job in the expansion of the economy. Along these lines, the dedication of remote examiners fuses fixed

capital, but then, the introduction of new capacities, headways and frameworks organization openings essential to enter new pursuits and regard chains. Expanding of the economy requires pulling in the greatest number of interests in the non-oil fragment. A development in the idea of charges of the non-oil territory from \$ 170 for each capita in 2015 to \$ 450 for each capita in 2025. In 2015, the import demand in the Azerbaijani economy was \$ 1,000 for each capita. To ensure balance with imports, in 2015 Azerbaijan exchanged product the proportion of 1500 US dollars for each capita, and 90 percent of these product were oil and gas things. Modifying the charge of product and undertakings with imports is basic for the money related opportunity and soundness, in any case, in order to diminish dependence on oil costs, it is essential to convey more non-oil things. Creation by 2025 of up to 150 thousand additional occupations in the section of trade product and endeavors, for instance, the age and the movement business territory (Neffke, F., Henning, M. and Boschma, R., 2011).

Giving new vocations to inhabitants is constantly a need of the state. In any case, in specific divisions, the money related impact is much more noticeable than in others. In order to widen conveys, in the zones of trade product and adventures busy with the age of items (for example, mechanical product or sustenance) or organizations (the movement business or transportation) that can be sold at another worldwide measurement, the creation of new occupations is compulsory. Individuals in the trade stock and 56 organizations face worldwide test, and this regularly prompts brisk improvement in productivity. Diminishing the dependence of the state spending plan on SOFAZ trades. Today, reliably manat spent in the state part (around 50 percent) is financed by trades from SOFAZ. This figure should be diminished to 15 percent by 2025. The whole by which SOFAZ can make a trade is immovably related to its salaries and new oil costs. This dependence is one of the standard purposes behind the certified impact of oil esteem changes on the economy of Azerbaijan. To fabricate the idea of private enthusiasm for the economy, it is basic to have a consistent advancement rate and the state spending plan should be less subject to trades from the Oil Fund.

To achieve these destinations, productive use of the key goals and requirements considered in the key aides of the national economy and in 11 parts of the economy is significant. Meanwhile, in order to complete the envisioned measures, it is critical to amass adventures and various resources, in order to ensure ground-breaking checking and appraisal.

As indicated by the evaluations, to accomplish the set needs by 2020, it will be important to put resources into the economy, adding up to 27 billion manat. This sum reflects complete assets for all areas, inside the system of vital guides. The conceived sum will be given to the detriment of a wide range of open and private sources (nearby and remote). Notwithstanding the objectives for the economy of Azerbaijan until 2020, these speculations will fill in as an establishment, as far as effect on the objectives predicted for what's to come. The ID of new vital objectives for need or other financial areas will help with accomplishing higher objectives for Azerbaijan, in accordance with the positive direction of needs inside the Strategic Roadmap.



## CONCLUSION AND RECOMMENDATIONS

In the states of globalization and coordination of the world economy, the direction of the national economy that depends just on oil and the generation of crude materials is incredibly wasteful. Guaranteeing the practical improvement of the national economy requires expansion, for example the advancement of ventures delivering instant, trade arranged items. This will enable the republic to get extra remote cash. In the long haul, Azerbaijan defines an objective to achieve the dimension of exceedingly created nations of the world, yet the sectoral economy does not enable it to be accomplished, so just the differentiated economy accomplishes this. Every single created nation of the world set an objective to deliver items with high included esteem, for example creation of cutting edge, science-concentrated items.

Lamentably, the current structure of the Azerbaijani economy is arranged toward the creation of crude materials, predominantly oil and gas. The costs for oil and gas are very unstable, other than they don't give the conditions to stable financial advancement, for the usage of science and innovation accomplishments. It is important to consider the factor of financial circumstance around the republic and the state of its neighbors, principally with Armenia. To this end, Azerbaijan must enhance its economy, since the nation has an incredible potential as a characteristic factor and the land position of the nation likewise makes remarkable open doors for this. For accomplishing the set objectives it is imperative to utilize remote experience of monetary broadening and as a matter of first importance of such nations as Kazakhstan, Indonesia, and Malaysia.

Expansion ought to enable Azerbaijan to create businesses important to address its issues, notwithstanding guarantee its crucial advantages. It is sufficient to say that regarding half of every single farming item expended in the republic are imported, and building results of about 80%, it pursues that the outside trade assets got in the clearance of oil and gas goes for imports, which is very insufficient. Considering all the above mentioned, the legislature of the republic is taking genuine measures to enhance the national economy, specifically, the President

marked an announcement 58 to build up an arrangement for a vital guide for the improvement of the national economy, which gives 11 headings to the advancement of key enterprises that ought to set up completed and trade situated products. In understanding with this arrangement, it is intended to make modern groups in all locales of the republic, this is done to lessen contrasts in the dimensions of improvement of districts, to guarantee a steady dimension of their mechanical improvement and eventually furnish the republic with the important mechanical items. Be that as it may, this does not mean complete refusal to create oil industry, since there are huge stores related with the progress from the fare of crude materials to the fare of completed items. Get the job done to take note of that at present there is such a circumstance, that the fuel created in the republic is of very low quality and cost. As our investigations have appeared, the improvement of a post-oil differentiated economy requires extensive money related assets and institutional and auxiliary changes at the authoritative dimension, i.e. formation of ideal financial conditions for the advancement of a multi-sectorial and send out situated economy, including drawing in capital from neighborhood and outside speculators.

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2. [https://www.wto.org/english/thewto\\_e/acc\\_e/nl\\_e/2018\\_07\\_acc\\_newsletter\\_e.pdf](https://www.wto.org/english/thewto_e/acc_e/nl_e/2018_07_acc_newsletter_e.pdf)
3. <http://www.economy.gov.az/index.php?lang=en>
4. <https://www.economy.gov.az/en/article/wto/21561>
5. [www.stat.gov.az](http://www.stat.gov.az)

## APPENDIX

### Appendix 1. World Development Indicators

Country Name	Country Code	Indicator Name	2013	2014	2015	2016	2017
Azerbaijan	AZE	Trade (% of GDP)	74,97817194	69,4664495	72,6015079	90,0773187	90,6635907
Burundi	BDI	Trade (% of GDP)	41,64117356	41,3070023	35,9932017	38,1563092	
Belgium	BEL	Trade (% of GDP)	162,2186431	164,710002	160,229325	164,544703	169,402711
Benin	BEN	Trade (% of GDP)	69,45469817	76,5288051	68,0186794	71,3146788	79,3859919
Burkina Faso	BFA	Trade (% of GDP)	67,26805089	60,8645087	62,3343771	62,0168474	62,8302616
Bangladesh	BGD	Trade (% of GDP)	46,29640272	44,5140802	42,0859991	37,9543007	35,3039965
Bulgaria	BGR	Trade (% of GDP)	129,7148203	130,967946	128,066671	123,643922	131,122131
Bahrain	BHR	Trade (% of GDP)	191,877805	175,564651	154,067393	139,553543	
Bahamas, The	BHS	Trade (% of GDP)	85,51507396	87,7123014	73,687067	73,4863331	75,4639413
Bosnia and Herzegovina	BIH	Trade (% of GDP)	87,8763814	90,5618503	87,8087489	87,7028959	86,9273442
Belarus	BLR	Trade (% of GDP)	119,8159652	110,651424	115,914826	125,209323	133,552315
Belize	BLZ	Trade (% of GDP)	128,0971039	126,625175	123,574386	110,198639	112,840044
Bolivia	BOL	Trade (% of GDP)	81,23090732	85,2644698	67,9328449	56,4010345	56,7046528
Brazil	BRA	Trade (% of GDP)	25,56186029	24,6854058	26,9536259	24,5742827	24,119757
Barbados	BRB	Trade (% of GDP)	93,49268293	91,4774268	79,000469	82,6199755	80,7131265
Brunei Darussalam	BRN	Trade (% of GDP)	110,9368788	99,3694492	84,8970638	87,3198011	85,1768602
Bhutan	BTN	Trade (% of GDP)	102,7354752	93,6226199	94,9550446	82,8111556	74,0319427
Botswana	BWA	Trade (% of GDP)	122,949083	114,772663	105,691408	97,1295866	
Central African Republic	CAF	Trade (% of GDP)	39,45642407	50,592605	47,1906222	42,7543351	44,2928877
Canada	CAN	Trade (% of GDP)	61,97339492	64,0576229	65,5277353	64,352107	64,062653
Central Europe and the Baltics	CEB	Trade (% of GDP)	118,9265801	122,200025	122,91322	123,595896	126,461152
Switzerland	CHE	Trade (% of GDP)	131,7965514	116,860116	112,768159	120,400214	118,904208
Chile	CHL	Trade (% of GDP)	64,97347661	65,2619539	58,9528438	55,5127032	55,6950807
China	CHN	Trade (% of GDP)	46,56523477	44,8765603	39,4530655	37,0338167	37,8033996
Germany	DEU	Trade (% of GDP)	84,83642578	84,4856725	85,7557866	84,2672667	86,8977278
East Asia & Pacific (excluding high income)	EAP	Trade (% of GDP)	55,85952378	54,4258408	49,4565722	46,9450164	45,2271363
Early-demographic dividend	EAR	Trade (% of GDP)	57,61767106	55,6683826	52,2797562	50,4460241	51,7126275
East Asia & Pacific	EAS	Trade (% of GDP)	63,17053783	62,8685671	57,6851836	53,9859316	
Europe & Central Asia (excluding high income)	ECA	Trade (% of GDP)	58,02148522	59,1261305	59,1285373	57,7723239	60,5819813

Europe & Central Asia	ECS	Trade (% of GDP)	79,88850254	80,0525513	80,3711789	80,0761989	83,0461338
Euro area	EMU	Trade (% of GDP)	83,34985973	84,1382559	85,0187633	84,2681907	87,1282502
France	FRA	Trade (% of GDP)	59,76405507	60,4787965	61,7516939	61,1288953	62,8660321
India	IND	Trade (% of GDP)	53,84413195	48,9221857	41,9466799	40,3491793	40,642074
Ireland	IRL	Trade (% of GDP)	193,290657	208,170881	216,186707	221,158016	207,890848
Iran, Islamic Rep.	IRN	Trade (% of GDP)	50,33139786	44,6044203	39,0173007	43,2144601	46,0722044
Iraq	IRQ	Trade (% of GDP)	75,6877193	78,2873538	75,8428231	73,4209949	73,9497571
Iceland	ISL	Trade (% of GDP)	102,4052244	99,5387554	99,0431244	90,4194602	89,8126111
Israel	ISR	Trade (% of GDP)	64,7215838	63,0192667	59,5292132	58,4459743	
Italy	ITA	Trade (% of GDP)	55,46658975	55,759769	56,9220626	56,3510378	59,5145989
Japan	JPN	Trade (% of GDP)	34,14752226	37,5457698	35,5964013	31,2665824	
Kazakhstan	KAZ	Trade (% of GDP)	65,40760933	64,9720347	53,0497288	60,3115966	
Norway	NOR	Trade (% of GDP)	67,49320046	68,5661486	69,8096543	67,4098309	68,5243278
Nepal	NPL	Trade (% of GDP)	48,14600023	52,2551957	53,0952668	48,8758256	51,7747207
Russian Federation	RUS	Trade (% of GDP)	46,19335529	47,698943	49,1772168	46,2253779	46,7280744
Rwanda	RWA	Trade (% of GDP)	46,02053633	47,6326953	52,5473307	48,0330215	51,0172116
South Asia	SAS	Trade (% of GDP)	51,43957171	47,1757787	41,1231546	39,3408114	39,3789367
Saudi Arabia	SAU	Trade (% of GDP)	82,70905724	80,640471	72,074996	61,8620169	61,6751963
Turkey	TUR	Trade (% of GDP)	50,35032451	51,4141042	49,2998658	46,8156466	54,1720503
Ukraine	UKR	Trade (% of GDP)	95,14966578	100,691782	107,081664	104,807438	102,214575
Upper middle income	UMC	Trade (% of GDP)	52,44058888	51,4030851	49,100809	47,372049	46,6107959
Uruguay	URY	Trade (% of GDP)	49,71784647	49,0876241	45,3282408	41,3102262	39,9878244
United States	USA	Trade (% of GDP)	30,22625804	30,1636616	27,8900379	26,5799224	
Uzbekistan	UZB	Trade (% of GDP)	57,48843995	50,1669039	40,8655387	39,6216854	58,0635131
St. Vincent and the Grenadines	VCT	Trade (% of GDP)	83,24525142	82,4288049	91,2873226	91,3401064	83,5834897
South Africa	ZAF	Trade (% of GDP)	64,24175982	64,4345011	61,6001484	60,790525	58,1796282

Source: World Bank 2018



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