

REPUBLIC OF AZERBAIJAN

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ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

FORMATION OF INTERNATIONAL FINANCIAL CENTERS AND DEVELOPMENT PERSPECTIVES IN EASTERN ASIAN COUNTRIES

Speciality: 5310.01 - The World Economy
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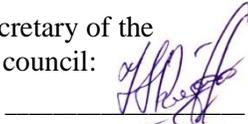
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GENERAL DESCRIPTION OF THE DISSERTATION

Relevance of the topic: The world's governments, acting in the interests of their national economies, have established a more advanced global economic system based on the international division of labour. International financial centres are one of the most functional and vital links that form the foundation of such a growing system. With their liberality, impartiality, legislative, and executive systems, financial centres, which can be both international and regional in terms of economic importance and size, set themselves apart from other economic groupings.

International Financial Centres (IFCs), which include economic organizations, international financial institutions, multinational companies, stock exchanges, service infrastructure, banks, non-bank credit organizations, consulting, audits, cyber security, scientific and practical analytical companies, are *a specific territory with international legal status* established for conducting a variety of financial transactions.

In the international arena, IFCs located in different regions participate in the formation of value on a global scale by realizing certain economic competition among them. As a region, the activities of IFCs in the more progressive and dynamically developing East Asian region in recent years have attracted more attention, and the study of the economic behaviour of IFCs has become urgent.

It is an evident reality that the trade in financial instruments is becoming a separate currency and domain of "financial trade" from the real fields of production and trade. The amount of transaction in currency and financial instruments exceeds real products and services on a daily basis. One of the aspects that make the study significant for us is the implementation of this trade in a single space, such as the IFC. In addition, one of the main points that make the study relevant for our country is the **Azerbaijan's strengthened position in international organizations in recent years** and its great chance to become one of the economic centres. Because of the dynamic nature of its relationships with the IFCs, it will be able to improve in the long run. *There are several reasons why we come to this conclusion* 1) On April

7-8, 2013, Baku hosted the World Economic Forum. The 43rd World Economic Forum, themed “Strategic Dialogue on the Future of the South Caucasus and Central Asia,” has defined Azerbaijan’s regional status from political and economic perspective and relevance in the global community. 2) In 2019, Azerbaijan and the Davos World Economic Forum’s “IV Industrial Revolutionary Centre” signed a collaboration agreement, demonstrating Azerbaijan’s high degree of trust. 3) The Azerbaijani economy has shown competitiveness, development propensity, and reliability in international indexes in recent years.

Level of the study of the problem: Theoretical and practical components of the research issue are represented in the work of scientists who study the global economy and its regional structures to some extent. The dissertation on the prospects for the formation and growth of IFCs in East Asian nations is the first research work in Azerbaijan, despite the enormous number of works in this field.

Despite the fact that the topic was not fully studied by the Azerbaijani scholars, various parts of the subject have been examined by local economic academicians. Thus, A.J.Muradov covered about Asian financial crisis “global financial crisis and anti-crisis policy in public administration”, Z.A.Samadzada studied China and economy of south-east Asian countries, Y.H.Hasanli examined on modelling in the world economy, Sh.H.Hajiyev wrote about foreign economic strategies, F.A.Qanbarov reviewed foreign economic factors for the provision of economic growth in the Azerbaijani economy in the globalizing world, E.S.Rustamov, A.A.Alakbarov and H.B.Rustambayov wrote about national development of the global economy, D.A.Valiyev and A.P.Babayev reviewed the issues associated with forecasting of international relations and theoretical problems of economic crises, R.Sh.Muradov mentioned about behavioural economics, M.Kh.Meybullayev discussed macroeconomic balance and growth factors in the context of the globalization, I.A.Karimli, E.Suleymanov, E.Baghırzada, V.Qasımlı, R.Qasımov, E.Y.Mammadov, A.K.Alasgarov, A.Sh. Shakaraliyev, R.R.Quliyev, T.N.Aliyev, D.A.Baghirova, and A.A.Eyvazov researched about trade, finance and development processes in the

world economy and various aspects of globalization and T. Yadigarov wrote about logistics and international trade routes in their works.

Without diminishing the importance of the research done in these areas, it should be highlighted that there is a need to explore the problem that is important to the topic.

Meanwhile, of foreign economists Li Kuanq Yu researched about East Asian countries including Singapore and M.Al-Jarhin, M.Iqbal, V.Grays, A.Haqqin, Renat I. Bekkin, R.Pradhan and K.Sauvant covered the issues associated with the study of the IFCs of eastern Asian countries and bank-financial system.

Nigel Triffin, George Soros, Calil Anderlin, K. Ali Akkemik, Sadik Unay, Ramazan Kurtoglu, and others are among the economists studying East Asian countries. Their research works include issues about these countries' economic and political development models, global rivalry, and interstate financial institutions. Economists such as V.Popov, J.Williamson, and Jiakun Jacques have used comparative analysis in their studies. Despite the fact that these issues are unrelated to the establishment of international financial centres, they have been crucial in the study of their many aspects.

The focus of the study is the activities of the world's major international financial centres and East Asia's international financial centres in the globalized world economy.

The study's subject is economic relations, particularly the impact on regional countries as a result of the construction and expansion of international financial centres in the East Asian region.

Goals and objectives of the research: The research's major goal is to produce significant findings by investigating and analyzing the process of forming IFCs in East Asian nations, as well as the characteristics of development, in order to scientifically support recommendations that could benefit Azerbaijan's economy.

The goal is set up to solve the following objectives based on the scientific purpose:

- Theoretical perspectives and notions on the creation of international financial centres are investigated.
- Identify the classification, nature, and characteristics of international financial centre formation in the global economy.

- Determine the legal and organizational foundations for the creation of international financial centres.
- Identify the process of emergence of new international and regional financial centres on the basis of the top international financial centres of East Asia, Tokyo, Hong Kong, and Singapore.
- Perform a comparative analysis of the influence of international financial centres on the economy of the region on the basis of international and regional financial centres developed on the territory of China and Malaysia.
- Assess the competitiveness of international financial centres in the East Asian economic space.
- Development of recommendations for the application of the “3 P” model - Projects, priorities, and prospects in the area of international financial services in Azerbaijan.
- Determine potential paths for the Azerbaijani economy’s flexible adaption to international financial markets.
- Conduct a regional and worldwide analysis and evaluation of Baku’s prospects as an international financial centre.
- Develop strategies to improve the population's financial literacy and propose recommendations for ICT development.

Theoretical and methodological bases of the research: We believe that economic theories are at the heart of the process of forming an international financial centre, as evidenced by his research. Economic theoretical views, such as historical, classical, neoclassical, Keynesian, monetarist, institutionalist, post-industrial, and unified theories of civilization, as well as theoretical and legal views, dualism, monism, and coordination theoretical views, are analyzed in a certain order as an integral part of the formation process. The process’ organizational foundations were further investigated and examined.

Historical, comparative, structural-functional, social, technological, and other methodologies have all been utilised in the research. The historical method is based on an examination of the possibilities for the formation, formation, and evolution of economic interactions in the past and today. The research, as well as other approaches, is crucial. In addition, the -dialectic approach was applied.

The study approach is based on methodical analysis, which

ensures the research's integrity and thoroughness. The research process is also founded on the integration of theory and practice. The work approach also included retrospective, trend, factor, and scenario analysis.

The information base of the research includes international reports, indexes, international statistical materials, monographs and dissertations, papers published in scientific journals, official government documents, laws, Internet resources, and periodicals

Scientific novelty of the research: As a result of the research, a number of new ideas (provisions) of theoretical and practical importance were presented, as well as mechanisms, which can be expressed as follows:

1. Unlike other financial institutions, various doctrines, ethno and religious associations have been systematically studied and analyzed, and a different approach has been used to clarify the essence of the formation process, in addition to theoretical views and concepts on the formation of international financial centres. The dialectical connection and reliance between distinct levels were investigated during the formation process, as well as the nature of their influence on one another. On the basis of the IFC's experience in Singapore and Hong Kong, a formula for assessing the efficacy of the IFCs was proposed, as well as the importance of the factor of "historical and political sustainability" in the formation process.

2. After examining the classification, nature, and characteristics of international financial centre formation in the global economy, it was proposed that the factors of formation in Western and Eastern countries be distinguished, and the role of Eastern thinking - behaviourism - be emphasized. Simultaneously, the need of using legal trichonometry and modern legal systems in a hybrid form in creating the organizational and legal basis for the establishment of international financial hubs was emphasized.

3. We foresee new grouping tendencies based on the areas of influence of existing and growing international and regional financial centres in East Asia. According to the findings, digital financial systems must be established in new associations and

domains of influence as one of the subjects of the globalizing global economy.

4. We believe that the administration and services of the international financial sector in Azerbaijan should be the first significant area to be developed in order for Azerbaijan's financial industry to occupy a more important role in the global financial system.

5. Based on the experience of Kuala Lumpur and Labuan, new Regional Financial Centres in China, based on Islamic Finance, are needed to include the North Caucasus, Azerbaijan, Iran, Iraq, Turkey, Pakistan, and Central Asia.

6. New perspectives on the development of digital services, telecommunications, and information technologies in the development of financial services in the Republic of Azerbaijan were formed, and the formation of the Baku International Financial Centre as one of the alternative economic development prospects was proposed during the transition to digital currencies.

7. Liberalization of the process of forming international and regional financial centres, as well as the reduction of administrative load, will be more efficient and practical in light of global experience and models for achieving economic growth in East Asian countries.

8. Proposals for the development of financial markets as well as the improvement of financial market participants' knowledge and skills have been prepared.

Practical importance of the study: For the first time in our country, the question of establishing an IFC to improve the efficiency and worldwide competitiveness of firms and companies is being thoroughly investigated.

The dissertation's findings may be useful in bolstering Azerbaijan's foreign economic and trade relations with East Asian countries; it may serve as a resource for Azerbaijani companies and banks seeking to establish financial and economic ties with East Asian countries' leading banks;

It may serve as an information base for Azerbaijani companies

and banks seeking to establish financial and economic ties with East Asian countries' leading banks;

The dissertation's findings can be used to university courses such as "International Economics," "World Economy," "International Financial Law," "International Financial-Credit and Currency Relations," "Oriental Studies," "Oriental Economics," and others;

The Ministry of Economy, Ministry of Finance, Ministry of Foreign Affairs, Central Bank, national companies, banks, NBCO, consultants, NGOs, and others can all benefit from the existing experience of rising Asian financial markets.

Approbation of research work. The dissertation work was completed in the Institute of Oriental Studies' East-West department under Azerbaijan National Academy of Sciences and discussed at joint meetings of the departments. The author's published scientific publications, as well as international and national scientific conferences, have covered various elements of the research.

The dissertation's primary provisions and results were published in 9 scientific articles in respectable scientific journals recommended by the High Attestation Commission of, as well as 15 conference proceedings.

The Azerbaijan Microfinance Association and Unicapital Investment Company approved the dissertation's practical ideas, and they were accepted for use in future activities. (Reference No. 044/09/2021, dated September 30, 2021) and (letter dated 05.10.2021).

Name of the organization where the dissertation work has been carried out: Institute of Oriental Studies of ANAS, East-West department

The dissertation's structure and scope: The dissertation is 160 pages long and includes an introduction, three chapters, conclusions and recommendations, a bibliography, tables, and illustrations. 186 literature and internet resources have been used in writing the work.

The total volume of the dissertation with a character, indicating the volume of the structural units of the dissertation separately: The dissertation consists of an introduction, three chapters, a conclusion and a list of references.

The volume and structure of dissertation work. The research work consists of an introduction (20077 symbols), 3 chapters (Chapter I – 77044 symbols, Chapter II - 75036 symbols, Chapter III – 69541) results (8504 symbols) and a list of references, 159 pages. 8 diagrams, 2 economic maps and 22 tables are given in the dissertation work.

Contents of the dissertation

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The result

List of used literature

The primary defensive provisions are as follows:

1. International Financial Centre concept, methods, classification, and legal approach analysis

In the geo-economics areas of the global economy, financial mobility and its management is a essential issue. IFCs are used to investigate and manage the problem.

Unlike other financial institutions, the study extensively investigated and examined many beliefs, ethno-religious associations, as well as theoretical ideas and conceptions on the establishment of international financial centres, and took a unique approach to defining the essence of the process.

Thus, IFCs include not only financial and credit institutions, stock exchanges, and banking systems, but also Trans National Companies, NBCO, State and Public Infrastructure Structures, International Trade Networks, particularly online Trade Networks, international law firms, International Courts, Consulting and Auditing Companies, Cyber Security Companies, Scientific Research Institutes, International Analytical Centres, Techno and Innovation Centres, and Companies. These areas are protected by international law, and the laws of the state in which they are located are upheld, as is the law's mandate.

The dialectical connection and reliance between distinct levels were investigated during the formation process, as well as the nature of their influence on one another. It was determined how ethnic and religious traditions influenced the outcome. Based on the experience of the development of the IFCs in Singapore and Hong Kong, the paper underlines the relevance of the issue of **“historical and political sustainability.”** One of the areas in East Asia where tight commitment is required is historical and political continuity, preservation, and respect for traditions.¹

When examining the classification, nature, and characteristics of international financial centre formation in the global economy, it was

¹ А.А.Мусаев., *Аспекты формирования Международных и Региональных Финансовых Центров в Восточных странах // Журнал «Социально-политические науки». Издательский дом Юр-ВАК. Москва, 2015, № 1*

suggested that the factors of formation in Western and Eastern countries should be separated, and the role of Eastern thinking - behaviourism – should be emphasized (c-35). Simultaneously, the relevance of using legal trichometry and modern legal systems in a hybrid format in creating the organizational and legal basis for the establishment of international financial hubs was emphasized...^{2, 3}

2. Calculation of efficiency for the formation of IFCs.

The study provided a formula for calculating the efficiency of investment-oriented IFCs; it is critical to measure the efficiency of IFCs before they are formed. In addition to economic variables, political, geographical, and social elements must all be considered in the computation, and all scenarios can be evaluated using probability theory. The IFC's effectiveness is frequently determined by the desired outcome. The efficiency computation can be done using this formula, assuming that the S-efficiency is the N-result based on the distribution in the conditionally stated formula.

$$\frac{S(a+b+c)(x):y}{d e} = N$$

Here, S-efficiency; a- social-political situation; b- material-technical opportunities; c-demand; x-international interest circles; y-competitiveness; d-probability theory; e-level of influence in the markets; N-result.

3. Classification and the role of East Asia IFC in the world.

Global financial centres classified global, international, and local can be categorized by 1) breadth and depth, 2) diversification, 3) specialization, and 4) new formation. According to the GMM Index for 2019-2021, ten of East Asia's 23 IFCs are global, seven are international, and four are local. Shanghai, Hong Kong, Singapore,

² Ə.Ə.Musayev, *Regional və Beynəlxalq maliyyə mərkəzlərinin normativ-hüquqi bazasının yaradılmasında hüquq sistemlərinin rolu (I-hissə)* // *AMEA İqtisadiyyat İnstitutunun Elmi Əsərləri – Bakı: – 2013. №4,*

³ Ə.Ə.Musayev, *Regional və Beynəlxalq Maliyyə Mərkəzlərinin normativ hüquqi bazasının formalaşmasında dünya hüquq sistemlərinin rolu (II-hissə)* // – Bakı: “İpək yolu” Azərbaycan Universitetinin elmi jurnalı, Bakı, –2013, № 2.

Beijing, Tokyo, and Shenzhen BMMs are among the top ten in the world between 2020 and 2021.⁴ China holds a unique position in the global economy, with 13 international and regional financial centres, including the Shanghai, Beijing, and Hong Kong triads. The Chinese model, which has been introduced to the global market and includes all aspects of commerce, financial services, production, and consumption, might be used to diversify the Azerbaijani economy. Financing issues, a lack of funds, and administrative hurdles have all been resolved, and an efficient and effective management framework has been implemented. State and local government intervention is at a “zero” level. Control has been handed off to service.

4. The International Financial Centre’s formation has been systemized and tabulated.

The first tool factors needed to establish the International Financial Centre have been identified and tabulated.

The business environment factors were then gathered, and infrastructure assessment directions were defined. The study includes important tables. (See Tables 1.7 and 1.8 for more information.)

Table

1	Insurance risk coverage	11	Office rental price
2	Price level	12	Purchasing power of citizens
3	Condition of roads	13	Protection of financial secrecy
4	Global RQQ	14	Foreign direct investment
5	Production logistics	15	Assets regulated by open funds
6	Business environment	16	GETR-global trade stimulation account.
7	Innovation cities	17	Mutual analysis of wages
8	Reliability	18	Rate of operational risks
9	Trust in the government	19	Cyber security
10	Prices for living in the city	20	Network status analysis.

Source: The table is compiled by the author based on the collected data

5. Based on an exemplary model, the financial centres that are considered to be the catalysts of East Asia were analyzed and

⁴https://www.longfinance.net/media/documents/GFCI_29_Full_Report_2021.03.17_v1.2.pdf sah.21.

evaluated.

In order to do this, we did a research grouping based on the notion of geographical proximity (see Table 2.1). We predict that in the coming decades, this grouping will incorporate *digital financial structures*. As a result, the world's central banks are experimenting with the creation of Digital National Currencies. The EWTP (Electronic World Trade Platform) is the matrix (EDTP- eWTP). The WTO Ministerial Conference in Buenos Aires in 2017, along with the World Economic Forum, began promoting the EDTP project to promote the platform. In this measure, the rules of e-commerce as well as B2B and B2C efficiency criteria were agreed upon at the same time. The World Bank and the International Monetary Fund launched the Central Bank Digital Currencies (CBDC) project as a natural extension of these accords. I have given this project the symbolic name "Diji Curr," and I would like to point out that the suggested currency is not the same as virtual currencies or crypto-currencies. As a result, it is proposed that the "Diji Curr" should be made equivalent to each country's national currency - paper money. It is proposed that national digital currencies should be developed within the context of the state's financial and credit policy, based on the different countries' legislation. The CBDC project is still at the conceptual stage. In late 2017, China, the world's second-largest economy in a globalizing globe, began its own digital yuan experiment. Unlike other central banks, China's Central Bank has digitalized financial transactions between large cities. Shenzhen, Suzhou, Xiangtan, and Chengdu were chosen as the test cities. Payments and settlements in this area have been made in digital currency from April 2020. At the same time, China, Malaysia, Korea, Japan, and Australia are testing a unified digital currency as a model, with Singapore as the hub. ⁵

Tokyo, Hong Kong, and Singapore's IFCs are among the region's most experienced and beautiful financial centres. The study investigated the formation experience and development trends of various IFCs in detail, compared them, and created model models.

6. On the basis of China and Malaysia as examples, a

⁵ Ə.Ə.Musayev.Yeni dünya maliyyə sisteminə keçid-Mərkəz Bankların rəqəmsal valyutaları-CBDC., UNEC, "H.Əliyev və iqtisadi islahatlar" elmi konfrans, 06.05.2021,Bakı.

comparative analysis of international financial hubs was undertaken, as well as their impact to the region's economy.

East Asia's population density was first investigated. It is well known that the Asian region's eastern countries, which play a vital role in global economic development, are divided into two parts: Northeast and Southeast Asia. China, Hong Kong, Macao, Mongolia, Japan, South Korea, Korea, and Taiwan are the countries of Northeast Asia. The region has a population of 1.618 billion people, accounting for 22% of the global population. Southeast Asia is made up of 11 countries. Singapore, Malaysia, Indonesia, the Philippines, East Timor, Brunei, Thailand, Myanmar, Laos, Cambodia, and Vietnam are the countries involved. 600 million people live in the region, accounting for 8% of the global population. East Asian countries account for 30 percent of the global population.

We looked at the disparities in economic systems between China and Malaysia's financial centres. China possesses 13 of the 23 IFCs formed in East Asia, as I indicated earlier.

They are also the primary financial hubs for the worldwide "One Belt, One Road" initiative.

Malaysia has two IFCs, one in Kuala Lumpur and the other in Labuan. These financial centres are known as the "Islamic Financial Centre" and play an important role in the global economy, as well as the economies of the area and Islamic countries.⁶

7. Criteria for evaluating the competitiveness of international financial centres in the East Asian geo-economic region can serve as a useful model for Azerbaijani businesses.

World economists and managers have proposed competitiveness, attractiveness assessment, and competitiveness in economic dimensions as the major prerequisites. Several study methodologies and indicators have been used to analyze these situations (p-91). There are three categories of indicators: 1) basic requirements, 2) efficiency improvement, and 3) sensitivity and creativity. As a result, the average

А.А.Мусаев., Формирование и деятельность Международных Финансовых Центров Малайзии // Журнал «Академу», Издательство "ПРОБЛЕМЫ НАУКИ", Москва, 2016, № 3, с. 401-411. , № 11(14), с.34-37.

of these categories can be used to establish 1) the state of actual economic management, 2) the condition of effective economic management, and 3) the degree of economic innovation orientation. We have proposed together a table in the study to help clarify things (c-2.2).

The actual valuation model (a) is used to calculate indices. The real method of computation is based on the competitiveness factor (c) report, which employs instrument factors (b). There are five tool factors to consider,

$a = (b \cdot 5) : c$ - determined the average based on the formula.⁷

See the classification and factors in the table 2.5 and 2.6

8. It covers Azerbaijan's international financial services sector. The "3P" (Projects, Priorities, and Opportunities) model was examined in this area and recommendations were made.

In the field of foreign financial services, our country lacks an autonomous international organization. This activity is currently taking place throughout the state. The Central Bank of Azerbaijan is executing 19 initiatives in the sphere of collaboration with foreign organizations and development agencies, according to the Central Bank's website. However, we feel that including cooperation projects with the Asian Infrastructure and Investment Bank, the Islamic Development Bank, and Islamic Financial Institutions, which might be useful to the Azerbaijani economy, could be advantageous.

International financial services are provided at "International Financial Centres," which serve as an example for the rest of the globe. Azerbaijan is likewise making progress in this regard. Baku was one of the candidate cities for the International Financial Centres Index 2014-2019, and it has been on the main list since March 2018. In fact, China's Dalian is placed 95th, ahead of IFC, with 511 points. It climbed to 57th place in the 27th CMBI in 2020. Due to the pandemic, the 28th and 29th CMMIs dropped to 98th and 107th ranks, respectively.

⁷ Ə.Ə.Musayev., *Azərbaycanda beynəlxalq maliyyə xidmətlərinin təkmilləşdirilməsi və rəqabətqabiliyyətliliyinin artırılması // UNEC də "Azərbaycan iqtisadi inkişaf strategiyası", Beynəlxalq elmi konfransın materialları, Bakı: 24.12. 2019, s.92-97*

We believe that this is only a temporary condition. Baku is ahead of six Chinese cities, according to the 98th CMBI.⁸

Simultaneously, significant work needs to be done to increase the importance of Azerbaijan's financial industry in the global financial system. Management and services, we feel, should be the first key area to expand in Azerbaijan's international financial sector. Liberalizing the process of forming international and regional financial centres, including the implementation of the strategic road map, reducing the administrative burden, and making it available to citizens and entrepreneurs, would be more efficient and realistic in light of global experience and East Asian economic growth models.

9. Existing strategic views for the rapid adaptation of the Azerbaijani economy to international financial markets: 1) four-year plans for 2017-2020, 2) five-year plans for 2021-2025 and 3) strategic visions for the period after 2025.

The first stage has come to an end. The five strategic goals and sixteen priorities have all been met. The steep drop in oil prices on world markets and the recent entry into a pandemic period created serious barriers and hampered the achievement of the expected result in the early years of this phase. Simultaneously, great progress has been achieved in digitalizing the financial system and broad use of the e-government portal. Despite the introduction of various new platforms to improve financial literacy, pandemic conditions have had a negative influence on this area. At ASUE, we advocated a wide range of initiatives in this direction. We do not consider it right that the required investment section in the MXI SYX does not provide for investment in this area.⁹

In this regard, the Baku International Financial Centre provides an alternative to decreasing the state's burden without expending money from the budget. The strategic goals that have been established are quite forward-thinking. The method of their implementation, in our opinion, does not adequately meet the criteria and conditions of real-

⁸https://www.longfinance.net/media/documents/GFCI_Full_Report.

⁹Ə.Ə.Musayev, *Azərbaycanda əhalinin maliyyə savadlılığı problemi və həlli yolları* // UNEC "Milli iqtisadiyyat və iqtisadiyyatın əsas sektorları üzrə strateji yol xəritələrinə həsr olunmuş elmi konfransın materialları, – Bakı: – 24 dekabr, – 2018

world market contacts. ¹⁰

The globalizing world's economic development favours progress by decreasing state burdens, developing the liberal economy, and ensuring liberal tendencies in the global financial system. Towards this directions

- *Prudential regulation;*
- *Strengthening control;*
- *Digitalization of financial services;*
- *Expansion of alternative banking;*
- *Changes in the behaviour of the population;*
- *Increasing demand for new knowledge and skills;*
- *Changes in the operating models of financial institutions.*

One of the most important issues in this field is the creation of a flexible legislative framework based on global experience gained following the financial crisis, with shareholders and bank managers bearing accountability. International risk insurance and the operations of international reinsurance organizations can be used to create more effective and realistic regulations.¹¹

9. Regional and international assessment of Baku's chances of becoming an international financial centre.

One of the alternative views of our republic's economic development is to argue the necessity to examine Baku's establishment as an IFC, based on the principles of the "Vision of the Future" idea. First and foremost, the question may emerge as to whether Baku has the capacity to become an IFC. 2) Does the infrastructure environment enable it? What is the legal status of domestic market entities and regulators? , What is the level of regional cooperation, and is it recognized on a global scale? and 3) what forms and procedures may

¹⁰Ə.Ə.Musayev. *Azərbaycanda beynəlxalq maliyyə xidmətlərinin təkmilləşdirilməsi və rəqabətqabiliyyətiliyinin artırılması // UNEC də "Azərbaycan iqtisadi inkişaf strategiyası" beynəlxalq elmi konfransın materialları, – Bakı: – 24 dekabr, – 2019, s.92-97*

¹¹A.A.Мусаев., *Сравнительный анализ «Электронных правительств» и роль МФЦ в урегулировании экономических отношений в неправительственных организациях // Материалы Междуна родной научно-практической конференция «Национальные экономические системы в контексте формирования цифровой экономики»,Нальчик: -2-3 октября, – 2019, s.142-146*

be employed to establish the status of an international financial centre?

Baku is located on the “east-west” and “north-south” commerce lines, making it a strategically important city. Baku’s geographical location, climatic circumstances, economic strength, and material and scientific potential set it apart from other cities. Baku is evolving in a balanced domestic and foreign strategy, based on the unity of history and modernity, modern scientific and technological advances, and the historical “Silk Road trade.” TAP, TANAP, Alat International Seaport, Alat Free Economic Zone, and other mega projects such as Baku-Batumi-Supsa, Baku-Tbilisi-Kars railway, Makhachkala-Baku-Astara-Rasht southern railway Road, TAP, TANAP, Alat International Seaport, Alat Free Economic Zone, and other mega projects play an important role in the globalized world’s economic development.

In addition, modern industrial parks (SP) and Techno parks (TP) have been established in the country. Sumgayit chemical industrial park, Garadagh industrial park, Pirallahi industrial park, Balakhani industrial park, Mingachevir industrial park, Neftchala and Masalli industrial districts, Sumgayit TP, Baku Engineering University TP, High Tech Park of the Ministry of Communications and High Technologies, technological part of Western Caspian, incubation centre of Azerbaijan State University of Economics, industrial centre of Khazar University, Start-up and Incubation Centre of ADA University, Science-Education-Production Centre of Baku State University are operating. All of these centres work to transform the country’s and region’s economies based on scientific and technological achievements. The development of an independent international financial centre in Azerbaijan will boost its economy’s competitiveness and prestige around the world, and it will be a necessary condition for the country’s economic and political sovereignty to be further strengthened.¹²

Result

The study concluded that;

¹² Ə.Ə.Musayev., *Azərbaycan iqtisadiyyatında ixracda rəqabətliyin və birbaşa xarici investisiyaların artırılmasında Bakı BMM-nin rolu.*, *Azərbaycan İqtisadçılar İttifaqı və Auditorlar Palatasının keçirdiyi “Azərbaycan iqtisadiyyatının strateji yol xəritəsi: hesabatlıq və şəffaflıq problemləri beynəlxalq elmi praktik konfrans, Bakı, UNEC, 2018.*

1. An outstanding model for contributing to our country's strategic economic development is the analysis and research of the emergence and development of international financial centres in East Asian countries, one of the most important parts of the globalizing world economy.

2. As a result of the analysis of theoretical ideas on the construction of IFC, we conclude that "historical-political sustainability," which comprises distinctive national teachings, religious views, and national etiquette, is important in the formation of IFC.

3. It would be prudent to adopt a concept and law for the establishment of a geo-economically and geopolitically efficient Baku International Financial Centre.

We recommend the following measures based on the study's findings and the fact that they can have a significant impact on Azerbaijan's economy:

I. Adoption of the governmental program "On the Establishment of the Baku International Financial Centre," which meets all geo-economic and geopolitical requirements;

II. Establishment of a working group on the formation of Baku IFC,

❖ We suggest the formation of the Baku IFC's organizational foundation on the basis of the visual structure of the new financial centres' organizational foundations (page 45),

❖ The Baku IFC's coordination and linear organizational structures should be developed using the process given on page 46 for forming the newly formed coordination and linear organizational structures of the newly formed IFC.

❖ Define the six primary application-methodological directions for Baku IFC formation:

- 1) = Measuring the competitiveness of IFCs;
- 2) = Calculation of ICT competitiveness;
- 3) = Realistic forecast of internet supply situation;
- 4) = Study of the simplicity of doing business;
- 5) = Analysis of the effectiveness of the government;
- 6) = Measurement of corruption;

III. Establishing Baku IFC formation centres under the auspices of the IFCs of Singapore, London, Shanghai, Istanbul, Qatar, and Moscow, and involving our youth studied abroad in this centre;

IV. As a result of the development of the Baku IFC, to strengthen the management of Baku's infrastructure in the form of ATSC, with citizen participation, to create a control mechanism based on Azerbaijani citizens' investments and shares in regionally important transport projects;

V. Improving the judicial system and forming a new liberal international judicial system within the framework of geo-economic requirements, based on the theoretical foundations of the mixed legal system in the practice of the Japanese HS; regulation of the level of encumbrances of fines and payments by legal norms and adaptation of the population to the consumer basket, adoption of the state program on prevention of speculation and manipulation on the basis of the Islami law;

VI. Take steps to establish investment and secretarial banks, as well as to create the conditions and legal framework for Azerbaijani citizens to participate in regional and international investments, and to develop a mechanism to ensure Azerbaijani citizens' participation in regional and international investments;

VII. Establishment of state initiatives free for citizens to improve their financial literacy. Under the scientific guidance of the Azerbaijan State University of Economics and legislative norms, develop the program "Financial education of all segments of the community".

VIII. Azerbaijan's "3 P" model in the area of international financial services - Analyzing projects, priorities, prospects;

a. = It was suggested that projects with the Asian Infrastructure Investment Bank, the Islamic Development Bank, and Islamic Financial Institutions should be added to this list because they could be beneficial to the Azerbaijani economy.

b. = Based on our viewpoint analysis, we feel that forming the rules around the needs of international financial centres will be more effective and practical.

Analyzing the strategic vision for the Azerbaijani economy's rapid adaption to international financial markets, we feel that reforms based on global experience and the real economies are necessary to improve our country's position and competitiveness. Determined

strategic targets are very contemporary. In our opinion, *the process of their implementation does not fully cover the requirements and conditions of real market relations*. The globalizing world's economic development favours progress by decreasing state burdens, developing the liberal economy, and ensuring liberal tendencies in the global financial system.

The analysis of the directions of development of financial services in the Republic of Azerbaijan leads to the conclusion that determining the directions of formation of *Baku as an international financial hub is more expedient and effective*. We conclude that the following international economic development criteria are key determinants for the construction of financial centres: liberalism, openness of markets, transparency, inclusivity, competitiveness, degree of scientific and technological education, and level of financial education.

The analysis of attracting foreign direct investment, the formation of the domestic market, and increasing export competitiveness has highlighted the importance of liberalizing national economies as a result of the perspective analysis of the strategic roadmap for the development of financial services in the Republic of Azerbaijan.

A territorial characterisation for the development of a new IFC with reference to the existing IFC was deemed necessary in the study. At the same time, we believe that the IFC should be afforded the utmost level of security by the state in which it is located in all of these instances.

The following works of the author on the topic of the dissertation have been published;

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