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Diversification as a New Direction of the new economic model of Azerbaijan

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**Introduction**

After gaining state independence (1991), Azerbaijan carried out a well-balanced structural economic policy, the main direction of which was the creation of a new model of development based on various forms of ownership and the formation of a competitive economy adapted to the conditions of globalization.

In modern conditions, production and social infrastructure, transport communications are being re-created in Azerbaijan, new technologies and production lines are being purchased, new branches are being created in the service sector, the country is increasingly entering foreign commodity markets. At the same time, in order to become an active participant in the modern global economy and the subject of the new information society, it is necessary to diversify the entire economic system of the country and create modern industries and use innovative technologies.

Currently, the prospects for the development of resource regions (to which the Republic of Azerbaijan belongs) are becoming increasingly important both for the world community as a whole and for individual countries, since the demands of a modern economy based on the production of high technology products, technologies and services require their needs development of new competitive industries.

The conducted research will contribute to a deeper understanding of the laws of Azerbaijan's economic development in the system of the modern global economy and effective state policy on the implementation of the innovative and technological potential of the Republic.

For example, complex (FEC) is the basis of for the economic structure of the country and its industries (especially oil and gas) occupy a significant place in the economic potential of the Republic (they account for about 23% of foreign investment, 53% of GDP)

The transformation of our country into the main economic power center in the region became possible as a result of the activity of the modern Azerbaijan's creator, the national leader Heydar Aliyev, especially the strategic steps he took in the field of state building and the implementation of economic reforms.

Creation of the tradition of protection of independent statehood in Azerbaijan is connected with the name of the great leader, but modernization and further strengthening of our state, dynamic development of the national economy - with the name of President Ilham Aliyev.

In general, it is impossible to achieve a radical change in the social and economic life of the country without an accurate definition of goals and objectives, development trends for the medium and long periods, without the preparation of action programs for various sectors. Over the past 15 years, President Ilham Aliyev has strengthened the foundations of Azerbaijan as a state on the foundation laid by the great leader.

Focused on specific tasks, the goal-oriented activity of the head of state ensured a systematic and integrated approach to solving problems related to the political and socio-economic life of the country, enabling the selection of the most effective methods and means for accomplishing the tasks set.

The main directions of socio-economic development of Azerbaijan were reflected in numerous signed decrees and orders, state programs signed by Ilham Aliyev in 2003-2018.

Over the past 15 years, the process of economic creation in our country under the leadership of President Ilham Aliyev has acquired a wide scope. Azerbaijan has become the most promising country in the region. Every citizen of Azerbaijan has witnessed a constant growth of the economic strength and power of our country, has felt the results of economic development at raising the level of his life.

**2.The main directions of the economic development strategy of President Ilham Aliyev**

**2.1. The inability of the Heydar Aliyev's economic strategy**

The happiness of any nation, nation is determined primarily by the fact that they live in an independent and strong state. State independence first of all is a chance for self-affirmation and national self-consciousness of the people that won it. People who take advantage of this historic opportunity and use it effectively achieve national development, and they can also strengthen the foundations of their state.

In the modern history of Azerbaijan, the formation of the tradition of protecting statehood is connected with the name of the national leader Heydar Aliyev. Without any doubt, it is much more difficult to preserve state independence than to gain it. The path of development passed by independent Azerbaijan confirms this once again. During this period, there were encroachments on our state and its independence, but they were resolutely stopped.

If Azerbaijan failed to maintain state independence, we would not be able to implement either the oil strategy or other strategic and transnational projects, whose initiators are. Strengthening state independence has created the conditions for the development of our economy in accordance with national interests.

The brightest and glorious period of the history of not only statehood, but also economic development of Azerbaijan is connected with the name of Heydar Aliyev. The study of political and economic aspects of this period always remains relevant. The idea of ​​Heydar Aliyev that "a state with a powerful economy is capable of much", once again confirms that the national leader has always attached great importance to the development of our national economy as an important component of state building.

Although within the former Soviet Union the economy of Azerbaijan was an integral part of the single national economic complex, it went its way of development, at that time under the leadership of Heydar Aliyev the process of large-scale economic creation began.

Even before the collapse of the Soviet Union, experts noted Azerbaijan as one of the two republics that were ready for political independence economically. This conclusion was based not only on the wealth of natural resources of our country, but also on the prospects for the development of the national economy. So, in the times of the former Soviet Union, Azerbaijan's budget revenues, as a rule, exceeded expenditures. In addition, between the produced and consumed national income, there was a significant difference in favor of the former.

Although Azerbaijan, as one of the "union" republics of the former Union, encountered obstacles and was limited in the possibilities of pursuing an independent economic policy, under the leadership of Heydar Aliyev, he was able to realize his economic potential, national economic interests. Our republic managed to create a powerful economic and human resource potential in all sectors of the economy. On production of many types of products, Azerbaijan occupied one of the foremost places in the former USSR.

The opening of new industrial enterprises in this period, the acquisition of machinery and equipment contributed to a more rapid growth of fixed assets in Azerbaijan compared with other republics.

Since 1993 - from the very beginning of the leadership of independent Azerbaijan - Heydar Aliyev, having far-sightedly evaluated the tendencies of development of the modern world order, he chose the path of development adopted by modern society. This path begins with the elimination of the state monopoly over the economy, the development of entrepreneurship and the liberalization of the economy.

And in 1994, the signing of the "Contract of the Century" laid the foundation for the oil strategy, sponsored by Heydar Aliyev. The measures taken in the framework of this strategy, including the creation of the State Oil Fund, were aimed specifically at ensuring sustainable development, strengthening the economic and social foundations of our state.

One of the important strategic and political steps for the development of the national economy was the adoption on November 12, 1995, of the first Constitution of the independent Republic of Azerbaijan. The new Constitution, defining the form of public administration, the rights and duties of citizens and the state, simultaneously reflected the fundamentals of the economic system, the most important principles of the state's economic strategy.

The rapid social and economic development of our country and its transformation into a power center in the region became possible as a result of the strategic steps taken by the great leader Heydar Aliyev in the field of state building and the implementation of economic reforms. In particular, the measures taken since the mid-1990s have played a decisive role in stabilizing and developing the national economy.

Recall that in 1990-1995 the volume of GDP annually declined by an average of 15 percent. The slowdown in economic growth was accompanied by inflation, so in the early 1990s stagflation was observed in the country. The economic recession that began in Azerbaijan since 1991 was overcome in 1996 - after the implementation of macroeconomic stabilization programs.

In the early 1990s, the price increase in the country reached the level of hyperinflation. Thus, the level of inflation in 1992 was 1174 percent, and in 1993 - 1081 percent. Only after fulfillment of the decree "On Measures to Strengthen Social Protection of the Population and Stabilize the Financial Condition of the Economy" signed by Heydar Aliyev on June 15, 1994, it became possible to reduce inflation in 1995 to 85 percent, and in 1996 to 2.5 percent. With this decree, which provided for a tight monetary and financial policy, consistent anti-inflationary measures began in the country. Since 1996, inflation gradually began to decline, reaching 2.8 percent in 2002.

In the early 1990s, inflation was significantly ahead of the growth rate of wages, which drastically reduced the purchasing power of the population. First of all, social protection of the population required financial stability. And in the conditions of high inflation it was impossible not only to raise, but even to preserve the standard of living. Only since 1996, the curbing of inflation prevented a decline in the standard of living of the population.

The main merits of Heydar Aliyev in the development of our national economy were, on the one hand, in ensuring social and political stability, and on the other - in providing consistent political support for the implementation of economic reforms. Without such a political impulse, it would be impossible to achieve great success in the field of building the economy.

The implementation of economic reforms, providing a constitutional guarantee of improvement of local economy based on the market relations, signing oil contracts, attracting foreign investment in the country's economy, joining our republic to strategic economic projects of international importance, deepening economic cooperation with the world's leading countries became possible in result

the activities of the national leader, the strategic steps he has taken in this area.

I would like to recall one of the thoughts voiced by the great leader Heydar Aliyev: "In five years, Azerbaijan will become a secular state, a republic developing at an even faster pace, with a strong economy and a good standard of living. It depends on the extremely many "ifs ..." 2 Yes! Expressed with all the determination optimistic thoughts of the national leader already justify themselves. In my opinion, the main of these conditions is the growth of the pace of development of the economy of Azerbaijan, translated into market "rails", more rational use of the existing economic potential of the country.

Without a concrete strategy, it is impossible to carry out successfully neither the economic transformation, nor the process of formation of the national economy. The strategy defines the main guidelines for socio-economic development. Without large-scale reforms, radical changes in certain sectors of the country's economy, we could not implement the planned economic strategy. The experience of the countries of the world shows that economic reforms can be successfully carried out only by states that have a strong political will and a determined position. From this point of view, radical decisions taken by the political leadership of Azerbaijan played a decisive role in ensuring the irreversibility of the reforms.

Without political support, the formation of new economic relations is impossible. In this sense, the consistent political and ideological support of Heydar Aliyev's liberalization of the economy, development of entrepreneurship has ensured the irreversibility of the process of economic renewal. Thus, at the initiative of the great leader, a number of decrees and orders were issued to form a new economic system, important state programs were adopted. Support for entrepreneurship in the country has opened up broad prospects for strengthening the private sector. The privatization program that has been implemented since the mid-1990s has paved the way for the process of establishing the private sector.

Important steps have also been taken in the formation of a civil service system that meets the requirements of the modern period. Thus, the Law "On Public Service" was adopted, the process of recruitment to state bodies on a competitive basis began, and the Commission for Public Service was established.

The great leader contributed to the history of Azerbaijan's economic development as an author of radical land reforms. Based on the Law "On Land Reform", adopted in 1996, for the first time in the CIS space the foundation of private ownership of land was laid. This created a legal basis for the formation of the land market and new economic relations in the countryside.

Heydar Aliyev had very clear strategic views on the course and prospects of agrarian reforms.

In 1992-1995, the output of agriculture fell by an average of 12 percent, and in 1992 alone, by 23.8 percent. The decline in the agrarian sector was overcome only in 1998, and since then the production continued in increasing dynamics.

Since 1999, agricultural producers have been exempt from all taxes except land. These benefits are constantly applied to the present.

In the field of implementing economic reforms, close cooperation with international financial organizations is established. Although the Republic of Azerbaijan became a member of the World Bank and the International Monetary Fund (IMF) in 1992, intensive cooperation with these structures, the implementation of jointly prepared economic programs and projects, the opening of credit tranches began in the main since 1995. This is primarily due to the fact that prior to this period, in the conditions of instability of the political situation in our country, international financial organizations did not aspire to active cooperation with Azerbaijan and took a wait-and-see attitude in the allocation of loans. The implementation of joint economic programs and projects began after the stabilization of the socio-political situation.

The economic strategy of Heydar Aliyev for a long time will be taken as a basis in Azerbaijan. President Ilham Aliyev said in his pre-election speeches in 2003 that the general economic course envisaged by the great leader will continue, as he bases himself on the principles of a market economy, free enterprise, the deepening of international economic cooperation, and the implementation of socially oriented economic policy adopted by world civilization.

Today, in the process of reform, the realities of the new economic conditions are taken into account, certain directions of economic policy are brought in line with the requirements of the time and are further improved.

**2.2.THE ECONOMY OF AZERBAIJAN AT THE NEW STAGE OF DEVELOPMENT**

The last 15 years, characterized by the acceleration of socio-economic development, have been extremely successful for the economy of Azerbaijan. The achieved successes were ensured primarily due to the political will and decisive steps of the country's leadership, the preservation of social and political stability, the effective organization of public administration, the implementation of a unified state policy, the precise definition of the main goals in economic development, the sustainable nature of reforms, the implementation of state programs aimed at satisfaction of the real needs of society. During this period, Azerbaijani citizens witnessed the gradual growth of the economic strength and power of our country, at their standard of living, prosperity experienced the progressive changes observed in the economic sphere.

Currently, the technology of reform is being improved. This is once again confirmed by the provision of flexibility in economic policy, parallel structural reforms and institutional reforms, program management based on specific goals and financial sources. Over the past 15 years, a total of 201 programmatic documents have been adopted, including 12 concepts, 12 national strategies, 12 strategic road maps, 94 government programs, 10 national action plans, 23 action plans, 21 action programs, 17 national plans and programs.

Modernization of industry and improvement of its structure are an important component of the economic policy, outlined by President Ilham Aliyev.

Industrial parks and neighborhoods are a new approach in terms of strengthening existing capacity and creating new production sectors, structural changes in industry. Therefore, in recent years, significant work has been done in the country to create such institutions.

In order to develop the chemical industry in 2011, President Ilham Aliyev decided to create the Sumgait chemical industrial park.

In 2017, with the participation of the head of state, the opening ceremony of the Balakhani Industrial Park took place. The proximity of the industrial park to the Balakhani landfill and incineration plant, as well as to the main transport hub, creates conditions for providing raw materials and energy, and the problematic supply of raw materials or products to the market without problems.

And in Mingachevir industrial park, the foundation of which was laid in 2016, it is planned to create 9 factories for the production of light industry products, including yarns, dyes, textiles, garments, stockings, footwear and medical cosmetics. Rapid development of cotton growing requires the organization of new production and processing sites based on advanced technologies.

It is these enterprises that are created on the territory of the Mingachevir industrial park, two enterprises for the production of yarn - a factory for the production of cotton-polyester, produced by the ring method, and a factory for the production of yarns with the open end of Mingachevir Textile Limited Liability Company. In February 2018, President Ilham Aliyev attended the opening of both factories.

The commissioning of such enterprises, created with the support of the National Fund for Entrepreneurship Support of the Ministry of Economy, will help develop the textile industry in the country, constantly provide local manufacturing enterprises with high-quality and cheap raw materials, and also export cotton produced as finished products.

The Garadagh Industrial Park, which specializes in shipbuilding, operates the Baku Shipyard, which builds heavy tankers, marine supply vessels and other vessels.

In the Pirallakhi industrial park, which specializes in the production of pharmaceutical products, appropriate measures are being taken to build factories for the production of medicines, the foundation of which has already been laid. The creation of the pharmaceutical industry, which is a new industry for our country, playing an important role in providing employment, will also provide the population with high-quality pharmaceutical products through local production, reduce dependence on imports and increase export potential.

And in 2017, President Ilham Aliyev attended the opening of the Neftchala industrial quarter created in the country. At present, 9 enterprises engaged in the production of cars, fish feed, plastic products, irrigation systems, polyethylene irrigation pipes, paper cups and ready-made beverages, processing and preserving of fish are registered as residents in the Neftchala industrial district.

Projects to be implemented in the Masalli industrial district, created in 2016, mainly include the production of furniture, building materials, plastic containers, table water, food, carpets and processing of agricultural products.

In addition, in 2017 the creation of the Hajigabul and Sabirabad industrial districts began. Residents of the Hajigabul industrial district will specialize in heavy engineering, special car building, auto parts and composite materials. And in the Sabirabad industrial district, the cotton ginning enterprise, wool-making enterprises, the production of boards, plastic products and building materials, processing of agricultural products and a logistics center are planned to operate.At present, the Ministry of Economy, in accordance with the instruction of the head of state, continues work on the creation of the next industrial blocks.

Industrial parks and industrial districts are of great importance in the sustainable development of the non-oil industry in Azerbaijan, the creation of industries using local resources, the reduction of infrastructure costs in the organization of the production process, the strengthening of cooperative ties between entrepreneurs, and the provision of employment.

The President of the Republic of Azerbaijan declared 2011 the Year of Tourism in our country. Over the past period, hotels and recreation centers have opened not only in Baku but also in the regions, which has created ample opportunities for the development of tourism. If in 2003 there were only 96 hotels and hotels in the country, in 2004-2017 the number of such facilities increased to 550, of which 400 are located in the regions.

The transport communication with the certain world countries, in European Union member states, the Baku-Tbilisi-Ceyhan (BTC) export oil pipeline and the Baku-Tbilisi-Erzurum export gas pipeline have made a worthy contribution to ensuring energy security in the world. It should be especially noted the signing of the final investment decision on the TANAP and TAP projects, surely this is an important condition Southern Gas Corridor, which has an exceptional importance in ensuring the energy security of the region and Europe, as well as the Shah Deniz-2 project. Much of the work on these projects has already been completed.

Thanks to the investment in the transport sector, as one of the developing infrastructure industries, the construction of airports, bridges, tunnels, road junctions, the construction of new roads and railways and other works continued.

Large-scale projects have been implemented to implement the transit potential, including the activities of the transport corridor Europe-Caucasus-Asia (TRACECA), the Baku-Tbilisi-Kars railway was commissioned, the Ro-Ro terminal was opened in the Baku International Sea Trade Complex port, successfully continued projects of construction of highways along the transport corridors North-South and East-West.

To make more efficient use of the country's transit potential, it became necessary to carry out institutional reforms at the state level. As a continuation of this policy, the Coordinating Council for Transit Freight Transport was established. The Coordinating Council was entrusted with carrying out work aimed at encouraging the transport corridors passing through the country, coordinating private companies with state bodies, optimizing tariffs and simplifying transit procedures. The Coordinating Council took a number of important measures to increase the country's transit attractiveness. So, in order to increase the competitiveness of the corridor, coordination among the countries of the region was strengthened, transit times were shortened, procedures were improved, and an optimized tariff policy began.

One of the important projects aimed at economic diversification and industrial modernization was the commissioning of the Azerspace telecommunications satellite and Azersky Earth Surface Satellite.

Over the past 15 years in the regions built or overhauled more than 1600 automatic telephone exchanges, over 1,000 mail buildings. 2013 was announced in our country as the "Year of Information and Communication Technologies".

Reliable provision of the population with medicines at the best prices is of great importance from a social and economic point of view. After the relevant instructions of the head of state to eliminate the chaotic situation that has developed in the market of medicines, and to strengthen control over this area, changes were made to the legislation, and starting from mid-2015, the regulation of prices for medicines began in the country. The process of regulation intensively continued, prices for almost 11,000 medicines that had passed state registration were approved.As a result, artificial overstatement of prices and manipulation of prices for medicines were suppressed, transparency, public and state control were provided on the market of medicines.

Following the decree of the President of Azerbaijan, a pilot project on the application of the mandatory health insurance system began in 2017, and more than 1,800 medical services are included in the basic insurance package.

Although economic development in Azerbaijan is based on market relations, it is complemented by the principle of social justice. The transition to a new pension system and social protection system, provision of mortgage loans for citizens of the country and provision for the construction and provision of social housing for needy people through the State Agency for Housing Construction, created in 2016, reflect qualitative changes in the social policy of the state.

The results achieved by Azerbaijan in the field of social and economic development are reflected in international reports, the position of our country has significantly improved in the rating tables on various criteria. This is a high assessment given by international organizations to the economic and institutional reforms implemented by President Ilham Aliyev.

According to the Doing Business report, Azerbaijan in 2017 reached the 57th place among 190 countries, and in the Global Competitiveness Report of the Davos Economic Forum took the 35th place. At the same time, according to the latest report, Azerbaijan rose to the 20th place in the world on the indicator "Public trust in politicians". And this is an important indicator characterizing the people's great trust in the authorities.

Now in our country a new stage of economic liberalization and structural reforms begins. The main task at this stage is to create an efficient economy, implement an effective social policy based on a healthier economic base. It should be taken into account that Azerbaijan, which has taken as a basis the thesis "The best social policy is the right economic policy", like many countries in Eastern Europe, successfully completed the period of economic transformation.

President Ilham Aliyev by no means accidentally noted the following thought: "From now on, the main task facing us is improvement of the non-oil sector and ensuring the efficiency of the economy." Yes! Social policy can have the power of long-term impact only when it relies on an efficient economy. In this regard, the liberalization measures undertaken in recent years, in particular institutional reforms, should be regarded as serious qualitative changes in the country's economy.

Countries that have chosen the path of a market economy can not ensure their competitiveness through sustained state protectionism, cheap energy resources. All this, as well as in sports competitions, gives a short-term "doping effect" for the economy. We can ensure the competitiveness of our economy only through structural transformation, technological renewal.

A new stage of economic development in Azerbaijan is characterized by the development of the non-oil sector and entrepreneurship, the reduction of poverty, the opening of a large number of jobs. At the same time, our regions are developing, which is accompanied by an increase in economic activity in the provinces. By means of state investments, our infrastructure facilities are being modernized. As a potential branch of the non-oil sector, the services, construction, communications and information technologies, transport, tourism, processing sector are developing. The policy of state support for agriculture is sustainable.

The successful implementation of the update in all areas directly depends on the definition of specific goals related to the development of the country. Azerbaijan has already determined its course of long-term development. This was once again reflected in the adopted state programs, strategic road maps. These documents, pointing to the program management in our country, also cover goals set by President Ilham Aliyev related to political, socio-economic and institutional development.

The Council for Financial Stability, established in 2016, should effectively coordinate measures to ensure macroeconomic stability.

Although the improvement in macroeconomic indicators is significant from the point of view of restoring the economic potential that we lost in the early 1990s, this should not be taken as the ultimate goal and main task of economic policy. The main task facing the current stage of economic reforms should be to ensure the transition from quantitative to qualitative changes.

Large-scale measures implemented under the leadership of President Ilham Aliyev in the social, economic and political spheres open up broad opportunities, all new and new prospects for the all-round development of our country. Today's development of Azerbaijan will undoubtedly enable it to enter the list of countries with a high standard of living, a strong economy in the medium term.

**2.3. VECTOR OF ECONOMIC DEVELOPMENT OF AZERBAIJAN: 2003-2017**

In 2003-2017, gross domestic product (GDP) grew in nominal terms by 9.8, and in real terms by 3.2 times. During this period, the average annual economic growth in the country amounted to 9.4 percent, including in the non-oil sector - 8.2 percent. Measures taken in the socio-economic sphere were aimed at turning economic growth into a factor of economic development.

Reducing the dependence of the economy on the oil sector and ensuring the comprehensive development of industry have been identified as a certain important direction in economics and politics . Although the oil sector plays a decisive role in the country's economy, there has been a significant revival in the non-oil sector in recent years. In 2003-2017, industrial production increased by 2.6%, GDP by non-oil sector - by 2.8%, non-oil industry - by 2.2%, agriculture - by 1.7 times.

The growth of financial opportunities is important feature of the new stage of economic development. This manifests itself in the volume of the state budget, strategic foreign exchange reserves. Over the past 15 years, the state budget revenues grew 16.7 times - from 1.2 billion manat in 2003 to 20.1 billion manat in 2018. The development of the non-oil sector also has an impact on the formation of budget revenues. So, in 2017, the state budget revenues for the non-oil sector amounted to 8.6 billion manat, which is 11.4 times more than in 2003.

Funds directed to fixed assets increased from 3.8 billion to 16.8 billion manat in 2003-2017. In real terms, this means a threefold increase. Practice shows that many oil-rich countries use the proceeds not for investment but for current consumer purposes, so they have not been able to build a competitive and efficient economy.

In 2018, expenditures on public investments, which are an integral part of the state budget, increased 55.5 times compared to 2003, from 86.9 million to 4.8 billion manat. And this means financing large-scale infrastructure projects.

In conditions when investment projects in the world have risen in price, the offer to store petrodollars only in the form of a deposit is nothing but populism. Infrastructural costs that ensure the redistribution of oil revenues should also be regarded as capital invested not only for present but also for future generations.

Strategic foreign exchange reserves increased 26.2 times, increasing from 1.6 billion US dollars in 2002 to 42 billion US dollars in 2017, which exceeds the GDP. If in the early 1990s, 90-95 percent of Azerbaijan's foreign exchange reserves were formed from IMF and World Bank loans, today these reserves consist mainly of foreign exchange earnings derived from exports. The growth of export opportunities of our country plays a decisive role in the formation of foreign exchange reserves.

The ratio of Azerbaijan's external public debt to GDP is less than 25 percent, which perceived as the best indicators in the world. Note that the critical mark from the point of view of economic security is 40 percent.

In 2003-2017, credit investments in the economy increased from 670 million to 11.7 billion manat.

We should not be satisfied with the progress achieved over the past 15 years. On the contrary, our achievements should play the role of a base for carrying out more extensive work in the near future. First and foremost, it is necessary to increase the competitiveness of the economy, the human development index, to ensure the innovative development of our country, to remove the institutional obstacles that can hamper the modernization process.

**2.4. Is the Primary Development of the Oil Sector in Azerbaijan "Pathology"?**

National economy is initially dependent on one or two leading industries that play an important role in solving the problems existing in the country. In Azerbaijan, the function of the locomotive of development had to be performed by the extractive industry. From this point of view, despite the obstacles and pressure, the signing on September 20, 1994, thanks to the political will and determination of the great leader of the "Contract of the Century" laid the foundation for economic development in the country.Thus, Azerbaijan has achieved great success also in the history of its political and economic diplomacy. This achievement was supplemented at a later stage by the implementation of such transnational projects as the BTC oil pipeline and the BTE gas pipeline.

This treaty is of great political importance. So, its signing should be regarded as a confirmation of our state independence. This contract strengthened the geopolitical position of Azerbaijan in the region, created the conditions for further development of relations with the leading states of the world, expanding our maneuvering capabilities as an independent state in the field of political and economic diplomacy.

The economic value of the "Contract of the Century" is also multifaceted. So, this contract laid the basis for the energy security of Azerbaijan. The green light was attracted to attract foreign investment. Our country has become more active in the process of regional and international economic integration.

Although the natural resources of any country form the basis for economic development, they do not act as its decisive condition. Most of the underdeveloped countries of the world, paradoxically, have rich natural resources. This paradox is the result of the absence in these countries of an effective economic system capable of ensuring the realization of the existing economic potential.

The great leader Heydar Aliyev, with the foresight peculiar to outstanding personalities, created the most effective model for managing oil revenues. This model provides for the accumulation of all foreign exchange earnings from oil exports in the State Oil Fund and the centralized use of these funds. Relying on this mechanism, President Ilham Aliyev approved the " strategy for the long-term regulation of oil and gas revenues "

Playing the main role in terms of effective management of oil revenues, the State Oil Fund performs an important macroeconomic function: first, it does not allow petrodollars to exert pressure on the country's foreign exchange market; secondly, increasing its volume through dividends, carries out a cumulative function; Third, it brings the financial system of the country in line with the "regime of the economy without oil."

At present, the oil sector has a decisive influence on the country's macroeconomic indicators, in particular, on the rates of economic growth, the volume of industrial production, exports and foreign investment, budgetary and foreign exchange earnings. And this is natural.

President Ilham Aliyev, while still the first vice president of the State Oil Company, noted in connection with the predominant development of the oil sector that the economy of Azerbaijan will depend on the oil factor for many years, and this is a reality. In his opinion, the oil factor since 1994 has given a powerful in order to develop an economic balance would be naive to believe that today all sectors of the economy of Azerbaijan are required develop definitely the same the oil sector. We believe that this idea, completely logical and far from populism, is based on the existing realities of the Azerbaijani economy.

Take into account the tendencies in the process of economic construction, the macroeconomic situation, the real economic potential of the country, the peculiarities of the national industry, the requirements and conditions of the international conjuncture, and finally, the realities of the transition period.

In general, the primary development of the oil industry in Azerbaijan is due to the following factors and causes:

First, any country that is at the stage of building an independent state and striving for the development of the national economy must have the necessary financial means to carry out the tasks outlined for the immediate, medium and long-term periods. These funds, as a rule, can have countries that have a stable source of income and a guaranteed market for its receipt. At the initial stage, the market for energy carriers, in particular, the oil and oil products market, became the guaranteed market for Azerbaijan.

Secondly, 44 percent of the fixed assets in industry fall to the share of certain part of the resources producing sector. Such a distribution of fixed assets also determines the industrial structure of industrial production, that is, primarily the development of the oil industry.

Thirdly, in countries with a liberalized economy, where conditions for free flow of capital are created, investments are invested in industries with a higher level of profitability. From this point of view, the difference in the oil industry from other industries in terms of profitability contributes to the concentration of capital, mainly in this sector.

The primary development of the oil industry in Azerbaijan in itself does not pose a threat to the country's economy. At the same time, at the present stage, increasing the share of the oil sector in our national economy, including in the structure of industry or exports, is not a pathological process

It should be recognized that natural resources, having become the main source of income for many countries, played an important role in their economy. However, over the past 20 years, highly skilled labor, high technologies, know-how in comparison with natural resources have been a more reliable factor in building up national wealth.

President Ilham Aliyev attaches great importance to coordinating the development of the oil and non-oil sectors: "If we do not diversify our economy, we will build it exclusively on the oil factor, then we will not be able to achieve great success. The experience of the oil-producing countries shows that this is an erroneous path. We just need to skillfully use the oil factor, and we do this so that the Azerbaijani economy develops comprehensively, and future generations do not depend on the oil factor. "

As a result of the implementation of the contract, it is planned to invest $ 40 billion in investment in Azerbaijan. The new contract is even more profitable for Azerbaijan. So, after signing the contract, foreign investors will pay our country a bonus of $ 3.6 billion.In addition, the share of the State Oil Company will increase from 11.6 to 25 percent, and the level of profitable oil to Azerbaijan will be 75 percent.

Thanks to the successful implementation of the oil strategy, the funds of the State Oil Fund, which by the end of 2003 amounted to 815.6 million US dollars, by January 31, 2018 reached 37.5 billion US dollars, that is, increased 46 times.

Due to the funds for 205.5 million manat allocated by the State Oil Fund in 2008-2017 to finance the State Program, more than 3,300 students were educated in prestigious higher educational institutions of foreign countries.

Azerbaijan is turning into a country that exports not only oil but also gas. In other words, the export potential of our country in the near future will increase not only due to oil, but also gas. At the same time, Azerbaijan becomes a transit state through which the oil and gas resources of neighboring countries are supplied to world markets. All this can be regarded as factors that insure Azerbaijan's economy from negative conjuncture changes in the world oil market and reduce the degree of risk. The fact is that the prices for oil and gas in the world market are rising and falling not at the same time.

Back in the mid-1990s, some foreign diplomats and experts noted that in the near future Azerbaijan would turn from a "poor country with great opportunities" into a rich country with large natural resources and a healthy economy. Today, Azerbaijan is already among the developing countries. We are confident that a decisive continuation of the oil strategy will continue to play a decisive role in realizing the economic potential of our country, coordinating economic and social development.

**3.DIVERSIFICATION AS A PRIORITY STATE TASK**

**3.1. MAIN STRUCTURE AND DIRECTIONS OF ECONOMIC DIVERSIFICATION IN AZERBAIJAN**

A certain attention and a diversified increase in innovations, simultaneously with the continuous progress of the non-oil industry, favors the fertile foundation for the formation of certain economic knowledge in Azerbaijan. The emergence of competition with a high degree of economy is the main movement to diversify the economy of Azerbaijan.

It was noted that the socio-economic model of Azerbaijan is the basis that determines the specific nature. The Republic of Azerbaijan is trying to form such an economic model so that it is based on the state of effective governance as well as advanced market relations. Years of experience shows that absolutely any economic system is particularly effective, with global competitiveness it can exist only in those conditions in which market relations are based as well as business activities.

The concept mentions that in the conditions of the final concluding transitional period and the organization of certain market relations in the Azerbaijan Republic. Azerbaijan is the country where external as well as internal functions of state administration and regulation should be determined implementation, in principle in the area where persistence of macroeconomic persistence takes place as well as introducing a business atmosphere and ensuring such competition in the country so that the main factor was freedom also the creation of favorable conditions for local and foreign haoakter investments.

The evolution of the structural functions of the economy, the maximum improvement of investments that contribute to the emergence of large-scale infrastructure projects, and of course their effectiveness in organizing social protection of the population

The future increase in the competitiveness of the economic system actively contributes to the smooth transition from passive to active tax policies. In addition, the measures that have been notified for the full optimization of the rates relating to taxes, they all contribute to the creation of certain conditions for the favorable improvement of work relating to the activities of entrepreneurs.

Improvement of the current system relating to the active operation of oil production and improvement of the non-oil sector, which in turn is characteristic of a certain road for building construction, as well as the subsequent restoration, improvement and modernization of the current production structures, consequences of the gas and oil processing transport. In the current structures of improvement in the country's economy, there is also the idea of ​​building a prominent complex, which consists of oil and gas processing plants plus petrochemical plants are taken into account mainly on the specifics of the existing people.

The formation of the complex will contribute to attracting important investments that will contribute to the introduction and actions of environmental concepts that give rise to the emergence of chains of characteristic technologies before reproduction of final products in which increased competition and its ability are acceptable as well as finished products, its expansion and full set of its exports in this area

СВОТ Analysis of the economy of Azerbaijan

There was a moment when the specifics coverage occurred, so that the acceleration of the definition of secondary (renewable) energy sources occurred which are triggered by balancing the work for a measure of motivation, improving the institutional environment, strengthening scientific and technical use, the subsequent movement of training qualified individuals and lightening energy consumers.

2009 was the year where the State Agency for the Secondary and Existing Energy Resources of the country appeared, in which they diligently and priority take part in a project called “Promoting Sustainable Energy Development in Azerbaijan” where they interact with UNDP. Judging by the known materials of the existing agency, in Azerbaijan, the potential performance varies around 4.5 thousand megawatts, biomass - 1.5 thousand megawatts, geothermal and geothermal energy - 800 megawatts, small hydropower stations - 350 megawatts

In the areas where there are improvements in the way of formation of industrial as well as industrial productions are determined by the action of continuing the invention based on local production of products, raw materials where the offer is not finished. petrochemical processes

The main difference in the advancement of advanced technologies in manufacturing plants is the creation of cities which, in turn, actively specialize in areas of the country. If you look at the totality of this side, this interval extends the concept, where there is a display of attention to the process of creating a special economic zone and regulating cities with signs of industrialization for the main as well as the economic area with an understanding of their potential for the economy products where petrochemical processing takes place in the city of Sumgait, as well as recycling of domestic wastes in Balakhani also produce metal (aluminum I), and products in Ganja).

The full education of the infrastructure relating to transport gives Azerbaijan the opportunity to build trade relations with various countries of a regional nature as well as with countries whose location is quite far away. The use of the strategic and geographical position of Azerbaijan provides an opportunity for the formation and further development of logistics in the regions of the country. Transport services that have high development make our country attractive and also increase it, and not only. Factors such as the production and improvement of the innovation center are also increasing.

The main factor of this direction is a special as well as a certain formation of systems of organization mechanism by local and foreign transportation. Because of this, implementation of certain general measures is taken, which characterize the general strategic approach for rail, road, air, water and underground transport, which means the metro. In this regard, in order to improve the results of competition that determine the country's ability in the international transport corridors of Europe-Caucasus-Asia and North-South, certain actions should be implemented to reduce not only the costs that are involved in transporting goods through our country but also to reduce the timing in which the expenditure takes place on the processes of such characters as export and import, transit, and also makes the process easier.

January 2016 was marked by the emergence of such a project as “North-South”, which will provide an opportunity to make the number of freight and passenger traffic from Russia to India through Azerbaijan more and more. This project was actively discussed in previous years, but the final point was set in 2016. The North-South project itself is a multifunctional as well as a multimodal route, the basis of which is the transportation of goods and of course passengers, in which the total length is from the city of St. Petersburg to the port of Mumbai (Bombay) with a length of about 7200 kilometers. This multifunctional project was formed to attract not only transit traffic from Iran, India and other countries of the Persian Gulf to Russia where the process through the Caspian Sea and then to northern and western Europe is meant ..

A product market that has a reach function has the ability to do the reach itself which implies the possibility and significance of the corridor. The process itself can be judged. If judged by statistical forecasts, this figure is estimated at more than 20 million tons per year. I would like to note that in 2016 there is an idea about the plan for completing the stage at number 1, where construction works are envisaged, as well as work on laying a railway about eight kilometers from the Azerbaijani part of Astara’s border to the Iranian border, in which a certain bridge runs through Astara River provides for a special construction. It is worth noting that in the near future, or rather years, the construction of the International Sea Trade Port in Alyat will be finally completed, where the Navy is actively expanded as well as modernized, it is also worth noting that the Baku-Beyuk-Kesik and Baku-Yalama transport and logistics center has been built in which railways were compiled as well as restored and modernized, in relation to the policy of complete diversification of the railway network, where the railroad was introduced which was called as an operation Baku-Tbilisi-Kars

The third, one of the important directions, is the use of information and communication technologies for the transition to an information society. The transition to the information community, through the development of ICT, the development of electronic services, the development of the National Center for Electronic Security, are the main ways to regulate this direction. Using the capabilities of an artificial satellite allows increasing annual revenue, thereby developing the non-oil sector.According to the Ministry of Communications and High Technologies, since 2007, the growth of revenues of the information and communication sector has reached 25-30% per year.

The fourth direction of diversification of the national economy is the development of human capital and social spheres. The main aspects of this area are health issues, the formation of a modern education system and the improvement of the social protection system. The dynamic increase in the share of allocated on health care of funds in the gross domestic product and the formation of mechanisms that ensure rational and targeted use of allocated funds. To strengthen the material and technical base

construction, major repairs and the reconstruction of medical institutions, equipping them with modern medical equipment, and at the same time the health care reforms are proceeding systematically. In accordance with the stable course of President Ilham Aliyev, 708.0 million manat were allocated from health budget for 2015, or 6.4 percent more compared to 2014, and 161.0 million were spent on financing 13 state programs and measures in the field of health care million manat.

As a result of the approved "State Program for the Improvement of Maternal and Child Health for 2014-2020", the maternal and child mortality rates in the republic decreased. So, if the maternal death rate for every 100 thousand live births in 2006 was 34.2, then in 2013 this figure was 14.5. And the infant mortality rate for every 1000 live births in the respective years decreased from 11.9 to 10.8. Great work is being done on social protection and improving the living conditions of refugees.

As the Minister of Finance Samir Sharifov noted at the hearing of the Cabinet of Ministers of Azerbaijan devoted to the the main essence of the concept of sociality and economy in 2015, 378.0 million manat was spent to strengthen social protection and improve the living conditions of refugees and internally displaced persons from the consolidated and state budgets. number of current and capital expenditures of the state budget - 228.0 million manat, 150.08 million manat from the State Oil Fund budget.

Despite the economic and financial difficulties that our country faces in 2015, Azerbaijan is not going to curtail projects in improvement of the economic potential of areas of Azerbaijan where agriculture is implied of the economy, the use of human capital and intellectual property. To achieve the above directions, Azerbaijan develops and considers mechanisms for effective regulation and functioning of this structure. Such mechanisms can include the following:

* Improvement and formation of tax and customs mechanisms;
* Use of an export support system;
* Stimulation of venture production;
* Development of production and services.

Thus, it should be noted that Azerbaijan, in order to effectively use the potential of natural resources, is trying to create a structure to strengthen the economy by using oil and gas fields, exporting oil and improving petrochemical products to transform and transform the country from a raw material exporter to an exporter of finished petrochemical products, transportation services, technologies of the information and communication sector to create a strong, competitive economy.

**3.2. Problems of diversification of the national economy in the current conditions of world economy development**

It should be noted the complexity of these tasks. With the accelerated fall in prices for the main source of income of the country, oil and gas, there were difficulties in financing the non-oil sector and developing important areas. Stating the progress in the improvement in social protection that occurs in

improvement of the regions of Azerbaijan through the emergence of industrial, the improvement of innovative technologies and use in production, it should be noted that the manufacturing industry has faced a number of stop factors, in the face of strong imported goods and the influence of economically strong neighboring countries.

To display and analyze the existing complexity of export development and the non-oil industry, it is necessary to consider the indicators and dynamics of growth in exports and imports. This analysis was carried out by analyzing the existing dates by constructing a regression and revealing the degree of dependence of the country on the export of hydrocarbons.

The main existing problems of the economic structure of Azerbaijan can be identified as follows:

* First, it is a one-sided commodity orientation of the economy.

It is quite obvious that the huge growth rates over the past decade have been accompanied by the exploration and export of oil, oil products and related resources. More than 20% growth rate over the past 10 years was accompanied by an increase in oil prices and the expansion of the exchange of oil and petroleum products. Of course, taking into account the absence of a number of factors for calculating statistical data, difficulties arise in assessing the complexities and problems of export and production development in the non-oil sector in Azerbaijan, but we can estimate the obtained indicators and their impact on the basis of absolute values ​​and percentages

The volume of Azerbaijani exports from 1994 to 2014 (million US dollars)

Source: State Statistics Committee of the Republic of Azerbaijan: www.stat.gov.az

Data on export figures are available since 1994. If you look closely at the above schedule, you can see that the volume of Azerbaijan's exports begins to increase significantly since 1994, reaching its apogee in 2008, just before the financial crisis and the time when oil prices reached high marks. Even without a basic statistical inference and correlation test, and various other reasons, it can be clearly seen that the absolute contribution to export growth, in general, is an increase in the export of oil and oil-related commodities, and petroleum products.

Correlation, export of mineral resources

|  |  |  |
| --- | --- | --- |
| **Corelation** | Export (million US dollars) | Mineral fuels, mineral oils and products of their distillation (million US dollars) |
| Export (million US dollars) | 1 |  |
| Mineral fuels, mineral oils and products of their distillation (million US dollars) | 0.999685872 | 1 |

The correlation analysis supports the idea that the increase in exports is absolutely conditioned by an increase in exports of the corresponding resources. Of course, this does not give us enough conclusions, to argue that the main driving force of the economy is the extraction and export of resources, and that the extraction of other industries is undermined due to low indicators

|  |  |  |
| --- | --- | --- |
| t-Test: Two-SampleAssumingUnequalVariances*(t – тестдваобразцапредполагаемыхнеравныхдисперсий)* |  |  |
|  |  |  |
|  | *Variable 1 (Переменная 1)* | *Variable 2 (Переменная 2)* |
| Mean | 0.894221473 | 0.751865795 |
| Variance | 0.004654499 | 0.015301816 |
| Observations (наблюдения) | 11 | 10 |
| HypothesizedMeanDifference | 0 |  |
| Df | 14 |  |
| t Stat | 3.220982286 |  |
| P(T<=t) one-tail | 0.003079055 |  |
| t Critical one-tail | 1.761310136 |  |
| P(T<=t) two-tail | 0.00615811 |  |
| t Critical two-tail | 2.144786688 |  |

The implementation of this T-test for unequal variances allows us to note that the dependence of the Azerbaijan economy on the export of petroleum products and the oil industry as a whole has increased significantly since 2003, which in turn is the time with an active phase in the implementation of large transnational oil projects. The obtained value of the statistics 3.22 showed that the difference is statistically significant. This fact indirectly covers the problem related to the diversification of Azerbaijan's exports to the world economy.

In addition, an analysis of the dynamics of GDP indicators over the past ten years shows that despite the accelerated pace and the construction of strategic directions for diversification, there are a number of problems, in particular, need to highlight what that Azerbaijan is still suffering from the "Dutch disease" and shows a general de-industrialization of the economy and exports in general.

**GDP growth dynamics in 1991 - 2013**

In particular, after 2004, when the active phase of the implementation of oil pipeline projects was formed, one can notice scale addition country's GDP.

Azerbaijan was only a country dependent on the price of oil, since the share of our economy is low enough to solve problems and influence on oil prices. In other words, the volumes of Azerbaijani oil supplied to the world markets can not affect the current oil prices (Large exporters: the USA, Saudi Arabia, Russia, etc. can). Thus, the GDP of Azerbaijan, as well as other key indicators, is highly dependent on exports, that is, in particular, on oil prices in commodity markets.

In order to see the mathematical difference in the periods before and after the implementation of the oil pipeline projects, in particular Baku-Tbilisi-Ceyhan, and how all this affected the GDP of Azerbaijan, the export increase was checked by examining the T test for two supposed unequal variances:

|  |  |  |
| --- | --- | --- |
|  |  |  |
| t-Test: Two-Sample Assuming Unequal Variances | (T теста (T-test) для двух предполагаемых неравных дисперсий) |  |
|  |  |  |
|  | *1993-2003* | *2004-2013* |
| Mean (Среднее отклонение) | 5.26 | 43.0247 |
| Variance(дисперсия случайной величины) | 3.705690615 | 544.8574187 |
| Observations (наблюдаемые данные) | 14 | 10 |
| HypothesizedMeanDifference(Средняя разница согласно статистической гипотезе) | 0 |  |
| df | 9 |  |
| t Stat | -5.103783644 |  |
| P(T<=t) one-tail | 0.000320933 |  |
| t Critical one-tail | 1.833112933 |  |
| P(T<=t) two-tail | 0.000641865 |  |
| t Critical two-tail | 2.262157163 |  |

The expected average difference is zero. In other words, we can assume that there is no difference in the average value of GDP between the two periods. Nevertheless, the statistical observation and facts obtained show that the t-statistics are much higher than the critical value at the critical value of the double tested side. The value of t-stat in the absolute value is 5.1, when t-critical at 5%, the significance level is 2.26 for both sides and 1.86 for one side. The above figures characterize the fact that the differences in the two periods of dependence on oil exports have an attachment.. If you look at the chart below, you can see that in 2013 oil was $ 30 billion from $ 70 billion. receipts.

Export of oil and GDP in 1991 – 2013

Source: State Statistics Committee of the Republic of Azerbaijan: www.stat.gov.az

The volume of reconnaissance work until 1995 was so small that they can not be considered in the analysis of the influence and formation of the country's GDP in the early years of independence. The reason was that oil exports were low, and world oil prices were even lower. Since 1996, there has been a marked gradual increase in exports, and GDP, characterized by high growth since 2004 through the implementation of the BTC project.

The above table supports the theory of the impact of oil exports on the economy of Azerbaijan, in particular the country's GDP. Despite the fact that the statement that 44% of the country's GDP is oil, this figure is still high, as for any countries with the "Dutch Syndrome".

The dynamics of oil and GDP 1991 - 2013 gg.

Source: State Statistics Committee of the Republic of Azerbaijan: www.stat.gov.az

The above chart shows the export of oil as a percentage of Azerbaijan's GDP. Cluster columns show the absolute percentage for the year, where the dashed line shows the polynomial regression. We can see that the peak of oil indicators appeared in the range in 2006-2008. Oil prices have renewed their highs before the financial crisis. The regression index R2, as can be seen, is quite high, which proves a significant dependence of GDP on oil exports and production.

The next step in the analysis is to consider the correlation between GDP and oil, from which we can conclude that GDP growth of almost 100% explains the increase in production and exports of oil and petroleum products.

Correlation of GDP and Oil

|  |  |  |
| --- | --- | --- |
|  | *GDP* | *Oil* |
| GDP | 1 |  |
| Oil | 0.986031 | 1 |

Even using slightly advanced techniques of analysis and regression, one can note the fact that ordinaryleastsquares (usual values ​​of least squares) significantly support the idea of ​​the dependence of GDP growth on the sale of goods. We clearly see that the oil ratio is statistically significant for Azerbaijan. Therefore, it is worth acknowledging the fact that the attempt to diversify since 2003 in Azerbaijan has faced a number of problems that do not allow to effectively use the potential of the national policy directions for diversification.

The following section of the analysis supports the idea of ​​the dependence of the Azerbaijani economy on oil exports, which is characterized by the existence of signs of the "Dutch Syndrome". The labor market of Azerbaijan has corresponding characteristic features, which the countries of the "Dutch Syndrome" own.

Conclusions of the correlation analysis



Let's consider the labor market as a precondition for Azerbaijan's export expansion opportunities. The main idea of ​​this analysis is that the level of wages in various industries should not change if exports are balanced. Nevertheless, if the economy largely depends on the export of a single product or service, and there is a problem of diversification, you can notice a significant increase in wages in the relevant area of ​​the exported goods.

As it was noted earlier, the labor market of Azerbaijan has identical characteristic features, as well as in the countries with the "Dutch disease". Those. Azerbaijan's labor market shows a significant gradual increase in wages in the oil industry, as well as in the oil sector. Thus, wages in the non-oil sector remain at a low level.

The following table shows the growth of wages in Azerbaijan by sectors of the economy. The highest growth is, as noted above, to the resource and services sector. As can be seen from the graph, the average wage for all branches is 246.56 manats. This indicator was greatly influenced by revenues from mining, financial services and insurance. The latest figures for these industries are 1516 and 1126 manat, respectively. At the same time, if we consider the indicators of the last years of the economy as a whole and the agricultural industry, they are equal to 425 and 218 manats.

Trade in oil resources, non-oil, and non-tradable

Sources: The website of the State Statistics Committee of the Republic of Azerbaijan: www.stat.gov.az

Average wages by sectors of the economy

Source: State Statistics Committee of the Republic of Azerbaijan: www.stat.gov.az

According to the above data, Azerbaijan's labor market has been characterized by growth earlier. But still the lack of information on the number of employees in each industry, one can roughly estimate that a highly paid industry will stimulate the influx of workers in the future.. Apparently, the agrarian sector, which is a priority sector for diversification, is currently experiencing problems in implementing state strategic directions for diversifying this industry due to its low attractiveness in terms of wages and profitability of its products.. Although the difference is significant, an analysis of the statistical data should be carried out by considering the t-test and the trial variance indicators. The results obtained below only reinforce the arguments.

T-test of two assumed values

|  |  |  |
| --- | --- | --- |
| **t-Test: Two-Sample Assuming Unequal Variances** |  |  |
|  |  |  |
|  | *Mining (manat)* | *Agriculture, forestry and fishing (manat)* |
| Mean | 713.6133333 | 87.84 |
| Variance | 209257.1927 | 5851.425429 |
| Observations | 15 | 15 |
| Hypothesized Mean Difference | 0 |  |
| Df | 15 |  |
| t Stat | 5.225571285 |  |
| P(T<=t) one-tail | 5.13069E-05 |  |
| t Critical one-tail | 1.753050356 |  |
| P(T<=t) two-tail | 0.000102614 |  |
| t Critical two-tail | 2.131449546 |  |

T-test of two assumed values

|  |  |  |
| --- | --- | --- |
| **t-Test: Two-Sample Assuming Unequal Variances** |  |  |
|  |  |  |
|  | *Financial and insurance activities (manat)* | *Agriculture, forestry and fishing (manat)* |
| Mean | 556.9866667 | 87.84 |
| Variance | 147540.8555 | 5851.425429 |
| Observations | 15 | 15 |
| Hypothesized Mean Difference | 0 |  |
| df | 15 |  |
| t Stat | 4.639300584 |  |
| P(T<=t) one-tail | 0.000160497 |  |
| t Critical one-tail | 1.753050356 |  |
| P(T<=t) two-tail | 0.000320995 |  |
| t Critical two-tail | 2.131449546 |  |

T-test of two assumed values

|  |  |  |
| --- | --- | --- |
| **t-Test: Two-Sample Assuming Unequal Variances** |  |  |
|  |  |  |
|  | *Mining (manat) before 2003* | *Mining (manat) after 2003* |
| Mean | 230.64 | 955.1 |
| Variance | 10387.703 | 126508.3978 |
| Observations | 5 | 10 |
| Hypothesized Mean Difference | 0 |  |
| Df | 12 |  |
| t Stat | -5.969485693 |  |
| P(T<=t) one-tail | 3.25758E-05 |  |
| t Critical one-tail | 1.782287556 |  |
| P(T<=t) two-tail | 6.51517E-05 |  |
| t Critical two-tail | 2.17881283 |  |

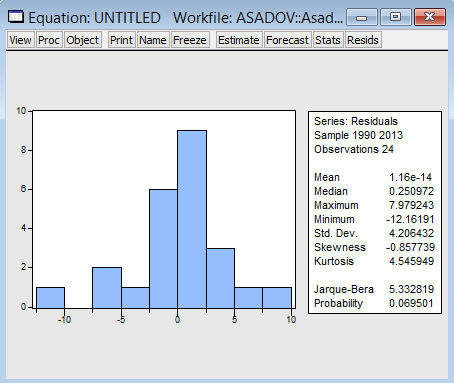
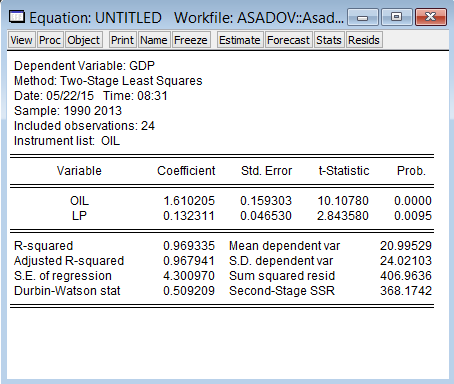
|  |  |  |
| --- | --- | --- |
| **t-Test: Two-Sample Assuming Unequal Variances** |  |  |
|  |  |  |
|  | *Financial and insurance activities (manat) prior 2003* | *Financial and insurance activities (manat) after 2004* |
| Mean | 230.64 | 955.1 |
| Variance | 10387.703 | 126508.3978 |
| Observations | 5 | 10 |
| Hypothesized Mean Difference | 0 |  |
| df | 12 |  |
| t Stat | -5.969485693 |  |
| P(T<=t) one-tail | 3.25758E-05 |  |
| t Critical one-tail | 1.782287556 |  |
| P(T<=t) two-tail | 6.51517E-05 |  |
| t Critical two-tail | 2.17881283 |  |

Correlation becomes particularly high at times of a sharp decline in world commodity prices. Significant reduction in oil prices tightened the fiscal and monetary policy of the Republic after 2014. To maintain the exchange rate, the Central Bank began to buy out the national currency, reducing the number of circulating manats in the economy, thus increasing artificial demand. This led to scale expansion outflow of national currency reserves of the Central Bank. Despite all the efforts of the Central Bank, keeping a fixed rate was not possible, which led to a depreciation of the national currency.

Dynamics of national reserves and oil prices 2006 – 2015

The dynamics of the exchange rate and the price of oil 2006 - 2015

The depreciation of the national currency turned out to be so sharp and large that it can be called with certainty a devaluation. In order to reduce the reserves of the Central Bank to keep the exchange rate, in February 2015 the Central Bank of Azerbaijan devalued the manat rate by more than 32%. However, this did not help keep confidence in the manat, which stimulated the population to buy US dollars and invest in commercial banks urgent funds in foreign currency. First of all, the reason for this stimulus for the exchange and purchase of US dollars were the forecasts for reducing the reserves of the Central Bank and the possibility of a second devaluation. To examine the dependence of the decline in oil prices and the national currency, it is worth considering the two-step regression indicators that show the dependence of Azerbaijan's GDP on oil exports, as well as the dependence of oil exports (value) on world prices on the market.According to these findings, it becomes clear that an increase in world oil prices by just $ 1 increases Azerbaijan's GDP by $ 130 million, and an increase of $ 1 billion in an increase in export capacity by $ 1.61 billion. The US average. The use of two-stage regression helps to strengthen conclusions regarding the dependence of oil prices and the income of the whole Republic.

In conclusion, I would like to note that the indicators of these analyzes showed the high dependence of the Azerbaijani economy on the export of hydrocarbons.

The obtained data give us the right to state that Azerbaijan seeks to reduce the dependence on the sale of cheap raw materials in a short time by diversifying and developing existing industries, including the petrochemical industry. However, the complexity of investing, as President Ilham Aliyev noted, a small consumer market postpones the effective development of directions for economic diversification.

This analysis of the above problems confirms the involvement of the symptoms of "Dutch disease" in the economy of Azerbaijan.

**3.3. Diversification of the economy allowed Azerbaijan to reach GDP growth in 2017**

The intensified development of the non-oil sector allowed Azerbaijan to quickly neutralize the impact of external shocks in 2017 due to the decline in world oil prices and to achieve GDP growth of 0.1% against its decline by 3.1% in 2016.

The non-oil sector accounted for almost 63% of GDP, its growth rate was 2.7%.

It is noteworthy that the growth in the non-oil sector of Azerbaijan began to be observed in difficult for the country for 2015-2016, which indicates the effectiveness of measures taken by the country's leadership aimed at diversifying the economy.

Recall that in 2015, two devaluations of manat occurred in Azerbaijan, and for 2015-2016 manat to the US dollar has fallen in price by more than 2 times.

It was in 2015 that the world oil prices began to fall from $ 68 per barrel (the price for Brent, to which Azerbaijan's oil is tied) to $ 28 by February 2016, and only at the end of 2017 prices began to return to the level of about $ 69-70 per barrel .

Before this, the world oil crisis occurred in 2008, when oil prices fell to $ 12-15 per barrel.

Azerbaijan, whose oil industry is traditionally in the forefront of the economy, took into account all the consequences of the "Dutch syndrome" (dependence on one sector of the economy) and took major steps to develop non-oil sectors (which is facilitated by the favorable geographic location of the country), as well as to reform the economy .

As President Ilham Aliyev noted during the January meeting of the Cabinet of Ministers, "2017 can rightfully be called a year of deep economic reforms."

In Azerbaijan in 2017, 221,000 new jobs were opened, including 177,000 permanent jobs.

At the end of 2017, the unemployment rate in Azerbaijan was 5% compared to 5.6% in 2016, the poverty level decreased to 5.4%.

The growth of non-oil industrial production was 3.6%, of the agro-industrial complex (APC) - 4.2%. It was in these areas that new jobs were created.

As a result, total nominal monetary incomes of the population in 2017 reached 49.163 billion manat, which is 8.3% more than in 2016.

And per capita income increased by 7.2% to AZN 5,050.5.

Most of Azerbaijan's population lives and works in rural areas, and in 2017 there was a big surge in crop production (the growth rate in 2017 was 6.1% against 2.5% in 2016).

Such growth was possible due to the decisions of the Azerbaijani leadership on stimulating the development of cotton growing, viticulture, hazelnut production, tomatoes, olives, honey, etc.

The President of Azerbaijan emphasized that in 2017 irrigation of plots with an area of ​​more than 100 thousand hectares was started.

"This is a very high figure. Of course, this will be a very great help for the development of agriculture and the export of agricultural products, "the head of state said at the Cabinet meeting.

It was thanks to such measures that in 2017, non-oil exports rose by a record 24%, while total exports from Azerbaijan increased by 19%.

As a result, the country's currency reserves for the year increased by $ 4.5 billion - to $ 42 billion.

"Our rapidly growing industrial and agricultural potential requires that the development of energy supply is constantly in the center of attention ... In the regions, gasification is proceeding at high rates. Last year, the level of gasification in the country reached 93%, and this figure will grow, "said President Ilham Aliyev in his speech.

Thus, the hydrocarbon resources of Azerbaijan are sent to consumers in the country.

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There is also an indirect effect for the population on the ongoing oil and gas production in the country.

So, in the structure of Azerbaijan's exports in 2017, 88.62% fell on hydrocarbons: 77.52% - oil, 2.46% - oil products and 8.64% - gas. In total, according to the State Customs Committee (SCC), this brought the country more than $ 12 billion in revenue, some of which goes to solve social problems, and some - to important infrastructure projects.

That is why it became important for Azerbaijan to extend the contract on the key oil block of the fields - Azeri-Chirag-Guneshli (ACG) in September 2017.

The President of Azerbaijan called this event historic.

"This will allow us for many years - at least until 2050 - to maintain a stable level of production. This will provide an opportunity for foreign investors to continue to invest heavily in the oil sector of Azerbaijan. Of course, these investments will have a positive impact on all sectors of our economy, on the opening of new jobs, the creation of new local enterprises. Of course, maintaining oil production at a stable level will allow us to plan our economic development and gradually reduce dependence on oil. In the past two years, we can say, largely achieved this, "- said the head of state.

Ilham Aliyev also called important the increase in the share of SOCAR in ACG from 11% to 25% and the definition of a 75% share of profitable oil for Azerbaijan itself.

"I can say that for a young independent country this is an excellent result achieved with foreign investors in the oil sector ... Foreign investors will invest tens of billions of dollars. As a bonus from ACG partners, we will be paid $ 3.6 billion in equal parts within 8 years. The first tranche will be granted in 2018. This is the important significance of the extension of the Azeri-Chirag-Guneshli project, the head of state said in his speech.

Foreign investments in Azerbaijan in 2017 amounted to 8 billion 607.4 million manat (55.4% of the amount of capital investments).

In general, 15.55 billion manat was invested in the country, but in 2018 this figure could grow.

As for other strategic infrastructure projects, the Southern Gas Corridor and the Baku-Tbilisi-Kars Railway (BTC) can not be ignored.

On February 15, the fourth meeting of the Advisory Council of SGC took place in Baku, and its results were impressive, as it was in 2017 (roughly, in September) that production began in the framework of the large-scale development of the Azerbaijani Shahdeniz field (the second phase of development), the gas from which will be the first gas for YuGK.

According to the latest information, the implementation of the Shahdeniz-2 project reached 99%, the South Caucasus pipeline connecting Azerbaijan with Georgia was implemented by 93%, the TANAP project (by the Turkish section of the Yugra) by 90%, TAP (European part of the UGK) - by 60-62%.

YUGK has not only regional, but also world significance, because will change the map of gas supplies to Europe, relieving it of dependence on only one source - the Russian Federation.

The same role is played by the BTK. The solemn ceremony of commissioning this railway was on October 30, 2017.

"The implementation of this historic project will turn Azerbaijan into one of the international transport centers. In a short period of time - within just two months after the opening of the road - we received applications from many countries for accession to Baku-Tbilisi-Kars. I have already personally discussed this issue with several of my colleagues. The corresponding instructions are given to create working groups with many countries and to analyze the cargo potential of those who wish to join this line. Of course, we are ready to cooperate successfully within the framework of this project with all partners, "the President of Azerbaijan underlined at the Cabinet meeting.

The Azerbaijani economy has not yet emerged from the crisis. The decline in most macroeconomic indicators openly indicates this. The standard of living of the population since 2015, that is, during the crisis years, has decreased several times. Domestic production is still at a minimum level

The current trend suggests that the economy has gradually begun to take small steps in the direction of growth. However, this can only be done thanks to a convenient price for oil. We all understand what will happen to our economy if the prices for hydrocarbons go down again. Nevertheless, Azerbaijan will not be able to quickly enter the trajectory of sustainable economic growth

Consider the example of the largest player in the region - Russia. If we compare the Azerbaijani and Russian economies, we can identify our advantages and disadvantages. In particular, the weak side of the Azerbaijani economy lies in the fact that it is not sufficiently open, uncompetitive, much more dependent on raw materials than the Russian economy, poorly adapted to the global economic system unlike in the Russian Federation. That is, we on many fronts lag behind the Russian economy

As for the advantage of our economy, it is not under Western sanctions, the structure of the Azerbaijani economy is simple and the territory of Azerbaijan is small, unlike in the Russian Federation, so we can achieve the necessary results faster.

After how many years we will emerge from the crisis, it depends on the level at which we are now. It would seem that the question is very simple, but we do not know the exact answer, since the economy is not actually being investigated. In general, it will take one or two years to liberalize the Azerbaijani economy, create a competitive environment and a good business climate. For five years, it is realistic to get short-term results

Of course, the results of these or those reforms will not be immediately visible. After a certain time, the society will begin to notice the changes. The current situation in the economy can be called stable, but unreliable. At any time, stability can collapse, for example, if oil prices again shake

Meanwhile, Azerbaijan has made progress in diversifying the economy and improving the business environment, but the country should take additional measures, the heads of local offices of the World Bank (WB) and the Asian Development Bank believe.

The government is taking measures to develop the non-oil sector of the economy, but much work remains to be done in this direction. According to the World Bank's forecasts, he added, this year the Azerbaijani economy can grow by 1-1.5 percent.

Over the past 18 months, there have been some signs of improving the business environment in Azerbaijan, including simplifying the issuance of visas for foreigners.

The GDP of Azerbaijan in January 2018 amounted to about 6.05 billion manat, which is two percent more than in the same period in 2017, follows from the report of the State Statistics Committee, published on Thursday.

In the structure of Azerbaijan's GDP, 48.4 percent (almost 2.93 billion manat) were formed in the industrial sector, 6 percent (365.3 million manat) in construction, 2.7 percent (160.6 million manat) - in rural, forestry and fisheries.

Net taxes on products and imports accounted for seven percent of Azerbaijan's GDP. According to the report, 9.6 percent of GDP (583.4 million manat) produced in the services sector fell on trade and vehicle repairs, 6.5 percent (390.2 million manat) for transport and storage, 2.5 (152.6 million manat) for accommodation of tourists and public catering, 1.5 percent (93.6 million manat) for information and communication services, 15.8 percent (952.9 million manat) for other services.

The head of state said that in the first quarter the Azerbaijani economy grew by 2.3%, which is an excellent indicator exceeding the growth rates on a global scale, while the growth in the non-oil sector amounted to approximately 3%, and this is the result of the policy pursued to diversify the economy.

In the first quarter, industrial production increased by 2%, and the non-oil industry - by about 10%. And this is the result of the industrialization policy pursued in our country in recent years. Our non-oil industry has increased by 10%, and I think that this can be considered a record indicator. Agriculture grew by 4.2%

Investments totaling $ 3.5 billion were invested in the country's economy, with a significant portion of it being foreign investment.

Foreign exchange reserves increased by $ 2.2 billion and now equal $ 44.2 billion, an increase in foreign exchange reserves over 3 months by more than $ 2 billion suggests that, on the one hand, we are very economical to use these reserves, and on the other hand, is the result of the successful oil policy pursued by us in recent years, as in the structure of these funds there is a $ 450 million bonus from the contract signed last year related to the extension of the term of exploitation of the Azeri-Chirag-Guneshli.

The head of state noted that foreign trade turnover grew by 31%, non-oil exports increased by 37%, total exports increased by 24%. In the first quarter, 34 thousand new jobs were created, including 31 thousand - of permanent jobs. In the first quarter, the incomes of the population increased by about 10%, while inflation - by only 4%.

The total volume of capital investments in the economy for 2004-2017 amounted to 162.9 billion manat, of which 65.9% were spent for construction and installation works.

Of the total amount of capital investments, 95.8 billion manat was directed at production facilities, 55.9 billion manat - for construction of service facilities, 11.2 billion manat - for construction of 26.1 million square meters of housing.

in 2004-2017, 106 hospitals were built and commissioned in Azerbaijan for 8119 beds, 156 outpatient clinics, 1,385 general schools for 514,800 pupils, 202 pre-school institutions for 20,839 people, 41 clubs for 6, 88 thousand seats and other socio-cultural facilities.

The share of foreign investment in fixed assets for 14 years was 63.2%, domestic - 36.8%.

The total volume of industrial production in Azerbaijan for the period 2004-2017 amounted to 508.8 billion manat with an annual growth of 7% on average. At the same time, the total oil production in Azerbaijan, including gas condensate, for this period amounted to 554.4 million tons, natural gas - 308.5 billion cubic meters.

Thus, the average annual oil production over the past 14 years amounted to 39.6 million tons, gas - 22 billion cubic meters.

It is noteworthy that in 2017, compared to 2003, oil production in the country increased by 2.5 times, natural gas - in 5.6 times.

In 2004-2017, Azerbaijan produced 16.5 million tons of gasoline, 32.8 million tons of diesel fuel and 8.8 million tons of kerosene.

In 1994, Armenia occupied the Nagorno-Karabakh region, as well as the surrounding regions of Azerbaijan. In order not only to survive, but also to prosper in the environment of these countries, Azerbaijan could not only rely on its subsoil.

Unlike other countries sitting on the oil needle, Azerbaijan has made a choice in the direction of economic diversification. And thanks to this risky and unordinary move, today Azerbaijan is developing steadily, despite the economic world crisis.

Despite the billions spent on the war between the two countries, one million Azerbaijani refugees and 6,000 killed soldiers, the tormented Baku has not locked itself up in this war, and does not live alone with it, although Karabakh remains an openly healing wound. If this conflict occurred today, and if Russia did not interfere in the course of the war, the alignment of forces and the whole picture would be different.

Unlike experts from international financial institutions and organizations, the experts of the Azerbaijani government expected that in 2017 the GDP of the republic will at least slow down the regress of 2016 (when it decreased by 3.8%). Moreover, in the process of preparing the budget for 2018 and forecasts of social and economic development for 2018-2021, the government revised the forecast for 2017. Local experts counted on growth of 0.3%, and this forecast was the closest to reality.

In general, in the structure of Azerbaijan's GDP, industry accounted for 40.1%, for trade and repair of motor vehicles - 10.4%, construction - 9.5%, transport and storage - 6.8%, agriculture, fishing and forestry - 5.6%, household services and tourism services - 2.3%, in the information and communication sector 1.6% of products were produced, in other industries - 16.4%, and another 7.3% % fell on taxes.

It is noteworthy that the highest growth in productivity in the past year was observed in the information and communication industry - by 6.6%, to 1.724 billion manat. Also, agriculture is developing at a fast pace, which increased by 4.2% over the period under review, reaching 6.58 billion manat. Including in the crop sector, production growth reached 6.1% - up to 3 billion manat.

As a result, according to the results of the year, GDP per capita amounted to 7,205 manat.

According to the forecasts of the Azerbaijani government, in 2018 GDP growth is expected at 1.5%. In 2019, 4%, in 2020 - 3.7%, in 2021 - 2.9%.

In the national economy of Azerbaijan, compared with last year, there is a stable growth trend. The most noticeable breakthrough is expected in the second half of the year.

The locomotive of GDP growth in February this year was again the dynamics of production in the non-oil sector, accelerating by 2.3%, while the indicators of the oil sector remained at the level of last year

In general, in the structure of GDP, industry accounted for 48.3%, for the sphere of trade and repair of motor vehicles - 9.6%, for construction - 6.2%, for transport and storage - 6.5%, for agriculture , fishing and forestry were produced 2.7% of GDP, household services and tourist accommodation services accounted for 2.6%, information and communication accounted for 1.6% of products, in other industries - 15.9%, and another 6.6% fell on taxes.

It is noteworthy that the annual inflation in February 2018 amounted to only 4.7%, while during the last two years this indicator was on average at the level of 12%. It should be noted that current data is even lower than the inflation forecasted by the Central Bank of Azerbaijan for the current year at 6-8% for the whole year.

However, the main acceleration of the growth rate of the Azerbaijani economy is expected in the second half of the year, when a number of large enterprises in industrial parks and neighborhoods of the country will be commissioned.

GDP per capita in January-February 2018 is estimated at 1,178 manat.

According to the forecast of the Azerbaijani government, in 2018 GDP growth is expected at 1.5%. In 2019, 4%, in 2020 - 3.7%, in 2021 - 2.9%.

Diversification will increase the stability of the Azerbaijani economy in the medium and long term, but it is likely to be slow, analysts at Moody's Investors Service say.

"Diversification will increase the economic stability of Azerbaijan in the medium and long term, but progress is likely to be slow and based on public funds," the Agency's economic perspectives commented.

According to the agency, in 20-25 years Azerbaijan may face depletion of oil production at existing fields. "The Azerbaijani authorities are beginning to use significant gas reserves as a source of exports, and this will partially compensate for the decline in oil revenues in the coming years," the agency stresses.

The TANAP gas pipeline was commissioned on June 12, 2018, and gas is already transported to it to the west of Turkey. In subsequent years, Azerbaijani gas through the TAP gas pipeline will be exported to Greece, Albania, Italy. "However, gas reserves in Azerbaijan are also limited, and exports and gas revenues are unlikely to compensate for the losses from oil exports." TANAP, with a capacity of 16 billion cubic meters at the initial stage, and its increase to 31 billion cubic meters by 2026 will allow Azerbaijan to increase exports hydrocarbons, respectively, to 105.5 million and 204.5 million barrels of oil equivalent, "the comments note.

Agency focuses on the tourism potential of Azerbaijan, developed tourism infrastructure, which will allow increasing tourist flow in the next years.

Azerbaijan also seeks to become a key transport and logistics hub by linking China and Central Asia with Europe (the East-West corridor) and Russia, with Iran from South Asia (the North-South corridor). The Baku International Sea Trade Port is already the largest port on the Caspian Sea, and the first stage of the expansion of the port in the Alyat will be completed by mid-2018. The new port will be located in the free trade area, which covers the main international airport and railway junctions connecting Baku with Russia, Georgia and Turkey, Iran. The commissioning of the Baku-Tbilisi-Ceyhan railway will shorten the time for transportation of goods through Azerbaijan from 45 days to 14 days

**Conclusion of work**

We can come to the conclusion that the result of this study shows that it is necessary to take into account a certain fact that the model itself is socio-economic and let us not forget that the dynamics of economic development, if you look at it in general terms, implies servicing. foreign trade relations, which imply the specificity of correlation, which in turn is positive. As for foreign trade, exports, imports, as well as total GDP, per capita GDP, incomes related to income, education, employment, social security and completely different socio-economic statistics, which we see from tables and charts, the result of which is continuous growth in relatively recent years. At the moment, the current positive dynamics of improvement have a link between the most efficient process of strategically correct ways of aligning the non-oil sector over the past 12 years.

The stability of the macroeconomic process, the development of possible statistical indicators of socio-economic improvement, as well as the general progress of the data that occur in the data table and work patterns are relatively dependent on the process of improving the strategy of changing the system of the economy of Azerbaijan, negative effects on world energy trading processes and the structure of the diversification of the economy of the regional state, as well as the entire country as a whole. Even despite this relatively positive specificity, various study processes have given us the conclusion that the country's dependence in terms of economic nature on the export of raw materials, or rather oil is meant, gives rise to a huge risk opportunity that exists for the performance of various aspects of the Azerbaijani economy place in time of the future.

In conclusion, it is worth returning to the main material of this work, and this is the formation of the Concept in Azerbaijan called “Azerbaijan 2020: A Look into the Future”. In this topic, the main underlying goal is the export of products, diversified export and reproduction of all products of the non-oil sector, whose task is to mitigate the process as well as the functioning of export processes taking into account the Consideration of the main directions of improvement of the non-oil sector of production. And do not forget to remember that the country's foreign trade allows for in-depth study of certain proposals such as:

● removing certain restrictions on foreign trade, supplying a high level of export potential itself, and supplying the reunification of national economic processes to the World Trade Organization ● improving the overall quality and its level of goods in which exports take place, as well as the motivational processes of enterprises that deal with the reproduction of these processes , goods, the organization of certain brands that are of a national nature ● the implementation of processes and interrelated processes by action baking agricultural products to certain markets of the country and not only countries ● improving the legislation of the country for the smooth export of goods from Azerbaijan ● the process of arranging work to eliminate difficulties in the field of trade and reducing costs for commercial operations ● improving the efficiency of tariff rates, reducing barriers that are called non-tariff, the use of a certain import rate, which should preserve the production of domestic Avit a good level of protection; sustainability of the economy ● process of improving anti-dumping legislation to subsequently implement certain limits ● use of powerful parties and the possibility of exporting oil, excessively active and proper use of the revenues of the oil sector in order to subsequently finance sectors that remain in the economy, or rather the process of creating industrial products and naturally agricultural use ● high development of petrochemical production for export product which has a state ready product in the country which borders with Azerbaijan

It should be noted that in general, the economy of Azerbaijan is thriving and developing at an accelerated pace. our country concludes various partnership agreements and various protocols.

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**Summary**

The socio-economic model of Azerbaijan has a specific character, based on its geographical location, climate, religion and economic development. The result of Azerbaijan's effective economic policy implemented in the last decade is an increase in Azerbaijan's GDP by 3.4 times, an increase in diferent sectors and industrial production more than three times, progress in the non-oil sector reached about 70 percent by mid-2015.

"Diversification of the economy is our main goal. I think that we have achieved good results in this direction. " This was stated by Azerbaijani President Ilham Aliyev during his panel discussions on the topic "Strategic Perspectives: Eurasia" at the World Economic Forum in Davos.

"When the price of oil fell, I announced that the post-oil period had started in Azerbaijan, that we should forget about oil and gas. We must continue to implement existing oil and gas projects, but as the main source of income, attention should be paid to technology, innovation, industry, entrepreneurship, and agriculture.

We made serious reforms in this direction. Good results were achieved. Last year, the non-oil sector of the economy in the country grew by 3%, industry - by 4%. There is a process of diversification of our economy, and we do not plan to stop. At the moment, the price of oil is rising, but this will only increase our reserves. "

The head of state noted that we are optimizing our expenses: "Last year, despite the decline in oil prices, we earned $ 4.5 billion extra, thereby increasing our reserves. Oil and gas will continue to be a major part of our economy. The non-oil sector accounts for 70% of GDP. Our goal is to diversify exports in order to increase the volume of non-oil products in the export portfolio. "

Judging by the words of the president, it is possible to say with confidence that our state is moving in the right direction.