

## **INTEGRATION OF AZERBAIJAN INTO THE WORLD ECONOMY**

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**Abstract:** *We analyze how international financial organizations, the principles of protecting Azerbaijan's state interests should be based on the priorities of long-term social, political and economic development goals. Many countries' experience of market transformation, including Azerbaijan's experience, shows that loans from international financial organizations can actively help solve financial and other problems.*

**Keywords:** *economic development, integration, economic cooperation, foreign trade turnover, macroeconomic indicators.*

**JEL Classification:** *F02, F15*

### **The general overview of the national economy**

One of the priorities for the development of Azerbaijan's economy after restoring its political independence was the establishment of foreign economic relations in the right direction. Increased cooperation contributes to the country's economic potential, raw materials and mineral reserves, natural conditions and favorable economic and geographical position.

These facts show structural and qualitative changes in recent years' foreign economic relations. This is an example of the integration of Azerbaijan into the global economy. Cooperation with foreign countries provides advantages to Azerbaijan for its national economy's diversified development. This is why the establishment and development of mutual economic ties with foreign countries is an important factor in the development of Azerbaijan's national economy. The customs tariff [1] is one of the important ways in which the country is involved in foreign trade.

### **The analyze of international integrative perspective of Azerbaijan economy**

For its integration into international processes, the Republic of Azerbaijan is remembered. Thus, on the threshold of the XXI century, it contributed to its further development. In the new century, Azerbaijan has

increased its development pace. Another economic success has been achieved by our country. Evidence of this is the adoption on January 25, 2001 of the Republic of Azerbaijan as the 43rd member of the Council of Europe Parliamentary Assembly. The Commonwealth of Independent States, established in the early 1990s, was predominantly of a political nature, aimed at establishing inter-state relations between the former USSR countries. Today, this community is more focused on defining a concrete economic integration framework between the community countries.

With a number of CIS countries, Azerbaijan established a free trade regime; a legal framework for free investment was issued. If Azerbaijan only exported fish, caviar, oil and silk to neighboring countries at the beginning of the 20th century, Azerbaijan now has economic relations with many world countries.

The Republic of Azerbaijan currently exports oil, petroleum products and equipment, cotton fiber, tobacco, alcoholic beverages (wine), non-ferrous metals and chemical products and exchanges food products (oil, flour, sugar, grain, citrus fruits), metal and forest materials for automobiles and industrial equipment, light industrial goods (clothing, clothing, shoes), mineral fertilizers and household materials.

**Table no. 1.- Foreign trade turnover (million US dollars)**

Indicator/Year	2014	2015	2016	2017	2018
import	9187,7	9216,7	8532,4	8783,3	11 464, 9
export	30219,8	16592,3	13118,4	15319,9	19458,6
turnover	39407,5	25809,0	21650,8	24103,2	30923,5
balance	21032,1	7375,6	4586,0	6536,6	7993,7

Source: <http://www.finansy.ru/publ/pinter011.htm> (05/05/2012) Internet resource. News. Europe "Barroso offered the European Federation"

Table 1 data shows that exports are more important. And this, in turn, enables you to expand trade.

Thus, international relations were established in relations with a number of international financial and credit organizations following the restoration of the Republic of Azerbaijan's independence. Our country is a member of the World Bank (WB), the International Monetary Fund (IMF), the Islamic Development Bank (IDB), the European Bank for Reconstruction and Development (EBRD), the International Cooperation Bank of Japan and other international financial institutions. Because of this, Azerbaijan uses international credit facilities for its economic development. These funds support economic projects and finance our country's

development-oriented investment projects [2].

At the same time, the Republic of Azerbaijan's trade balance and structure is found in international goods and services markets as well as in financial markets. Here they are closely intertwined, they directly affect the size of a country's national income, the state of employment, inflation rate, and other macroeconomic indicators. Each country's government can not fail to take into account the mechanism of interconnecting macroeconomic indicators in an open economy when formulating economic policy (Bentoiu, Athu, Predonu, 2018). At the same time, first of all, the main macroeconomic variables that characterize the participation of the country in the international exchange of goods, services and capital should be determined and measured, and then a macroeconomic model that describes the interrelationships of these variables can be constructed. It is necessary to investigate (analyze) with this model how the economic policies pursued in a given country and in other countries affect the international flows of goods, services and capital. The basis of such a macroeconomic analysis is the balance of payments of the country [3].

**Table 2.- Balance of Payments, thousand USD**

<b>Payment Balance/Year</b>	<b>2005</b>	<b>2010</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
calculation of current operations	167315	15020703	10430530	- 222495	- 1363404
foreign trade balance	3299105	19711538	18927628	5812423	4206335
revenues from the tourism sector	77665	620652	2431533	2309485	2713789
expenditures from the tourism sector	163961	744966	3008408	2603062	2494411
net financial assets	2158192	5989616	11692223	13720828	7244491
direct investments attracted to Azerbaijan	4475396	3347311	8049206	7483072	7323654

Source: Balance of Payments, 1000 USD Source: State Statistics Committee of the Republic of

Azerbaijan, p. 401

As you can see, the figures in Table 2 show the development of the tourism sector (net income 219 378=2713789-2494411). Net financial assets grew 3.4 times and Azerbaijan's direct investment 1.6 times respectively.

Trade and economic relations dynamically developed in 2016. The Republic of Azerbaijan's trade balance has been positive-\$ 610.9 million. Bilateral trade and economic relations structure continues to be fairly diverse.

At the same time, the use of differentiated excise rates by the Azerbaijani side is a common problem for exporters to the Republic of Azerbaijan of goods subject to excise tax. They are much higher than local production excise rates on similar goods. Accordingly, in accordance with the resolutions of the Cabinet of Ministers of the Republic of Azerbaijan dated 15 November 2005 No. 209 and dated 25 January 2007 No. 16 for a number of goods, including Russian (yachts, sports and recreation swimming facilities and alcoholic beverages), higher excise tax rates are applied. The application of this discriminatory measure, as defined in Article 2 of the Free Trade Agreement, violates the principle of national treatment in mutual trade. Furthermore, it limits the free competition of domestic and imported products set out in Article 7 of the same Agreement [4]. In terms of preparing Azerbaijan for accession to the World Trade Organization, a number of international standards have been adopted in the field of information technology, building materials, agriculture, tourism and some other areas.

Azerbaijan applied for membership in the World Trade Organization in 1997. In 2007, a bilateral protocol was signed with Turkey on the completion of bilateral negotiations. In May 2008, a similar agreement was signed with Oman and the United Arab Emirates, and in May 2010 with Georgia. In the near future it is planned to sign protocols on the completion of negotiations with Moldova and Kyrgyzstan. Since 2003, Azerbaijan has been represented in the International Organization for Standardization (ISO) as a full member, and since January 1, 2010, in the European Organization for Standardization (CEN) as an observer. From January 1, 2011, Azerbaijan began to implement the World Trade Organization Code of Practice for the development, preparation and approval of standards, technical regulations and standards.

Implementation in Azerbaijan of state programs for the development of regions, modernization of road and transport infrastructure, technical re-equipment of the fuel and energy and petrochemical complexes, the sphere of information and communication technologies and other industries, the creation of free economic zones will be accompanied by an increase in Azerbaijan's needs in importing automobile and construction and

road construction, equipment, railway rolling stock, various machines, mechanisms and technological equipment, metal, metal building materials, etc. In addition, the implementation of the state program to ensure food security of Azerbaijan opens up additional opportunities for foreign suppliers of agricultural equipment, fertilizers, highly productive seed and livestock material (Bederek, 2013).

### **Conclusion**

Azerbaijan could continue to increase the supply of fruit and vegetable, wine-brandy and other products of traditional exports. In 2016, crude oil in the amount of \$ 6504517.3 thousand, natural gas - \$ 1142066.5 thousand, vegetables in the amount - 113195.4 thousand dollars, etc. prevailed in the structure of Azerbaijani exports. (State Committee on Statistics, p. 648)

The country currently has many proposals for developing cooperation in this sector with Georgia, Turkey, Ukraine, Romania, Bulgaria, in particular for transiting and partly processing Azerbaijani oil through their territory. There are projects on Turkmen natural gas transit; Kazakh oil transit is being conducted.

The situation with foreign trade is a little more complicated in a different range of goods and services [6]. Russia, Turkey, some Western European countries, as well as the United States are among Azerbaijan's most important foreign economic partners. Exports were \$1.745 million in 2000, and imports were \$1.172 million. France, Turkey, Russia, Georgia are the largest importers of goods in the country. Russia, USA, Germany, Great Britain, France, Kazakhstan are the country's most important exporters.

Therefore, in order for Azerbaijan to be more sustainable in the aftermath of the crisis, the country needs to overcome the very high dependence of exports and the balance of budgets on oil prices. Accelerating structural reforms, diversifying Azerbaijan's national economy, improving business conditions, expanding the tax base, attracting foreign investment in the non-oil sector, and strengthening the banking system continue to be priorities for the country's development [7]. In the future, Azerbaijan economy will be considered three factors as most important determinants of economic growth: human capital (qualified labor force), machines, and knowledge. Human capital is the basic factor for high labor productivity (Wei-Bin Zhang, 2018).

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