

REPUBLIC OF AZERBAIJAN

On the right of the manuscript

ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

DIRECTIONS FOR IMPROVING AZERBAIJAN'S PARTICIPATION IN THE INTERNATIONAL DIVISION OF LABOR

Speciality: 5310.01 - The World Economy
Field of science: Economic sciences
Applicant: Nijat Hafiz Mukhtarli

BAKU - 2021

The dissertation has been carried out at Western Caspian University in Azerbaijan.


Scientific supervisor: Professor, Dr. of Economy
Ganjali Aziz oghlu Ganjiyev

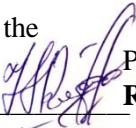
Official opponents: Professor, Dr. of Economy
Rovshan Rasim oghlu Guliyev

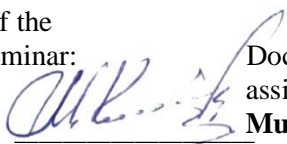
Professor, Dr. of Economy
Safar Hasan oghlu Purhani

PhD in Economic Sciences
Jabir Jabrayil oghlu Mirzai

Dissertation council FD 1.11 of Supreme Attestation Commission under the President of the Republic of Azerbaijan operating at Azerbaijan State University of Economics.

Chairman of the
Dissertation council: 
Signature Honored Scientist,
Doctor of economic sciences, Professor
Yadulla Hamdulla oghlu Hasanli

Scientific secretary of the
Dissertation council: 
Signature PhD in Economic Sciences
Rashad Aktiv oghlu Huseynov

Chairman of the
scientific seminar: 
Signature Doctor of economic sciences,
assistant professor
Mushfig Yelmar oghlu Guliyev

STUDY OVERVIEW

Relevance of the topic. Participation in the international division of labour provides countries with many opportunities to efficiently use their material and spiritual potential, apply scientific and technological advancements, and implement developments in this area in a timely and efficient manner. Countries that compete in international competition specialize in relevant areas at the international level, gaining a competitive edge in areas where their ability is matched.

Since its early days of independence, Azerbaijan has paid special attention to its involvement and advancement in the international division of labour, and a range of steps have been taken in this direction, including released presidential decrees and orders as well as adopted state programs, strategies, and concepts. The recently launched development concept “Azerbaijan 2020: A Vision of the Future” and the “Strategic Roadmap on the National Economy and 11 Key Sectors of the Economy” are among the important measures taken to achieve this goal.

A well-developed scientific capacity and a wide range of applicable opportunities will ensure our country's involvement in the international division of labour. Azerbaijan has national reserves in sectors such as petrochemicals, chemicals, iodine manufacturing, information technology, international tourism, international transport, mining industry, oilseeds, tea, and agriculture, which could represent it in the international division of labour. However, looking at the figures in the current situation, it is clear that our republic's potential is not being utilized to its full potential and that it is being undervalued in the global economy. The high proportion of oil and oil products in international trade, the low level of tourism and transportation service exports, the low utilization of export opportunities for many finished products, and the recent decline in foreign direct investment in the area necessitate rigorous research and successful recommendations. All of this highlights the importance of remembering that the dissertation’s topic is one of the most pressing economic issues.

Several well-known Azerbaijani scholars, including Z.Samadzade, M.Ahmadov, D.Valiyev, J.Kerimov, G.Ganjiyev, Sh.Gafarov,

A.Shakaraliyev, H.Huseynova, M.Guliyev, Sh.Hajiyev, Ch.Abbasov, A.Aliyev, H. conducted detailed research on various aspects of international division of labour.

Foreign scholars have studied various aspects of the international division of labour, including M. Porter, R. Campbell, T. Theor, P. Samuelson, R.Preibisch, J.Markusen, J. Stiglitz, A. Igolkin, B. Motilyev, K.Semyunov, I.Balabanov, A.Basov, Y.Mazilkina, Q.Panichkina, N.Mansurova,A.Sirotn, A. Anuchin, K.Obchinnikov, A.Kuplev, and E.Avdokushin.

Purpose and objectives of the research. The study's purpose is to determine directions to strengthen Azerbaijan's participation in the international division of labour by expanding the export spectrum, taking into account the country's potential.

In accordance with the main purpose of the study, the objectives of the study are defined as follows:

1) substantiate the need for Azerbaijan to increase its involvement in the global labour force;

2) study a variety of countries' experiences in extending their involvement in the international division of labour;

3) determine the position of goods manufactured in our country by industries in the global labour market;

4) clarify the system of indicators of the international division of labour;

5) study the current situation of the country's participation in the international division of labour;

6) analyse the future impact of the international division of labour in Azerbaijan in terms of creating a new export market;

7) determine Azerbaijan's participation goals in the international division of labour for preparing proposals.

Research methodology and methods. The research's theoretical and methodological foundation includes works by classical and non-classical scientists, local and international economists, laws passed by the National Assembly, legal and normative actions, as well as presidential decrees and orders.

A number of research methods including expert evaluations,

economic analysis, generalizations, as well as systematic and comparative analysis methods in solving theoretical and practical problems have been used.

The main provisions of the defence:

1. The characteristics of the growth of the international division of labour at the national level are justified;

2. At the macro and micro levels, a system of indicators for the international division of labour has been established;

3. The potential for Azerbaijan to improve its role in the international division of labour for finished goods has been evaluated;

4. The current state of our country's participation in the international division of labour on tourism and transportation services, as well as its development prospects, has been investigated;

5. The opportunities for Azerbaijan to improve its role in the international labour market on foreign direct investment, high-tech exports, and migration have been assessed;

6. Expansion of our country's participation in the international division of labour on raw materials and semi-finished goods has been prioritized;

7. Proposals and recommendations have been developed to strengthen the country's position in the international labour market.

Scientific novelty of the dissertation. The dissertation's scientific novelty is the preparation of proposals of practical importance to improve participation in the international division of labour based on theoretical and methodological aspects of the international division of labour's development, as well as a systematic study of the current state and development prospects of Azerbaijan's participation in the international division of labour.

Theoretical and practical significance of the research. The author's findings from this study can be used by relevant government agencies to substantially boost Azerbaijan's participation in the international division of labour.

Approbation and application. Key elements of the dissertation, as well as theoretical, methodological, and practical considerations on the topic and its various aspects have been presented at various

scientific and practical conferences. The author has published 7 articles in total including 6 articles in local scientific publications and 1 article in foreign scientific publications.

Name of the organization where the dissertation work has been carried out. The dissertation has been carried out at Western Caspian University in Azerbaijan.

The total volume of the dissertation with a sign, indicating the volume of the structural units of the dissertation separately. The dissertation consists of an introduction, three chapters, a conclusion and a list of references. The dissertation has a total length of 151 pages and 279,727 characters, including an Introduction of 5 pages and 8,439 characters, Chapter I of 40 pages and 78,951 characters, Chapter II of 52 pages and 96,168 characters, Chapter III of 39 pages and 73,437 characters, conclusions and suggestions of 5 pages and 9,052 characters, and a list of used literature of 8 pages and 11,449 characters.

GENERAL CONTENT OF THE DISSERTATION

The significance of the topic, the degree of scientific advancement of the question, the work's aims and objectives, the purpose and subject of research, the dissertation's theoretical and methodological basis, as well as the sources of its knowledge base are all justified in the dissertation's introduction. The dissertation's provisions, the theoretical and practical significance of the findings, information about the research's published papers and theses, and the volume and structure of the dissertation are all clarified.

The first chapter, titled "**Theoretical and methodological bases of the international division of labour**," discusses the theoretical and conceptual foundations of the international division of labour. The models on development stages of the international division of labour, as well as the key factors influencing its development and the indicators defining its degree have all been thoroughly examined.

The following conclusions have been drawn by the author in this chapter:

I The theories that form **the theoretical basis of the international division of labour**, such as the Theory of Absolute Advantages, Theory of Comparative Advantage, Theory of Ratio of Production Factors, Theory of Technological Advantage, The Theory of Product Life Cycle, and The Theory of Competitive Advantage, have been compared. It was stated that the country must have a technical and competitive advantage in order to increase its involvement in the international division of labour. It has been stressed that our republic's involvement in the international division of labour is more expedient on the basis of development and export of modern technical and scientific goods, taking into account the researched theories and potential of our republic. In this regard, it is more beneficial to have expertise in specific goods in order to gain a competitive edge and increase finished product exports from raw materials.

Two major directions of the international division of labour have been identified: country specialization at the international level and the establishment and extension of international cooperation.

II The types of foreign production specialization and levels of

specialization in terms of the areas of production, as well as the stages of specialization have been clarified. It is shown that foreign specialization of production occurs in phases. These stages are followings:

- a) specialization on the basis of goods, for instance on the basis of production of finished products;
- b) specialization by parts, for instance by production of separate parts and junctions;
- c) specialization by stages or technological, for instance various operations.

III The methods for realizing these relations have been explained, noting the importance of developing cooperative relations between countries in the creation of the International Division of Labour.

Three key approaches should be used when establishing international cooperation. It is thought to be appropriate:

- 1) Implementation of joint action programs;
- 2) Specialization under the contract;
- 3) Establishment and operation of joint ventures.

It was noted that the countries used import substitution as a strategy in the early stages of growth, with the aim of progressively increasing exports.

International direct investment and migration play a significant role in the country's involvement in the international division of labour. FDI has a direct and indirect effect on the country's export development. At the same time, migration has the potential to increase imports and exports in the region.

It has been suggested that import substitution and export stimulation policies should be implemented simultaneously to increase the country's involvement in the international division of labour, and more attention to FDI and migration will help achieve this goal,

IV The factors driving the evolution of the international division of labour in the global economy, as well as the indicators that characterize this evolution have been explained.

The following are the factors influencing the development of the international division of labour in the world economy:

- A diverse distribution of natural resources across countries;
- Land and climate resources;
- Geographical position of the country;
- Quantitative disparities in labour capital, the country's demographic condition, and a scarcity of highly skilled human resources;
- Differences in the volume of domestic markets;
- The level of growth of a country's productive forces, as well as opportunities to boost labour productivity;
- Economic interests and favours;
- Scientific and technical progress and development processes;

The "**Study of the current state of Azerbaijan's participation in the International Division of Labour**" is the second chapter. The chapter examines the present state and future perspectives of the country's involvement in the international division of labour. The scope for the development of the international division of labour in our country's fields has been evaluated.

The following provisions have been proposed in this chapter as a scientific novelty of the work.

I. Opportunities for Azerbaijan's role in the international division of labour on finished goods, services, foreign direct investment, high-tech products, and migration have been evaluated.

II. Analyse the prospects for the development of Azerbaijan's participation in the international division of labour, broken down by industry.

Prospects for inclusion in the international division of labour are being discussed in country systems. It provides a solid basis on which to create sound and practical recommendations.

According to international practice for research, all countries are divided into two groups – developed countries and developing countries.

Research shows that developed countries specialize more in finished products, especially in science-intensive areas, as well as services.

The largest developing countries in the international division of labour, specializing in the production of finished goods, are, of course, the Group of Seven (G-7). These are the states that are included in the list. Group G-7 or the "Big Seven" will account for 31.2% of world exports of finished products in 2019.

One of the fields in which developed countries engage in the international division of labour is the manufacture and export of services. This includes all types of international and transit transport, tourism, banking and insurance services, advertising, fine arts, data analysis, health services, software, commercial media, agricultural services, etc. The share of developed countries in the world market of services is 67.9%. In 2019, the G-7 group of developed countries will account for 38.2% of global services exports.

When it comes to attracting foreign direct investment, developed countries clearly have a greater share. As a result, 1545 billion US dollars in FDI were attracted globally in 2019, with 800 billion US dollars going to developed countries. In 2019, the total amount of FDI spent abroad in the world was 1314 billion dollars, with developed countries accounting for 917 billion dollars.

According to estimates from the United Nations Department of Economic and Social Affairs (DESA), there were 272 million foreign migrants in the world in 2019, up 51 million from 2010. 66% of these migrants went to developed countries, while 44 percent went to developing countries.

According to international statistics, more than 130 countries are currently included in the list of developing countries. The population of these countries makes up 75% of the world's population. Although the average GDP per capita in developed countries is \$ 47,000, it is just \$ 5,500 in developing countries. In terms of growth, the countries engagement is vastly different from one another.

Since the 1970s, this divide has grown even wider. Thus, the per capita GDP of developing countries in West Asia was \$ 12,500 in 2019, \$ 9,000 in East Asia, \$ 8,000 in Latin America, \$ 2,100 in South Asia, and \$ 2,000 in Africa in 2019. The majority of the developing world's exports, as well as Azerbaijan's are raw materials. These countries specialize in the manufacture of both primary raw materials

and, to a lesser degree, refined raw materials, according to the international division of labour.

Developed countries, on the other hand, are similarly involved in manufacturing industry capital investments. This is due to the fact that developed countries regard natural resources of developing as the primary source of raw materials for their manufacturing industries.

This situation exacerbates the development of developing countries in the international labour market based on the vertical development model. It is no coincidence that sales account for 56 percent of the developing country's exports, which primarily consist of different types of raw materials. It is realized in developing country markets to the tune of 40%.

One of the key reasons for developing countries' improving positions in the modern world's foreign division of labour is the completion of the manufacturing process, improved integrity, and incremental nationalization. It is just a collection of guidelines. At the moment, there are some factors that can be put into practice.

We hope that the issues that prevent developing countries from fully participating in the international division of labour will be resolved. They will have to move to an export-oriented international division of labour model to do so. However, we believe that the appropriate steps are not "shock therapy," but rather at least two phases are needed for the further progress. In the first stage, the policy of protectionism should be substantially relaxed, and export stimulation should be provided. To this end, a variety of steps should be taken. The architecture of the export-oriented economy, the shape of the legislative system, and the policy of protectionism must all be built in the second stage.

When looking at the current situation in the CIS, it is clear that oil and oil products make up the majority of our exports. Agricultural goods dominate non-oil exports. As a result, there is a pressing need to diversify products exports. To diversify exports, it would be beneficial to increase the amount of capital and intermediate product imports.

While service exports have increased in recent years, they still fall short of our country's potential. As a result, particular attention should be paid first to the export of tourism and transportation services.

Table 8

Export of tourism services of Azerbaijan for 2017-2019
(in US dollars)

	2017	2018	2019
All services	4 688 439	4 690 704	3 761 480
Tourism	3 011 781	2 634 163	1 791 514
Individual travel	2 286 894	2 036 827	1 435 377
Business travel	724 887	597 336	356 137

When we look at the country's tourism services exports, we can see that business travel has a lower weight.

Table 9

Export of transport services of Azerbaijan for 2017-2019
(in US dollars)

	2017	2018	2019
All services	4 688 439	4 690 704	3 761 480
Transport services	971 396	1 223 822	1 107 970
In addition,			
Air transport	439 559	782 668	680 039
Sea transport	175 227	146 379	129 684
Other mode of transport (except sea and air transport)	350 689	288 095	294 484
Post and delivery services	5 921	6 680	3 763

It is essential to increase FDI participation, which has been decreasing in recent years in order to increase export potential. In comparison to the CIS countries, it is clear that our country lags behind in this region.

Table 12

Volume of FDI involved by CIS countries for 2017-2019 (in million US dollars)

	Involved FDI		
	2017	2018	2019
Russia	25 954	13 228	31 735
Kazakhstan	4 669	3 757	3 118
Ukraine	2 601	2 355	3 070
Uzbekistan	1 797	625	2 286
Turkmenistan	2 086	1 985	2 166
Belarus	1 279	1 432	1 293
Azerbaijan	2 866	953	1 053
Moldova	157	308	589
Armenia	251	254	254
Tajikistan	307	360	213
Kyrgyzstan	222	139	209

At the same time, more attention should be paid to migration issues and the exchange of high technology in order to increase our country's involvement in the international division of labour. According to our study, it is important to specialize in the development and export of finished goods in the following areas, based on our republic's existing industrial and resource potential:

- petrochemistry;
- light industry;
- tourism services;
- transport services;
- engineering - consulting services.

In our opinion, one of the promising areas in which Azerbaijan should successfully specialize is the petrochemical industry. The following are the most important comparative advantages of Azerbaijan in the petrochemical industry.

- The primary raw material, Azerbaijani crude oil, is of excellent quality. The top exporters of petrochemical materials in the international division of labour are the United States, Japan, and

Germany. Azerbaijan, on the other hand, does not import raw materials from far away and has readily available raw material sources. The cost of transportation is low.

- Azerbaijan has a large petrochemical park and produces raw materials that can be used in manufacturing. At the same time, there is a large network of related industrial systems. Acquisition of machinery and technology to reactivate these vast production forces and modernize the infrastructure of the petrochemical industry. In reality, when compared to capital investments, it needs very little investment.

- Petrochemistry, organic chemistry, and a number of other industries have considerable economic potential in our nation. Our country's foreign division of labour system has a high human capital potential, which is one of its advantages.

In modern times, light industry is one of the sectors of the international labour division in which Azerbaijan has the most space for growth. The following are the key advantages of Azerbaijan's light industry specialization, in our opinion:

- Light industry is mainly a labour-intensive sphere. On the other hand, labour resources in Azerbaijan are abundant, relatively skilled, and inexpensive.

- Azerbaijan's light industry needs both natural and synthetic raw materials, and domestic production of both will pay for itself.

- Light industrial enterprises can be found in almost every area of the republic, despite their age. At a low cost, it is possible to ensure that they deliver goods that follow international requirements.

Exporting tourism services is currently one of the most promising fields for expanding our country's involvement in the international division of labour. As a result of the implementation of the “Strategic Road Map for Development of Specialized Tourism Industry in the Republic,” approved for this purpose, our country will become one of the most desirable tourist destinations in the region by 2025, and one of the top 20 tourist destinations in the world. The area of export and international transportation organization is one of the most important fields for Azerbaijan to benefit from the international division of labour in modern times. Our country will soon become a major international transportation hub connecting Europe and Asia. At the

same time, the republic commemorated the Azerbaijani state's efforts in completing the Baku-Tbilisi-Kars railway in 2017. We would be able to move shipments of various destinations from China to Europe in the shortest possible time to boost our country's international credibility. From east to west, international transportation routes passing through Azerbaijan are 4,000 kilometres shorter. For contrast, Kazakhstan's oil is also exported from Russia to the Mediterranean. On the Baku-Tbilisi-Ceyhan highway, a barrel of oil costs \$ 4.7. This amount is just \$ 3.8.

In Azerbaijan, rural areas employ 38 percent of the country's skilled workers. The use of the international division of labour in agriculture has a lot of potential. Despite the fact that our country produces a limited amount of environmentally friendly agricultural products, Azerbaijan is ranked eleventh in Asia for this category.

Table 21

In 2018, the Asian countries with the most arable land developed agricultural products that were environmentally friendly (hectares)

Countries	Agriculture lands (hectares.)	Share in Asian region, by percent	Number of producers
China	3135000	47,9	6308
India	1938221	29,6	1149371
Indonesia	251631	3,8	18162
Vietnam	237693	3,6	17169
Philippines	218570	3,3	12366
Kazakhstan	192134	2,9	63
Thailand	95066	1,5	58490
Sri Lanka	77169	1,2	1416
Pakistan	64885	0,99	415
Timor-Leste	63882	0,97	4
Azerbaijan	37630	0,6	305
Total:	6 537 226	100	1 317 023

Azerbaijan, in general, is a market with the ability to dominate agricultural and food exports in the CIS.

They are classified in the following groups:

Production and processing of fruits and vegetables with highly competitive advantages, as well as industrial and winemaking

products, are included in the first group.

Group 2 includes vegetable oils made from imported raw materials, as well as sugar and sugar products. Tea leaves and rice;

Cotton, silk, tobacco, and leather products are among the industrial raw materials included in group 3.

The third chapter, “**Azerbaijan's Role in the Expansion of the International Division of Labor,**” discusses promoting Azerbaijan's current products that could represent it in the international division of labour in the field of goods and services, including information and semi-manufacturing in our republic, as well as improving participation in the country's international labour market. The effect of the international division of labour on Azerbaijan's growth, as well as the means of influencing Azerbaijan's participation in the international division of labour, has been identified.

The following conclusions have been drawn in this chapter.

I expanding our republic's participation in the international division of labour on raw materials and semi-finished products have been prioritized.

II. Proposals and recommendations to improve the country's role in the international labour force have been created. Since Azerbaijan is an oil republic, our country's oil industry has always been well-developed. It owned a machine-building company. The following are the most developed areas of our country's machine-building industry: Petroleum engineering, electronics, electrical engineering, machinery manufacturing, home appliances, and other fields are among them. Currently, oil machine-building companies are only producing 6-8 percent of their total output. The sector's contribution to the country's GDP is less than 2%. Drilling rigs and oil industry machinery, such as pumps, cranes, transformers, metalworking devices, instruments, measuring instruments, and others, are the main items of Azerbaijan's machine-building industry. Azerbaijan has a well-developed industry that caters to the oil and gas sector. Azerbaijan's priorities to export resources other than crude oil exports in the oil industry have potential.

The following specializations should be added to the priorities:

- Oil field discovery and economic evaluation;
- Oil production project planning and preparation;
- Oil pipeline construction programs services;
- Development and production of new oil production and processing machines and equipment consulting services;
- Machinery and equipment installation, commissioning, and operation;
- Development of projects for the modernization of existing lines of production machinery and equipment;
- Service to oil rigs;
- Provision of higher education educational facilities in the field of oil and gas;
- Specialization of low and medium level employees in the oil and gas industry organization;
- In Azerbaijan, researchers' developments in the field of oil production, as well as the preparation of export and export regulations can be put to use. Kerosene and automobiles outnumber gasoline in the export structure of oil industry goods, especially crude oil and diesel fuel. Since the oil industry is export-oriented, it is important to take stimulatory steps. These policies are intended to benefit not only the manufacture and selling of raw materials, but also the international division of labour. In order to benefit from it, it should also cover the export of other elements. One of the fields where Azerbaijan's CIS specialization has potential in modern times is international tourism. The conditions for international tourism growth in Azerbaijan are excellent. A number of variables affect the initial conditions:

1) 20% of the territory of Azerbaijan is suitable for tourism;

2) Despite accounting for just 0.058% of the world's land area, Azerbaijan is home to 0.84 percent of all plant species, including more than 70 endemic species. That is to say, Azerbaijan's abundance and variety of plants and nature can be found on our planet.

3) Azerbaijan has over 200 mineral waters (60 of which are medically significant), as well as 250 medicinal muds. There are 124 resort areas to choose from.

4) Azerbaijan has 15 wildlife reserves, 18 sanctuaries, two hunting farms, and over 2130 nature reserves. In general, Azerbaijan has more

than 2165 covered natural objects in various forms. It can be as high as 5%.

5) Azerbaijan has hundreds of historical monuments from various ages (from the first human settlements to the XIX century). There are a diverse range of monuments to be found.

Azerbaijan has become one of the most important international tourism destinations by reviving the numerous styles of folk arts that still exist in Azerbaijan. It has the potential to become a big souvenir exporter. It's also worth noting that many of these styles of art are exclusive to our republic.

The growth of international tourism in Azerbaijan, as well as our country's participation in the global labour market, will necessitate, first and foremost, the economic measures mentioned below. It's important to keep in mind:

- 1) Accelerate the privatization of state tourism facilities;
- 2) Prepare and introduce a state program for international tourism development;
- 3) Establishing guidelines for the wise use and conservation of the natural and historical-cultural environment;
- 4) Establishment of modern international tourism infrastructure (at world-class levels), including water, electricity, heating, sewage systems, and transportation complexes;
- 5) In Azerbaijan, the world of restoration of multiple tourist facilities in need of repair is nearing completion;
- 6) One of the serious problems is the lack of access to boarding houses, sanatoriums, hotels. They have been inhabited by refugees. To get away from this problem, it's critical to give refugees preferential treatment when it comes to land distribution and long-term loans for housing construction.
- 7) The high level of expertise in this field is one of the key obstacles to the growth of international tourism in Azerbaijan. - There is a lack of qualified staff. Even the owners of established tourist attractions claim to have less expertise in this area.
- 8) Implementation of an active foreign advertisement policy;
- 9) Use of some of Azerbaijan's existing reserves for the growth of international tourism. The establishment of national parks in the

country would also be beneficial;

10) In the field of tourism, it is important to enhance local governments' economic interests in this region. The majority of operational and administrative duties should be assigned to them, and the majority of budget revenues should be allocated to district budgets.

11) The use of different tax advantages. In France, for example, the VAT rate is 22% in all areas and 12% in tourism.

12) Historical landmarks, museums, national parks, and other essential tourism facilities, as well as the infrastructure supporting their activity, must be entrusted to a competent national or international management organization. Specialization and foreign knowledge cooperation, as well as semi-finished products, are both areas of work. Participation has far-reaching implications for the businesses of Azerbaijan. Here's a list of what it is proposed:

1) In comparison to the production of finished goods, specialization in materials and semi-finished products requires the least amount of investment, technology, R&D costs, and so on. Due to high prices, our republic has few capital resources. It is relatively simple to organize a company.

2) These firms are the largest in the world economy, owing to existing products demand, technical and technological aspects of production in such enterprises, as well as the relatively low level of logistics sophistication. They have the ability to react to any shift quickly.

3) According to the statistics, the current commodity is the period of specialization in the international division of labour on semi-finished goods. Marketing policy, in contrast to education, is founded on the predominance of subjective personal views. This is a niche market dominated by independent expert views, rather than a mass market. It is less expensive than attracting people.

4) Producing the share and parts is one of the most prominent trends in the industry today (especially in machine building). Unification is the method of using the same information and data in different goods; semi-finished products anticipate a rise in machine building.

Our country can specialize in three types of semi-factories:

chemical, construction, and pharmaceutical.

Artificial fibre, fire-resistant fabrics, insulation coatings, plastics (Azerbaijan ranked first in the USSR in terms of production), ethylene, ethyl alcohol, sulfuric acid, and other products are produced in our country today. The export of such goods has a lot of potential.

The difference is one of the most important divisions of Azerbaijan's semi-factory specialization in the CIS. The processing and export of processed raw materials is more expensive than plants with medicinal value. In this area, our country has major advantages. Experts consider pharmacognosy to be the most powerful type of medicine today. It is regarded as a promising development field. Natural remedies, as well as ecologically clean products, are sought after in today's world. In Azerbaijan, there are over 300 medicinal plants. They can be used to successfully treat more than 2,000 diseases in total. These plants, on the other hand, contain vitamins, polyvitamins, fortifying medicines, and biological substances. It's also a highly useful raw material for making active food additives.

Without providing the requisite incentives to improve Azerbaijan's role in the international division of labour, substantial progress in this direction would be unlikely. Efforts should be continued to build incentives that have an impact on the growth of Azerbaijan's role in the global labour market. It should, in our view, be based on five key areas:

- 1) Fully incorporate the export-oriented international division of labour model in the country's economy;

- 2) Transform Azerbaijan into the world's fastest growing countries in terms of foreign direct investment;

- 3) Enable and accelerate scientific and technological processes in the region, transforming Azerbaijan from a goods importer to a modern technology importer and producer;

- 4) Focus on the recycling of the resources used in the majority of the national economy's activities;

- 5) Strengthen competitiveness around the entire national economy's sectors and spaces. Prepare and put in place the appropriate steps to expand the international scope. The export-oriented model of economic growth is the first measure taken to boost our republic's status in the international division of labour. It is critical to develop an

effective state policy based on global experience in this area. To do so, strategies and means of stimulating exports that are commonly used in international practice must be used. These methods include:

- 1) The state credits exports by commercial banks;
- 2) The state issued bank guarantees to local banks lending to national exporters;
- 3) Foreign companies buying Azerbaijani goods are reimbursed or guaranteed by the government and loan provisions of by mercenary banks;
- 4) A part of the interest paid by exporters to commercial banks on loans subsidized by the government;
- 5) The disparity between national and foreign transportation tariffs is paid by exporters.
- 6) Direct state export insurance;
- 7) State export credit insurance;
- 8) Customs duty reduction or cancellation on fixed assets imported by exporting enterprises;
- 9) Information, marketing, and consulting services offered by the state to exporters. The following steps are critical for implementation in this regard:
 - a) Establishing a "full database" of Azerbaijani businesses;
 - b) Establishing relationships with similar databases in other countries;
 - c) International exporter regulations, national exporter market laws, and advising on current standards and other product quality criteria.
- 10) Government funding for marketing schemes aimed at studying exporting firms' international markets.
- 11) Separate concessions established on the basis of international licenses for export-oriented companies;
- 12) The state shall increase the human resources of research institutes and higher education institutions as well as their possible involvement in the analysis of problems relating to international economic activity and in the possible transfer of the results of their scientific studies to export-oriented firms.

One of the most important issues to resolve in order to boost our republic's status in the international labour market is the largest import of direct investments from Azerbaijan. Most steps to improve Azerbaijan's efficiency in participating in the international division of labour would stay on paper if we cannot make it attractive for direct investment.

In order to further improve our republic's investment attractiveness, in addition to the suggestions, the following steps should be proposed as measures that should be adopted as soon as possible.

1) Assigning different incentives to investors based on the project's risk level. The procedure should be widely publicized.

2) A diverse range of rights given to foreign investors, as well as their activities. As a result, there is a competitive, high-tech, and environmentally friendly element at the international level. A favourable investment climate should be established.

3) Project approval should be done in phases, with intermediate stages avoided if possible.

4) Expert opinion on repatriation of capital exported from the nation. According to them, the capital is worth between \$10 and \$15 billion dollars.

5) Investment ventures targeted at the actual sector of the economy are financed by the bank. It is required to exclude income from taxation (according to the credit given to enterprises).

6) It is important to invest now in order to build the conditions for a strong flow of investment into the country in the future. A portion of the policy should be devoted to the development of suitable infrastructure.

7) Encourage investing the money that is concentrated in the hands of the people. The most challenging issue here is restoring public confidence in banks. It remains as a problem. To accomplish this, the government must, on the one hand, strengthen its control over bank operations and, on the other hand, strengthen its control over the activities of banks. On the other hand, the public is told that all funds deposited in banks will be returned in full.

One of the most significant factors in improving Azerbaijan's

position in the international labour market in modern times is the manufacture of machinery and equipment. Replacement of this sector with high-tech imports, patents, permits, and new technologies from our republic on a gradual and full basis is important for turning this sector's technology into a major producer.

We believe that protecting national interests from a state perspective is an effective way to carry out science, technological, and creative work in the name of development within the country and concentrate on establishing optimal conditions for the growth of these processes. To that end, it is important to take the following steps as soon as possible.

1) In order to hasten the transition to an innovation development model in Azerbaijan, specific bodies must be created. The development of the national innovation framework, as well as the promotion of technological development and new technologies creation and development of all sectors in this region, is the key goal of this agency's science and technical policy.

2) Scientific and technological studies, as well as ground-breaking ventures including promotion of investments of legal entities, banks. Full tax exemption must be launched for all scientific and technological activities.

3) Exemption from taxation of corporations' surplus capital dedicated to education and science;

4) To fund the education and research, we have to borrow from taxable profits of businesses, allowing us to deduct interest charged according to our means.

5) Workers in companies' research units, or all employees doing research in general, are exempt from paying taxes. Businesses that are expected to train their workers have their capital investments excluded from taxes.

6) Leasing companies' implementing basic research and innovation programs are exempt from paying taxes on their earnings.

7) For the implementation of scientific, technical, and innovation programs, full exemption from customs duties has to be introduced.

Azerbaijan's place in the international division of lab or can be improved by investing in the national economy. It is important to

ensure that the usage is increased. In terms of stock handling, this is attributed to the elimination of intermediate processes in the manufacture of raw materials and finished products and the gradual decommissioning of high-resource regions, resulting in material and energy savings.

The implementation of new technology, as well as the capital of the primary raw materials industry's productive powers. Recycling, or the development of new energy sources, is a good example of this.

A national approach to enhancing our country's role in the international division of labour is a holistic approach. Increasing our education's competitiveness in the global economy is a must.

In our opinion, the following measures should be taken to increase the competitiveness of Azerbaijan's education and training system.

1. Establishment of the National Council for Science and Technology under the President of the Republic of Azerbaijan;

2. Preparation of the legal framework for competitiveness;

3. The Ministry of Education, the Ministry of Economy, Institute of Economics of Azerbaijan National Academy of Sciences (ANAS), and the Azerbaijan Republic's State Committee on Standardization, Metrology, and Patents cooperate to establish an educational and ideological structure for development;

4. Establishment of a promotion program for the "Competitiveness of Azerbaijan's Economy" for the years 2018-2025;

5. ANAS establishes the Institute (Department) of Competitiveness;

6. The Ministry of Education establishes the Academy of Competitiveness to improve the educational system's competitiveness;

7. Development and publication of educational-methodological tools on capacity building and management for raising competition in a variety of areas (governance, standardization, legal system, education, etc.);

8. Opening of specialization courses about competitiveness at higher education institutions.

Azerbaijan's competitiveness is based on its successful role in the international labour market. The strategic trajectory of the structural policy implemented in the country for the promotion of can be

summarized as follows:

1. Establishment of a consistent and predictable legal framework in this field is vital. There are still main remaining issues in this field – as soon as the legislation is being enacted, and it can be changed almost immediately.

2. Small and medium-sized enterprises should be the backbone of the national economy in order to improve it and turn it into a flexible and agile economic structure. This is due to the willingness of small companies to rapidly adjust to changes in the economic climate.

3. Improving the quality, efficiency and transparency of management at all levels.

4. Maintain a high level of control over commodities and economic activities. The primary goal of this strategy is to improve the performance of the domestic market. Along with specializing in particular products and services, it's critical to turn market competition into quality competition and establish production standards that match the world's most stringent standards. It should include the development of a functioning system.

The following published articles and theses by the author represent the key provisions of the dissertation, the results obtained, and suggestions:

1. N.H.Muxtarlı. “Azərbaycanda Beynəlxalq əmək bölgüsünün məkanlarında istifadənin yaxşılaşdırılması istiqamətləri” // ADDA-nın “Dəniz Nəqliyyatında İnnovativ Texnologiyalar” XI Beynəlxalq elmi-texniki konfransının məruzə materialları. Bakı: 2016.
2. N.H.Muxtarlı. “Ölkələrarası xarici iqtisadi əlaqələrinin genişləndirilməsində beynəlxalq əmək bölgüsünün rolu” / AMEA-nın xəbərləri, İqtisadiyyat seriyası. Elmi-praktiki jurnal. AMEA-nın İqtisadiyyat İnstitutu. Bakı: 2017, №5.
3. N.H.Muxtarlı. “Azərbaycanda Beynəlxalq əmək bölgüsündə iştirak zərurətləri” / AMEA-nın xəbərləri, İqtisadiyyat seriyası. Elmi-praktiki jurnal. AMEA-nın İqtisadiyyat İnstitutu. Bakı: 2017, №6.
4. H.X.Мухтарлы. «Стимулы, влияющие на развитие позиций Азербайджан в международном разделении труда» /

- Экономика та держава. Наука во практичный журнал. Наказ Министерства освіти и науки Украины № 3 сержезен 2018 р.
5. N.H.Muxtarlı. «Azərbaycanda sahələr üzrə beynəlxalq əmək bölgüsündə iştirak imkanlarının qiymətləndirilməsi. Kooperasiya Elmi-praktiki jurnal “Azərıtıfıq” Azərbaycan Kooperasiya Universiteti. Bakı: 2018 (№ 2) (49).
 6. N.H.Muxtarlı. Beynəlxalq əmək bölgüsünün modellərindən istifadə və milli iqtisadiyyatın inkişafı. Odlar Yurdu Universitetinin Elmi və Pedaqoji Xəbərləri. Azərbaycan Respublikası Odlar Yurdu Universiteti. Bakı: 2018 (№ 48).
 7. N.H.Muxtarlı. Azərbaycanca Beynəlxalq əmək bölgüsünün üstünlüklərindən istifadə. “Müstəqıl Azərbaycan dövlətinin ərzaq təhlükəsizliyinin təmin edilməsi və aqrar sahənin rəqabət qabiliyyətinin yüksəldilməsi problemləri” // Beynəlxalq Elmi-Praktik Konfransın Materialları. “Azərıtıfıq” Aku Bakı: 2018.
 8. H.X.Muxtarlı. «Общая характеристика международной специализации и международная кооперация производства» / Вопросы управления и экономики: современное состояние актуальных проблем. Сборник статей по материалам XXVI международной научно-практической конференции. Москва: 2019, №8(24)



The defense will be held on “25” june 2021 at FD 1.11. Dissertation council of Supreme Attestation Commission under the President of the Republic of Azerbaijan operating at Azerbaijan State University of Economics.

Address: AZ 1001, Baku, Istiglaliyat street 6

The dissertation is accessible at the Azerbaijan State University of Economics Library.

Electron versions of dissertation and its abstract are available on the official website of the Azerbaijan State University of Economics.

Abstract was sent to the required addresses on “25” may 2021.

Signed for print: 07.05.2021
Paper format: 60x84 1/16.
Volume: 05/02. Number of hard copies: 20
(34449 Symbols)

“AA – Polygraph” Production and Commercial Association
capevi@internet.ru Tel.: (+99455) 2012809