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ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

THE ROLE AND REGULATORY CHARACTERISTICS OF INTERNATIONAL TRADE IN THE DEVELOPMENT OF AZERBAIJAN'S ECONOMY

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GENERAL CHARACTERISTICS OF THE RESEARCH

Relevance and degree of development of the topic. The expansion of international trade relations is of economic importance for every country, contributing to economic growth, development and integration into the global economy. Foreign trade allows countries to go beyond the domestic market, expanding the marketing opportunities for goods and services. This is especially important for countries with limited domestic demand or a small market size. At the same time, the development of international trade relations allows countries to obtain goods that they cannot produce themselves or produce inefficiently. This applies to both natural resources (oil, gas, rare earth metals), and technologies and innovations that can help increase their competitiveness. The expansion of foreign trade relations also creates conditions for countries to specialize in goods and services in which they have a comparative advantage. This reduces costs and increases the efficiency of production, since each country does what is most competitive. In this regard, the participation of Azerbaijan in world trade, which has embarked on the path to creating a developed market economy, is of particular importance. Azerbaijan, distinguished by its location at the intersection of the Europe-Asia transport corridor, rich geographical position and natural resources, attracts the attention of the world's power centers. Azerbaijan's foreign trade activity is distinguished by its specific features. Mineral products occupy the main place in the country's export structure. However, the modern and promising development of Azerbaijan more reflects the new orientation of the economy. This development is based on the development of the non-oil sector and is aimed at gradually eliminating the country's dependence on oil. Such an approach, in addition to increasing the export of national products, is aimed at ensuring their competitiveness.

These views are being defined more specifically in the state programs and strategic roadmaps adopted in recent times. Thus, ensuring the transition of the country's economy to a new development model through large-scale reforms also reflects this approach. The measures taken to form the trade legislation of the Republic of

Azerbaijan have created important opportunities for the expansion of the country's foreign economic relations. In recent years, the development of bilateral and multilateral cooperation has played a fundamental role in expanding economic relations between Azerbaijan and the vast majority of countries in the world, as well as with international economic unions, associations, organizations, and various unions.

The Decree of the National Leader Heydar Aliyev "On Further Liberalization of Foreign Trade in the Republic of Azerbaijan" dated June 24, 1997, *established the further liberalization and expansion of the country's foreign economic, including trade relations, and modern rules that meet the requirements of a market economy in this area.*¹ Azerbaijan, being an active participant in international integration associations and economic organizations, consistently pursues a foreign policy course aimed at promoting its interests in the field of international trade and economic development, taking advantage of its favorable geographical location and rich hydrocarbon resources.

According to the data of the State Customs Committee of Azerbaijan, the number of foreign trade partner countries in 2023 was 193, and the number of foreign trade participants was 71,767 units, of which 61,161 were individuals. 206 legal entities were state, 10,320 were private sector, making a total of 10,526 units.² The Republic of Azerbaijan, which implements its foreign policy in accordance with the norms and principles of international law, as well as the principles of the United Nations (UN), remains committed to the rule of law and the principle of states fulfilling their obligations in interstate relations. As a result of this approach, the world perceives Azerbaijan as a reliable and close partner with which it wants to cooperate. Azerbaijan's accession to the Generalized System of Preferential Trade of the European Union, the United States, Norway, Canada, Turkey, Switzerland and Japan has created conditions for the entry of

¹ Decree No. 609 of the President of the Republic of Azerbaijan, General National Leader Heydar Aliyev, dated June 24, 1997, "On further liberalization of foreign trade in the Republic of Azerbaijan."

²<https://customs.gov.az/uploads/site/6/072b4ef072324978321fe8b3878cfddd.pdf?v=1709104990>

Azerbaijani goods into these markets with reduced customs duties.

In addition, Azerbaijan has signed a free trade agreement with the countries of the Commonwealth of Independent States (CIS). The measures taken to create favorable conditions for international economic relations have significantly increased the volume of the republic's foreign trade turnover in 2005-2023. While in 2005 the volume of trade transactions with 139 countries amounted to 8,558.4 million US dollars, in 2023 this figure reached 51,183.9 million US dollars with 193 countries.³

It should be noted that since the market economy gained independence, the country's long-term economic development model was initially based mainly on revenues from oil and gas exports for the purpose of capital accumulation, but now efficient investments have begun to be made from the raw material sector for the development of the non-oil sector. In order to develop the non-oil sectors of the economy, the specific weight of domestic and foreign investments directed to the fixed capital of this sector has increased in recent years. The main direction in the development of the Azerbaijani economy is to accelerate its diversification, establish the production of export products and increase the production of local products in order to replace imports. Since the non-oil sector dominates the country's economy, consistent work is being carried out to increase its specific weight in the state's export structure. Intensive work carried out to develop the export potential of the non-oil sector and the construction of modern factories in industrial parks, as well as in neighborhoods, is one of the main directions for improving the republic's foreign trade. For this purpose, in the document "On Additional Measures to Stimulate the Export of Non-Oil Products", approved by the Order of the President of the Republic of Azerbaijan dated March 01, 2016, it was noted in paragraph 2 that the base amount of export incentives to be paid was 3 (three) percent of the customs value of the actually exported goods specified in the export customs declaration for export operations, and this incentive was valid until 31.12.2020. The effective

³ <https://marja.az/113751/azerbaycanin-2023-deki-xarici-ticaret-dovriyesi-barede-etraflı-melumat>

economic measures taken, compensating for the decrease in the flow of petrodollars to the country, create a serious foundation for the development of the non-oil sector. All this shows that Azerbaijan plays an important role in ensuring security not only in the region, but also on the continent, in exporting natural gas, oil, oil products and electricity to neighboring countries. This export is diversifying year by year, expanding its geography and increasing the volume of export products.

According to the "Main Directions of the Strategic Roadmap for the National Economy and Key Sectors of the Economy", approved by the Decree of the President of the Republic of Azerbaijan dated March 16, 2016, the consistent and competitive development of the non-oil sector is characterized as a priority direction of the state economic policy of the Republic of Azerbaijan.⁴ It should be noted that according to the document "Azerbaijan 2030: On National Priorities for Socio-Economic Development" approved by the Decree of the President of the Republic of Azerbaijan dated February 2, 2021, the implementation of five main National Priorities reflecting the socio-economic development of Azerbaijan in the period up to 2030 will serve the macroeconomic stability of our country and further increase the competitiveness of the economy in international trade. According to the National Priorities, the issues of sustainability of economic growth, development of diversification of the national economy, development of foreign trade relations in goods and services, and optimization of export potential, require developing new "driving forces" of the economy and turning the development of the non-oil sector, along with the oil sector, as the pillars of socio-economic development, into the center of economic development.

In accordance with the topic of the dissertation work, Azerbaijani economists-scientists Z.A.Samadzade, A.A.Aliyev, A.K.Alasgarov, A.F.Musayev, E.A.Guliyev, A.Kh.Nuriyev, A.Sh.Shakeraliyev, A.M. Maharramov, B.Kh.Atashov, I.H.Ibrahimov, N.M.Imanov, F.A.

⁴ "Main directions of the strategic roadmap for the national economy and key sectors of the economy," approved by Decree No. 1138 of the President of the Republic of Azerbaijan dated March 16, 2016.

Ganbarov, Sh.G.Hajiyeu, H.B.Rustambayov, I.A.Karimov, A.I. Karimov, M.G.Gulaliyev, R.T.Hasanov and others have conducted scientifically significant research and studies on international trade relations. At the same time, the theoretical and conceptual approaches, research and ideas of foreign scientists as A.Smith, D.Ricardo, A. Marshall, J.Mill, M.Porter, E.Heckscher, B.Ohlin, J.Hobson, P. Krugman, B.B.Loginova, A.O.Rudneva, F.Klassen, A.S.Bulatov, M. N.Levenchev, A.M.Volkov, D.I.Kondratov, E.P.Kachurovskaya, B. M.Smitienko, G.V.Kuznesova, A. P. Kiriyeu, N.N.Livensova, G.M. Kostyunina, E.S.Ponomoryova and others are of particular interest.

Although the works and studies of the mentioned and other scientists and researchers are noteworthy for their importance, the unstable development trends observed in the world and in individual countries in the last decade, the price fluctuations in the import and export of goods, services and raw materials, and especially the fact that the consequences of the recent financial crisis have not yet been eliminated, have made this topic relevant. Also, the need to expand the foreign trade relations of the Republic of Azerbaijan and the importance of organizing this trade in new ways have brought this topic to the agenda.

Object and subject of the study. The object of the study - companies, individuals and legal entities operating in the state and private sectors of the Republic of Azerbaijan that carry out import-export operations have been identified.

The subject of the research work - economic methods and means of regulating foreign trade in the oil and non-oil sectors of the economy of the Republic of Azerbaijan.

The purpose and tasks of the study. The purpose of this study is to investigate the scientific foundations of the organization of international trade in the economic development of Azerbaijan and the features of regulatory measures implemented in this area, to analyze the expansion of the country's foreign trade relations, the development of the non-oil sector and the effectiveness of trade policy. It also aims to assess the impact of international trade on economic diversification and determine the directions of trade regulation. In order to achieve the purpose of the dissertation, the following tasks have been identified:

- to analyze the scientific and theoretical foundations of the development of Azerbaijan's international trade relations and to investigate the development features of the country's relations with its trade partners;
- to investigate the impact of foreign trade regulations on the Azerbaijani economy and to assess the effectiveness of these regulations;
- to analyze the current state of customs tax revenues and trade tariffs implemented for the development of the non-oil sector and increasing export potential.
- to conduct an econometric assessment of the impact of the development of international trade relations on economic growth;
- to review Azerbaijan's foreign trade policy and strategic steps and determine the impact of this policy on economic diversification;
- to determine the impact of international trade on the process of diversification of the Azerbaijani economy;
- to assess Azerbaijan's position in international trade and its role in world trade;
- to put forward proposals for the regulation of international trade and determine possible development directions in this area.

Research methods. Many methods were used in the implementation of the dissertation, including abstraction, analysis and synthesis, comparative and economic-statistical analysis, induction and deduction, retrospective analysis and logical research, economic-mathematical modeling (econometric analysis). The basis of the normative and legal framework of the research work consists of the Constitution of the Republic of Azerbaijan, relevant codes and legislation, legal acts and other methodological documents.

The main provisions put forward for defense:

- there is a need to determine the scientific and theoretical issues of the development characteristics of international trade in connection with the changes taking place in the global economy;
- it is of great importance to study the current development trend

of relations, taking into account the characteristics of foreign experience in organizing and regulating international trade relations of Azerbaijan;

- there is a need to analyze the compatibility of Azerbaijan's economic development opportunities with international trade and assess the current level of development of foreign trade;
- in order to improve the economic and legal environment affecting the development of international trade in Azerbaijan, assessing the current state of customs tax revenues and trade tariffs and determining development directions can be useful in regulating trade;
- it is necessary to determine the correlation-regression dependence between export, import quotas, nominal incomes of the population, average tariff and non-tariff rates and gross domestic product (GDP) per capita through the Eviews-12 program and to assess the economic significance of this relationship;
- identifying existing problems in customs and tariff regulation of imports and assessing the impact of global financial crises on the country's economy and determining the development directions of foreign trade relations can contribute to solving problems in this area;
- increasing exports can have a positive impact on increasing the competitiveness of the economy, increasing employment and increasing foreign exchange reserves, etc.

Scientific novelty of the study. The main scientific innovations in the dissertation include the followings:

- ✓ various conceptual approaches and directions in the field of foreign trade have been systematized, and their distinctive and superior aspects have been identified;
- ✓ the main directions for the development and diversification of opportunities in the non-oil sector, agriculture and technology in the development of Azerbaijan's foreign trade have been identified;
- ✓ the preparation of a long-term foreign trade strategy has been scientifically substantiated in order to ensure the development of

the economy in accordance with global trade trends and increase the export of the non-oil sector;

- ✓ it has been determined that it is important to link investment attractiveness with various factors. That is, a 1% increase in the volume of the export quota results in a 0.8% decrease in foreign investments, while a 1% increase in the import quota leads to a 0.07% increase in foreign investments. Also, a 1% increase in the average tariff and non-tariff rate leads to a 0.73% decrease in foreign investments. These results indicate that trade policy and customs and tariff regulations play an important role in attracting foreign investments;
- ✓ the need for a more efficient and balanced approach to Azerbaijan's foreign trade in order to diversify exports and ensure a greater share of non-oil products in order to ensure efficient development of the economy has been scientifically substantiated;
- ✓ it has been determined that there are potential opportunities for the non-oil sector of the economy, including the agricultural sector, to have a greater share of exports in the prospective period;
- ✓ it has been determined that a 1% increase in exports per capita leads to a 0.05% increase in GDP per capita, and a 1% increase in imports per capita leads to a 0.01% increase in GDP per capita. Also, a 1% increase in investment per capita leads to a 0.09% increase in GDP per capita. These results have been scientifically substantiated, indicating that increasing exports and encouraging investments have a significant impact on strengthening economic development.

Theoretical and practical significance of the research. The results of the dissertation are of great importance in terms of improving the system of integration of Azerbaijan into the international world economy, determining the scientific and practical foundations of its organization and development in accordance with modern requirements in terms of increasing the export opportunities of foreign trade, especially the non-oil sector. The results of the research will contribute to a more efficient organization of the

activities of the country's subjects focused on foreign trade, and the preparation of important programs and complex measures in this area. Also, the materials of the dissertation work can be used in the preparation of materials on the efficient regulation of international economic relations and foreign trade relations, the organization and regulation of the activities of national enterprises and subjects, and in educational and methodological work on the topic of international trade.

Approval and application. The main scientific and theoretical provisions, conclusions and proposals of the dissertation were reflected in 6 articles (2 of which are abroad) and 4 theses (1 of which is abroad) published in reputable journals and conference materials recommended by the Higher Attestation Commission under the President of the Republic of Azerbaijan. Among the conference materials, the following theses can be cited: “Ticarət təşkilatlarında idxal-ixrac əməliyyatlarının auditinin təkmilləşdirilməsi” (Bakı, 2017), “Beynəlxalq iqtisadi münasibətlərin inkişafında texnologiya və informasiya mübadiləsi” (Bakı, 2018), “Направления развития современной внешней торговли Азербайджана” (Москва, 2021), “Ümummilli lider Heydər Əliyevin Azərbaycanın beynəlxalq ticarətinin inkişafında rolu” (Bakı, 2023). During the research, the author's articles entitled “Azərbaycanın xarici iqtisadi əlaqələrinin müasir inkişaf xüsusiyyətləri” (Bakı, 2017), “Xarici iqtisadi əlaqələrin inkişafı ilə bağlı əqli mülkiyyət hüququna aid ticari məsələlərə dair sazişin (TRİPS) tətbiqi” (Bakı, 2018), “Müasir xarici ticarət əlaqələrinin inkişafı və ona təsir edən amillər” (Bakı, 2018), “Пути расширения внешнеторговых возможностей Азербайджана” (Москва, 2018), “Beynəlxalq ticarət və Azərbaycanın xarici ticarət əlaqələrinin təkmilləşdirilməsi zərurətləri” (Bakı, 2018), “Розробка індустріально-інноваційної програми розвитку зовнішньої торгівлі Азербайджану” (України, 2021) were published.

Name of the organization where the dissertation was carried out. Azerbaijan Cooperative University.

Total volume of the dissertation with a mark indicating the volume of the structural sections separately. The dissertation consists of an introduction, three chapters, a conclusion, and a list of

references. The total character count is 285149, distributed as follows: the introduction (19046 characters), Chapter I (105208 characters), Chapter II (64108 characters), Chapter III (47677 characters), the conclusion (11610 characters), and the list of references (16766 characters). Excluding tables, charts, and the list of references, the dissertation's character count is 247649.

MAIN CONTENT OF THE WORK

The introduction to the dissertation reflects the relevance and degree of development of the topic, the object and subject of the research, the goals and objectives, the methods, the main provisions put forward for defense, the scientific novelty of the research, the theoretical and practical significance, the approval and application.

In the first chapter of the dissertation, entitled **“Organization of International Trade and Its Theoretical and Conceptual Foundations”**, the theoretical and conceptual foundations and principles of international trade are examined, the changes taking place in the global economy and the development features of international trade are commented on, and the organization and theoretical scientific foundations of the regulation of international trade relations are studied.

International trade exists as a system of international commodity-money relations formed on the basis of trade relations of the countries of the world. In particular, despite the long history of international trade, this area gained wider scope for development in the process of formation of the world market in the 16th-18th centuries. This development is considered one of the most important factors of the world economy of the new era. The concept of international trade was first used in the 12th century by the Italian scholar and economist Antonio Margaretti, in his economic treatise "The Power of the Popular Masses in Northern Italy." ⁵

⁵ <http://pravo.studio/germanii-gosudarstva-prava-istoriya/germanskii-tamojennyiy-soyuz-68555.html>

[https://www.e-reading.club/chapter.php/1046865/55/Kagarlickiy -
_Ot_imperiy_k_imperializmu._Gosudarstvo_i_vozniknovenie_burzhuaznoy_civil_izacii.html](https://www.e-reading.club/chapter.php/1046865/55/Kagarlickiy_-_Ot_imperiy_k_imperializmu._Gosudarstvo_i_vozniknovenie_burzhuaznoy_civil_izacii.html)

Experience shows that the advantages of countries participating in international trade can be classified as follows.

It creates conditions for accelerating economic development: International trade provides the country with access to wider markets and ensures higher productivity and efficient use of resources in production areas.

It expands diversification in products and services: Trade relations enable countries to increase their product range and create wider export markets.

It promotes the adoption of new technologies: Foreign trade accelerates technological and innovative development, as countries are forced to apply production methods that are more suitable for international markets.

Establishing a balance between exports and imports: International trade not only increases the country's exports of products, but also regulates imports, ensuring balanced development of the economy.

It ensures the improvement of competition and market conditions: Trade relations develop a competitive environment in countries and increase the quality of production, which benefits consumers.

It ensures the further development and strengthening of international cooperation: international trade deepens political and economic cooperation between countries, thereby contributing to the strengthening of global economic relations.

A number of authors associate the emergence of the world economy with the era of great geographical discoveries and the initial accumulation of capital in the 15th-17th centuries. Most economists believe that the modern world economy was formed in the late 19th and early 20th centuries. It was during these periods that the first two scientific and technological revolutions took place in the leading countries of Europe, as well as in the USA, Russia and Japan. These revolutions resulted in the mechanization and electrification of the industrial and agricultural sectors of the economy. The strengthening of the economic power of the leading countries of the world led to the intensification of competition between them and territorial expansion. Also, alliance blocs of competing parties have emerged.

The features of the organization and regulation of international trade relations have been studied in connection with the realities of the country. The organization and regulation of international trade have historically been carried out through trade policy instruments and have been constantly improved in accordance with the level of development of markets. Within the framework of such a trade policy, economic, organizational, political, administrative, legal and other issues are observed in their organic combination. Despite the development trends in the field of foreign trade, it is currently attracting attention that the main functions of each state in this field are more related to the following areas:

- protect the economic interests of local producers;
- increase the volume of product exports;
- reduce the volume of imports as much as possible.

The current approach has historically used more customs instruments and tariffs. In the modern stage of the world economy, foreign trade is regulated on the basis of multilateral trade agreements. The necessity of this regulation is justified in the “theory of trade agreements”, which began to take shape in the 60s of the last century. The views that the principles of GATT/WTO are consistent with the theory of mercantilism in the current theory are particularly attracting attention. It is also known that the application of this theory in practical practice is aimed at protecting the economic interests of producers, not consumers. That is why some researchers are of the opinion that the application of GATT/WTO principles does not have special economic significance. However, taking into account the special role of GATT/WTO in the liberalization of foreign trade, the vast majority of states support this organization. Since Azerbaijan’s rise from the leading state of the region to the status of a highly competitive participant in the system of international economic relations is a special necessity, its associative activity with the countries of the world should be further expanded. Increasing the competitiveness of the national economy in the country, maintaining macroeconomic stability, strengthening the coordination of monetary and fiscal policies, improving the business environment and supporting private initiative, developing the financial services market, and improving

foreign trade and investment policies are also of particular importance in terms of broad integration into international economic relations. All this factor in itself should be considered important in terms of organizing the country's foreign trade in accordance with modern requirements and developing export diversification. It should be noted that, despite certain shortcomings and contradictions of globalization in the modern era, since the world economy manifests itself as an integrated form of a large number of national economies with close economic ties with each other, positive dynamics in the development of economic relations between countries and, as a result, the existence of a decent global market space can be possible on the basis of the principles of peaceful coexistence and comprehensive support of the group of poor countries by developed countries.

In Chapter II of the dissertation, entitled **“Complex Analysis and Assessment of International Trade Regulation in the Economic Development of the Republic of Azerbaijan”**, the modern state of international trade and economic relations of the Republic of Azerbaijan was analyzed, a complex analysis and assessment of tax revenues on customs was conducted, and the analysis and assessment of the impact of trade tariffs on potential intra-industry trade was studied. In this chapter of the research work, based on statistical data for 1991-2023, the balanced foreign trade activity coefficients determining export, import, GDP, GDP per capita, import and export quotas, the degree of openness of the economy and the efficiency of foreign trade were analyzed and evaluated. "Foreign trade activity can be seen in Table 1."

Based on the data in Table 1, foreign trade turnover experienced a downward trend during 1991–1993, reaching 1,353.5 million USD in 1993. This represents a 39.4% decrease compared to 1990 and a 44.2% decrease compared to 1992. Despite the high degree of economic openness during the economic recession period of 1991–1993, the weakening of economic activity, including the oil industry, due to the collapse of the former USSR, financial shortages, and increased import dependency led to a decline in foreign trade. Following the signing of the "Contract of the Century" by the National Leader of the Azerbaijani people, Heydar Aliyev, on September 20, 1994, the

Table 1.

Foreign trade and GDP per capita in the Republic of Azerbaijan

Years	Imports, in million US dollars	Exports, in million US dollars	GDP, in million US dollars	GDP per capita, in US dollars	Import quota index	Export quota index	Degree of openness of the economy	Balance d foreign trade activity coefficient
1991	1881.2	2121	703.1	98.3	2,675	3,017	5,692	0.060
1992	939.8	1484	1309.8	180.4	0.717	1,133	1.85	0.225
1993	628.8	724.7	1326.9	179.9	0.474	0.546	1.02	0.071
1994	777.9	652.7	1629.3	217.9	0.477	0.401	0.878	-0.088
1995	667.7	637.2	2415.2	310.3	0.276	0.264	0.54	-0.023
1996	960.6	631.3	3180.8	416.1	0.302	0.198	0.5	-0.207
1997	794.4	781.3	3960.7	513.2	0.201	0.197	0.398	-0.008
1998	1076.5	606.1	4446.4	570.6	0.242	0.136	0.378	-0.28
1999	1035.9	929.7	4583.7	582.9	0.226	0.203	0.429	-0.054
2000	1172.10	1745.2	5272.8	662.9	0.222	0.331	0.553	0.196
2001	1431.10	2314.2	5707.7	710.5	0.251	0.405	0.656	0.236
2002	1665.5	2167.4	6235.9	768.9	0.267	0.347	0.615	0.131
2003	2626.2	2590.4	7276.0	888.5	0.361	0.356	0.717	-0.007
2004	3515.9	3615.5	8680.4	1048.5	0.405	0.416	0.822	0.014
2005	4211.2	4347.2	13238.7	1579.8	0.318	0.328	0.646	0.016
2006	5266.7	6372.2	20983	2471.6	0.251	0.304	0.555	0.095
2007	5713.5	6058.2	33050.3	3841.7	0.173	0.183	0.356	0.029
2008	7170	47756.0	48852.5	5603.3	0.147	0.977	1,124	0.739
2009	6123.1	14701.4	44297.0	5018.2	0.138	0.332	0.47	0.412
2010	6600.6	21360.2	52909.3	5922.0	0.125	0.502	0.627	0.602
2011	9756.0	26570.9	65951.6	7285.0	0.148	0.522	0.67	0.558
2012	9652.9	23908.0	69683.9	7594.3	0.138	0.49	0.629	0.559
2013	10712.5	23975.4	74164.4	7977.4	0.144	0.443	0.587	0.508
2014	9187.7	21828.6	75234.7	7990.8	0.122	0.402	0.524	0.534
2015	9216.7	12729.2	52996.8	5561.5	0.174	0.313	0.487	0.286
2016	8489.1	13457.6	37862.8	3928.6	0.224	0.346	0.57	0.214
2017	8783.3	13320.0	40867.9	4198.5	0.215	0.379	0.594	0.276
2018	11465.9	19489.1	47112.9	4797.8	0.243	0.431	0.675	0.278
2019	13667.5	19635.2	48174.2	4850.8	0.284	0.403	0.686	0.173
2020	10732.0	13732.6	42693.0	4269.3	0.251	0.316	0.567	0.113
2021	11703.2	22207.9	54825.4	5458.2	0.213	0.437	0.65	0.343
2022	14539.9	38146.7	78721.1	7806.4	0.184	0.529	0.714	0.483
2023	17285.3	33898.5	78428.5	7133.0	-	-	-	0.196

Source: https://www.stat.gov.az/source/system_nat_accounts/

development of the oil industry played a key role in overcoming the economic recession and revitalizing other sectors of the economy. Investments directed into the economy accelerated economic development, contributed to the strengthening of foreign trade relations, increased GDP volume, and led to growth in GDP per capita — a key indicator of economic progress. Here, budget revenues and tax revenues on foreign economic activity of the Republic of Azerbaijan for 1995-2023 were analyzed, and a correlation-regression analysis was conducted between these indicators.

Despite the increasing differentiation of international economic relations in the context of globalization of the world economy, international trade dominates in the development of international economic relations. The development of foreign trade plays an important role in the socio-economic development of the country, affecting economic growth in the national economy. According to the theories of the relationship between foreign trade and the country's economic growth, determining the mechanism of influence of foreign trade on the country's economic growth is of particular importance.

The Republic of Azerbaijan has developed foreign trade relations with countries of the world and expanded its associative activity in terms of export and import by conducting trade operations with 193 countries of the world in 2023.

As can be seen from Chart 1, the trade balance of Azerbaijan reflects the economic transformation of the period and the importance of foreign trade policy. Let us explain more clearly by analyzing the data of the State Statistical Committee of Azerbaijan starting from the period of independence and summarizing this period:

1. In 1991-1993, the economic crisis and negative trade balance complicated the economic situation. After gaining independence, the Azerbaijani economy entered a difficult period. A negative balance in the foreign trade balance occurred, because after gaining independence, the country faced both political and economic stability issues. At the same time, the decline in production in various sectors of the economy and the decline of economic infrastructure led to negative consequences in Azerbaijan's foreign trade.



Chart 1. Foreign trade of the Republic of Azerbaijan for 2000-2023.

Source: Compiled based on data from https://www.stat.gov.az/source/system_nat_accounts/.

2. After 1994, economic recession was prevented. Thus, the Contract of the Century, signed in 1994, became a serious turning point in Azerbaijan's foreign trade. This contract created conditions for attracting foreign investments in the energy sector of Azerbaijan and increasing the use of the country's hydrocarbon resources. With the increase in oil exports, the Azerbaijani economy began to stabilize and the trade balance began to change positively.

3. A period of socio-political stability and economic development began. Thus, the growth brought by the Contract of the Century and foreign investments was also associated with ensuring social and political stability. As a result of the economic policy implemented under the leadership of Heydar Aliyev and the proper establishment of foreign trade relations, Azerbaijan has become more competitive in international markets.

4. Positive balance of trade (2000-2023): After 2000, especially as oil and gas exports increased, Azerbaijan's trade balance ended with a positive balance. The country also began to develop in the non-oil sector, which contributed to the diversification of the economy and a positive trade balance.

Based on the Ballasa index, it is possible to determine the degree

of comparative advantage of each country in the world market for a product or industry. The Balassa index is determined by the ratio of the share of a country's exports in any sector to the share of the reference country in exports in that sector:

$$\text{Ballasa index} = \frac{\text{The share of any sector of country A in exports}}{\text{The reference country's share of exports in that sector}}$$

This index for Azerbaijan can be calculated for both the oil and non-oil sectors. It is known that the main share of Azerbaijan's exports is oil and oil products. If we calculate the dynamics of Azerbaijan's crude oil and exports for the period corresponding to the statistics of the relevant years, as well as the share of oil products in exports, the Balassa indices for oil in Azerbaijan for 2015-2023, we will get the following result (chart 2).

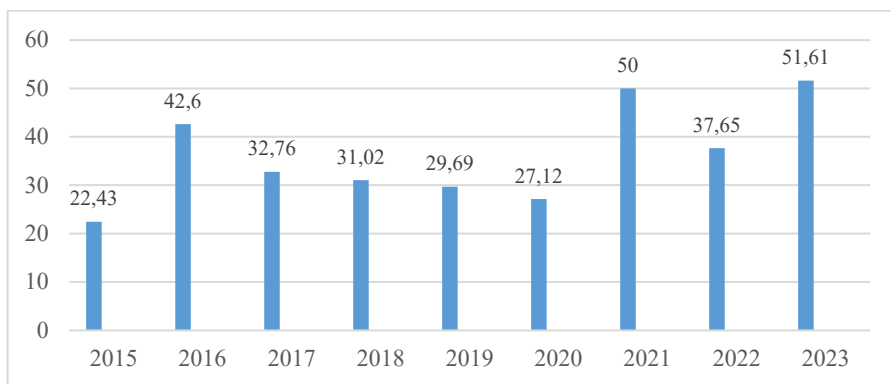


Chart 2. Azerbaijan's Balassa Index for Crude Oil for 2015-2023

Source: Prepared by the author based on data from

<http://www.ereport.ru/articles/mirecon/inttrade.htm> and <http://customs.gov.az>.

As can be seen, the Balassa index for crude oil in Azerbaijan for 2015-2020 is greater than one. The same calculations were also calculated for vegetables, and the Balassa index here is also greater than 1. This shows that since the Balassa index for agriculture in Azerbaijan is greater than one, this sector is also specialized in export, like crude oil. All this shows that the further development of vegetable growing in Azerbaijan will lead to a further increase in this indicator

in the coming years and increase the diversification of exports.

In Chapter III of the dissertation, entitled **“Directions for Improving the Regulation of International Trade in the Economic Development of the Republic of Azerbaijan”**, an econometric assessment of the impact of the development of international trade relations on economic growth, an econometric assessment of the impact of the regulation of customs operations on investment attractiveness, and the main directions of the impact of increasing the efficiency of customs operations in the Republic of Azerbaijan on economic stability were determined.

The development of foreign trade in the Republic of Azerbaijan has conditioned economic growth and led to an increase in GDP per capita. Chart 3 shows the GDP per capita, which expresses economic growth in the Republic of Azerbaijan for the period covering 2010-2023, exports and imports per capita, as well as the amount of investments per capita directed to the economy.

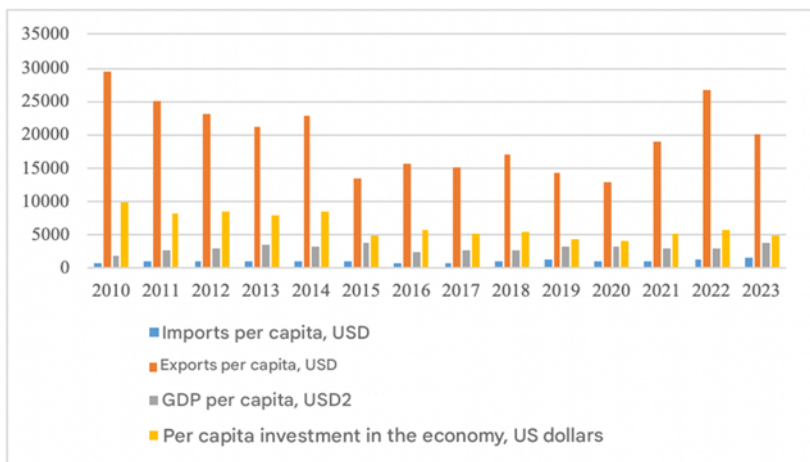


Chart 3. GDP per capita, exports, imports and investments of the Republic of Azerbaijan for 2010-2023, in US dollars

Source: Prepared by the author based on data from https://www.stat.gov.az/source/system_nat_accounts/.

According to the graph, GDP per capita, which expresses economic growth, varied over 2010-2023. In this work, with the support of the Eviews-12 program, we used data from 1996 to 2022, referring to a

wider period. In 2008, it was at the level of 5574.5 US dollars. In 2009, although it decreased by 624.1 US dollars compared to 2008, it increased between 2009 and 2014. In 2014-2022, GDP per capita decreased compared to 2014. Due to the sharp decline in oil prices on the world market, as a result of the depreciation of the national Azerbaijani manat against the US dollar, GDP per capita decreased further in 2015-2016 and was at the level of 3880.7 US dollars in 2016, which means a 50.8% decrease in GDP compared to 2014. In this regard, it is theoretically and practically important to examine the impact of some indicators that can significantly affect GDP per capita in the country, including exports, imports and investments per capita, as an indicator of economic growth. Taking all this into account, if we conduct a correlation-regression analysis of GDP per capita, exports, imports and investments per capita in the Republic of Azerbaijan based on graphical data with the support of the applied Eviews-12 program, we will obtain the data in the table below.

Table 2.

Regression analysis result

Dependent Variable: Y

Method: Least Squares

Date: 11/14/23 Time: 12:46

Sample: 1996 2022

Included observations: 27

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X3	17.21101	8.190871	2.101243	0.0084
X2	3.424846	0.811338	4.221234	0.0003
X1	0.863326	0.250176	3.450877	0.0022
C	-249.3162	437.7221	-0.569577	0.5745
R-squared	0.858657	Mean dependent		3750.833
Adjusted R-squared	0.840221	SD dependent		2667.442
SE of regression	1066.240	Akaike information criterion		16.91762
Sum squared residue	26147953	Schwarz criterion		17.10959
Log likelihood	-224.3878	Hannan-Quinn criterion.		16.97470
F-statistic	46.57489	Durbin-Watson stat		1.439088
Test(F-statistic)	0.000000			

Source: Eviews-12 software package.

According to the Eviews-12 application software package, the regression equation based on the obtained result will be as follows:

$$Y = 10.8633 \cdot X_1 + 3.425 \cdot X_2 + 17.2110 \cdot X_3 - 249.316, R^2 = 0,866$$

$$(t) (3,4509) (4,221) (2,101) (-0,57) DW=1,439$$

Note that the coefficients of the regression equation being greater than their standard errors indicates the statistical significance of the coefficients. In the same way, the model is statistically significant because of the F-Fisher criterion $= 46,57 > F_{table}(0,05; 3; 23) = 3,05$. Since the condition is met based on $d_l = 1,162 \leq DW = 1,439 < d_u = 1,651$ the crisis points taken from the table data representing the Darbon-Watson distribution, ($d_l = 0,998$ $d_u = 1,651$) the conclusion about the existence of autocorrelation of the residuals between the indicators is not established. The histogram normality test was performed for the period under study and the following result was obtained (graph 4).

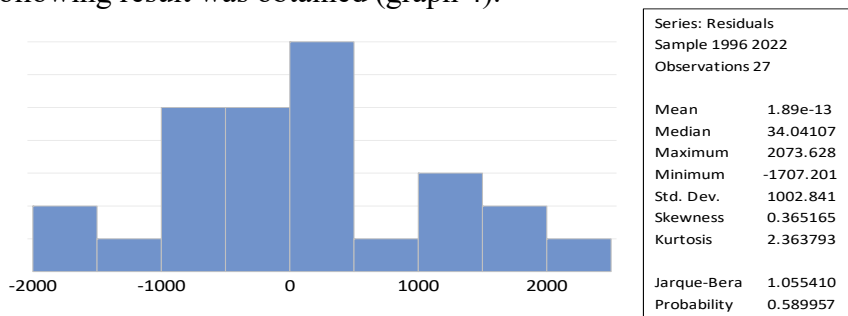


Chart 4. Histogram normality test of economic growth in Azerbaijan and indicators affecting it for 1996-2022

Source: Developed for the Eviews-12 application software package.

As can be seen from the graphs, a normal distribution is observed based on the Jarque-Bera coefficient.

In the research study, it is also possible to check whether the model is heteroskedastic. If we conduct the Breusch-Pagan-Godfrey test based on the Eviews-12 application software package, we will get the following result.

$$E_{\text{exports per capita}} = \frac{\alpha_1 \times \bar{x}_1}{\bar{Y}} = \frac{0,863 \times 146389,1852}{32169552} = 0,049433$$

$$E_{imports\ per\ capita} = \frac{\alpha_2 \times \bar{x}_2}{\bar{Y}} = \frac{3,425 \times 98553,3}{32169552} = 0,010493$$

$$E_{investment\ per\ capita} = \frac{\alpha_1 \times \bar{x}_3}{\bar{Y}} = \frac{7,211 \times 414279,037}{32169552} = 0,093$$

According to the elasticity coefficient, a 1% increase in exports per capita, a 0.05% increase in GDP per capita, a 1% increase in imports per capita in Azerbaijan over the studied period resulted in a 0.01% increase in GDP per capita, and a 1% increase in investment per capita resulted in a 0.09% increase in GDP per capita.

According to the forecasts, according to Graph 5, the dynamics of GDP per capita in the Republic of Azerbaijan is expected to increase by 2030 and reach 9340 US dollars in that year.

Studies show that among the countries in terms of foreign trade indicators, the total time spent on border and documentation for exports (in hours) is Georgia. Thus, while this country spends 6 hours at the border for export operations compared to other countries, it spends 3 times less, that is, 2 hours, on its documentation. At the same time, the time spent on documenting import transactions is 2 hours.

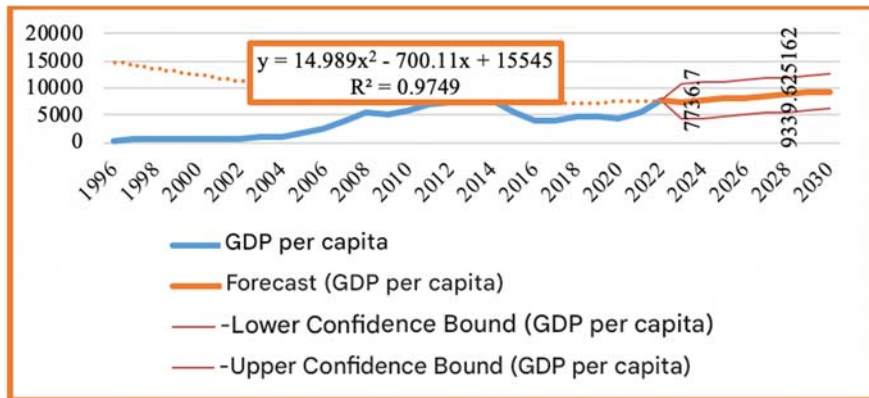


Chart 5. Forecast of GDP per capita in Azerbaijan until 2030

Source: Compiled in MS Excel.

In terms of the formation of the national economy in each country, the role of foreign economic activity is important. The expansion of foreign trade operations depends on effective integration into the world economic system in a situation where international economic

relations are becoming more complex. One of the socio-economic goals of states that have recently regained their independence, including our country, is to ensure the development of foreign economic relations and effective integration. However, the experience of countries around the world shows that this process does not occur spontaneously. First of all, let us note that for a state, the formation of mutual relations between the national market and the world market, increasing the amount of foreign exchange income entering the country through the improvement of export operations, maintaining its current position in the world and increasing its economic power require the correct organization of foreign economic activity. For this, reforms should be in place in the main directions of the state's economic policy, along with effective foreign economic policy and regulatory measures.

Since the balanced foreign trade activity coefficient plays an important role in determining the efficiency of foreign trade activity in the Republic of Azerbaijan, the forecasting of these indicators until 2030 can determine the prospective development of foreign trade. Graph 6 shows the forecast values of this indicator until 2030:

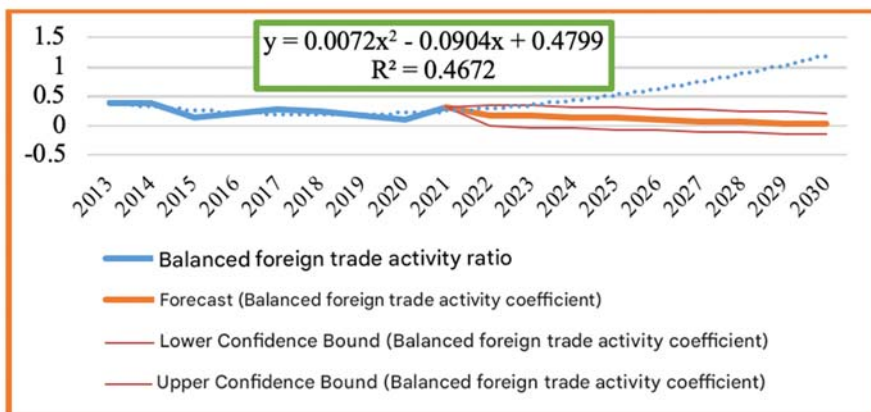


Chart 6. Forecast values of the balanced foreign trade activity coefficient in the Republic of Azerbaijan

Source: Prepared based on data from the ARSC.

According to the graph, the trend model of the balanced foreign trade coefficient is in the form of the regression equation $y = 0.0072x^2 - 0.0904x + 0.4799$. According to the trend model, in the future, the balanced foreign trade coefficient in Azerbaijan is expected to develop with decreasing dynamics in accordance with the current conditions and, according to forecasts, will be 0.309647 in 2030. This is explained by the fact that in the future, the diversification of the non-oil sector in the country's economy should be strengthened and the dependence of exports on oil should be reduced.

The “Conclusion” section of the dissertation contains proposals and recommendations of scientific and practical importance arising from the essence of the research.

New directions and conceptual approaches have been identified in the development of Azerbaijan's foreign trade. For this purpose, the non-oil sector, especially the agricultural and technology sectors, is highlighted. The non-oil sector is identified as an area that will help ensure long-term sustainable development of foreign trade and the economy. Steps to be taken in this direction can be justified as follows:

- export diversification allows entrepreneurs to enter various markets and create more sustainable sources of income by reducing risks. This reduces sensitivity to changes in foreign markets and creates conditions for long-term development. It also helps to increase market share by introducing new products and services. Dependence on oil and gas products increases the impact of price fluctuations in global markets on the Azerbaijani economy. Therefore, it is important to increase exports of non-oil products, including agricultural products, technological innovations and other non-oil sectors;
- increasing domestic production is the basis for the country's socio-economic development. The development of the non-oil sector allows for increased domestic production, the production of more products in the local market and their provision to consumers. This is beneficial for both the local economy and trading partners.

The agricultural sector has traditionally played an important role in the economy of Azerbaijan. The development of this sector should be organized in such a way as to meet the needs of both the domestic and

international markets. The advantages of this approach are:

- the production of quality agricultural products allows Azerbaijan to gain a larger market share in global markets, especially in neighboring regions;
- the development of Azerbaijan's agricultural sector can help it occupy a significant place in global trade markets. In particular, increasing the export of agricultural products to European and Asian countries can help diversify Azerbaijan's foreign trade and expand market opportunities.

The field of technology and innovations plays an important role in the development of every economy. The development of this sector in Azerbaijan is important for increasing the country's competitiveness in the world economy. The advantages of this approach can be classified as follows.

- The development of the digital economy can accelerate Azerbaijan's integration into global trade and allow it to enter new markets by improving the quality of products and services through the application of new technologies.

- The application of innovative technologies in production and service sectors creates important opportunities to attract foreign investors and produce high-value products. This, in turn, increases Azerbaijan's trade opportunities and helps the economy become more competitive.

- Adapting to changes in global trade markets is one of the important factors in the development of Azerbaijan's foreign trade. The main strategic approaches in this direction:

- The importance of international trade agreements in foreign trade policy is increasing. These agreements facilitate Azerbaijan's access to foreign markets and provide better trading conditions;

- Azerbaijan's integration into the global trade chain allows it to increase its foreign trade, attract more investment to the country, and take a better position in world markets.

- The development of Azerbaijan's foreign trade should not be limited to short-term profit, but should also be aimed at ensuring sustainable economic development. For this purpose, it is important to increase the trade opportunities of various sectors of the country's

economy, adapt trade policy to modern requirements, and enter new markets. At the same time, taking into account environmental and social factors in trade policy is essential to ensure sustainable economic development.

- It leads to diversification of exports and a large share of the non-oil sector in exports. As a result of the study, new potential directions have been identified for increasing the share of the non-oil sector in Azerbaijan's foreign trade and developing agricultural and technological sectors in this sector. Export diversification is one of the main driving factors for stronger development of the non-oil sectors of the Azerbaijani economy and strengthening international trade relations.

- Strengthening economic development by increasing exports and promoting investments: According to the results of the study, a 1% increase in exports per capita leads to a 0.05% increase in GDP per capita. At the same time, a 1% increase in per capita investment has a positive effect on GDP growth. This indicates that increased exports and attraction of foreign investments play a significant role in accelerating economic development. This result scientifically confirms the importance of focusing Azerbaijan's economic development strategy on relevant areas.

- A 1% increase in the volume of the export quota results in a 0.8% decrease in foreign investments. This indicates that increased exports have a negative impact on foreign investments. This is because increased exports lead to an increase in demand for the domestic market and an increase in local production, which reduces the interest of foreign investors.

- A 1% increase in the import quota leads to an increase in foreign investments by 0.07%. Increased imports require local production to compete with foreign products, and this can be an incentive to attract more foreign investment. Increased imports pave the way for foreign companies to be more active in the local market and produce here.

- A 1% increase in the average tariff and non-tariff rate leads to a 0.73% decrease in foreign investment. This also shows that tariffs and non-tariff barriers applied to trade (e.g. quotas, import and export restrictions) have a negative impact on attracting foreign investment.

High tariffs and non-tariff barriers restrict the free movement of trade and investment, which makes foreign investors less attractive.

These show that trade policy and customs and tariff regulations have a serious impact on foreign investment. The investment climate is very important for foreign investors. Reducing trade barriers (tariffs and non-tariff rates), free trade and easy access to the local market lead to an increase in foreign investment. Conversely, strict trade policies and customs barriers can have a negative impact on the flow of investment. Therefore, it is important to regulate trade policy and optimize customs and tariff rates to encourage foreign investment in Azerbaijan.

- The development of a new export map and the increase in non-oil sector exports are of particular importance for economic growth. As a result of the study, it was proposed to develop a new export map to increase the export potential of the non-oil sector of Azerbaijan.

- Improving the structure for small and medium-sized enterprises (SMEs) engaged in exports helps them to operate more efficiently and increase their competitiveness in international markets. This also leads to an increase in the quality of products and services, proper management of financial resources and an increase in their ability to adapt to market conditions.

- The relationship between exports and investments with economic development mainly affects the opening of the economy, increasing the competitiveness of products and services in international markets and the development of local production. Both factors strengthen the economy by helping to increase GDP. This shows that increasing exports helps to create additional income in the economy, create new jobs and increase foreign exchange earnings. Increasing exports also creates conditions for local production to reach a higher level, reduce price increases in the economy and attract investments.

- It is established that increasing exports increases the overall demand in the economy. This, in turn, allows for the expansion of production and entry into new markets. Increased export requirements force enterprises to increase their production capacity and apply more efficient management methods. As a result, the country's economy grows and the quality of local production improves.

– A 1% increase in per capita investment leads to a 0.09% increase in per capita GDP. This shows how important a role investments play in the development of the economy. Investments are aimed at the introduction of new technologies, the development of infrastructure, the modernization of production and an increase in overall production capacity.

– Generating additional income through increased exports and increasing production capacity through increased investments are necessary factors for promoting economic development and sustaining growth. Therefore, increasing exports and supporting investments help ensure more sustainable and strong economic development.

The main content of the dissertation has been published in the following scientific works:

1. Features of the modern development of Azerbaijan's foreign economic relations // – Baku: ANAS News. Economic Sciences Series, 2017. No. 6, – pp. 94-101.

2. Application of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) in the development of foreign economic relations // – Baku: ANAS Scientific Works. 2018. No. 1, – pp. 161-167.

3. Development of modern foreign trade relations and factors influencing it // – Baku: “Cooperation” scientific and practical journal. 2018, No. 3 (50), – pp. 198-203.

4. Ways to Expand Azerbaijan’s Foreign Trade Opportunities // – Moscow: Economy and Entrepreneurship, 2018, No. 10, – pp. 401-404.

5. International trade and the need to improve Azerbaijan's foreign trade relations // – Baku: “Cooperation” scientific and practical journal, 2019, No. 1 (52), – pp. 76-81.

6. Development of an industrial-innovation program for the development of foreign trade for Azerbaijan // – Ukraine: Journal “Economy and Power”, 2021, No. 12, – pp. 117-121.

7. Technology and information exchange in the development of international economic relations // – Baku: Materials of the international scientific-practical conference on the topic “Problems of

ensuring food security of the independent Azerbaijani state and increasing the competitiveness of the agricultural sector” dedicated to the 100th anniversary of the Azerbaijan People's Republic, 2018, – pp. 509-511.

8. Directions of development of modern foreign trade of Azerbaijan // - Moscow: Issues of management and economy: current state of urgent problems. Collection of articles based on the materials of the LIV international scientific and practical conference, 2021, 12 No. (50), - pp. 11-14.

9. Improving the audit of import-export operations in commercial organizations // – Baku: Union of Economists of Azerbaijan, Chamber of Auditors of the Republic of Azerbaijan. Strategic Roadmap of the Azerbaijani economy: problems of accountability and transparency. International scientific-practical conference. September 21-23, 2017, – pp. 326-327.

10. The role of the national leader Heydar Aliyev in the development of Azerbaijan's international trade // – Baku: International scientific and practical conference on the topic "Heydar Aliyev and the modern Turkic world" dedicated to the 100th anniversary of the birth of the national leader Heydar Aliyev, May 2, 2023. – pp. 136-139.



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