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ABSTRACT

of the dissertation for the degree of Doctor of Science

EFFICIENCY OF THE NATIONAL ECONOMY RELATED TO ISSUES OF FOREIGN TRADE

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CONTENTS

Introduction

The topic's relevance and the degree of its elaboration. The national economy of each country represents a complex economic, social, organizational, scientific, and technological system. Our study represents an attempt to grasp the national economy from an institutional point of view. In practice, the elaboration of foreign trade issues takes place through the use of various forms, methods, and mechanisms that allow for the development of foreign economic doctrine and policy, turning them into the strategy and tactics implemented by the state and other economic agents to achieve scientifically sound goals and objectives corresponding to the respective stages of the country's socio-economic development.

The national economy's foreign economic issues include the following regulatory functions:

• Analysis and forecasting of trends and features of the development of the world economy, world markets of goods, services, labor, capital, financial, and accounting transactions, as well as the assessment of the national economy as part of the world economic system for the reference and forecasting period;

 Legislative and legal support in the field of foreign trade activities;

• The establishment and termination of entities involved in foreign trade and international economic relations, ensuring their participation in administrative missions and international economic entities;

• Providing foreign economic entities with information about the foreign economic situation and forecasted trends of change;

• Regulating activities of foreign economic entities through the elaboration of business plans for the development of various organizational forms and mechanisms;

• Control over the current activities of international economic entities and foreign trade actors to prevent violations of existing legislation.

To protect the economic interests of the Republic of Azerbaijan, the Law on Antidumping, Countervailing, and Protective Measures signed by the President of the Republic of Azerbaijan on 31 May 2016

regulates the rules of applying antidumping, countervailing, and protective measures against dumping, subsidized or increased imports that damage or threaten to damage local production.

Ensuing from and underpinning the international division of

labor, foreign trade provides the countries involved with the following opportunities:

• To overcome the limitations of the national resource potential;

• To expand the domestic market capacity and determine the relationship of the national market with the world market;

• To expand the scale of production limited by the country's production capabilities;

• To gain additional income from the difference between the national and global levels of production costs;

• This will enable the development of the country's specialization, thereby increasing the volume of national production.

There is an urgent need to develop more effective proposals and recommendations, turning foreign trade into an important factor in the effective functioning of the national economy in the current environment. The topical relevance of this dissertation primarily stemmed from this necessity.

Aimed to develop aspects included in the foreign trade complex of Azerbaijan, the creation of infrastructure related to import-export operations, the development of a theoretical, methodological, organizational, and economic framework, and management of their activities, the studies lasted for a long period. Yet, under the new Customs Code adopted in 2011, the current state of socio-economic development, management of foreign economic entities in a market economy, the use of their entire existing potential, and innovative technologies in foreign economic activity requires the application of new approaches in terms of making binding decisions concerning authorized economic operators, country of origin, the methodology of evaluation used in international practice, and customs procedures, including special customs procedures, the preferential and non-preferential origin of goods, electronic model of customs procedures, and research of their innovative support. Theoretical and methodological aspects of foreign trade issues related to the efficiency

of the national economy have been considered from different points of view by famous foreign and domestic economists, producing results that create favorable conditions to solve the problem. Related to the national economy, global economy, world markets, and foreign trade modeling theories, some aspects of the problem have been touched upon by such foreign scientists as A. Smith, F. List, G. Schmoller, V. Zombart, M. Weber, K. Marx, T. Veblen, A. Toynbee, V. Oiken, D. North, I. Wallerstein, L. I. Abalkin, K. M. Astapov, R. M. Nureev, V.N. Borisov, A.P. Garnov, A.I. Garnov, A.I. Gretchenko, V.D. Adriyanov, B. Balass, V. B. Buglay, A. C. Bulatov, V. I. Vidyapin, O. D. Davydov, C. I. Dolgov, A. P. Kireyev, B. K. Lomakin, A. Marshall, Z. M. Okrut, B. Olin, V. V. Pokrovsky, P. Petri, M. Porter, D. Ricardo, V. E. Rybalkin, I. P. Faminsky, V. I. Fomichev, E. Heksher, D. Hehdrik, Y. V. Shishkov, I. I. Bajin, N. I. Belousova, A. Y. Butyrkin, J. Wilson, N. V. Gnenniy, A. I. Gorodetsky, M. V. Delyagin, I. L. Domnina, G. O. Kazakevich, N. K. Konoryov, A. K. Nikiforov, Y.V. Nikulina, E.H. Chamberlin, J. Robinson, N.O.Rozanova, V.T. Solodkov, D.L. Thomas, A.N. Khrapaty, A.A. Sheremet, V. Senchagov, R. Greenberg, S. Bodrunov, S. Glazyev, etc. have reflected on these aspects in their works to benefit us even more.

The works of Z.A. Samedzadeh, Nadirov A.A., Aleskerov A.K., Muradov Sh.M., Imanov G.J., Nuriyev A.H., Musayev A.F., Rustambekov H.B., Imanov N.M., Meibullayev M.H., Hajizade E.M., Aliyev I.H., Kerimli I.A. Akhmedov M.A., Atakishiyev M.C., Guliyev R.A., Aliyev T.N., Huseynov T., Yuzbashova H.Z., Ganbarov F.A., Suleymanov G.S., Shekaraliyev A.S., Manafov G.N., Samandarov S.S., Imanov T.I., Mammadov E.Y, Aliyev U.G. S.M. Mikailova, R.A. Guliyev, M.R. Tagiyev, D.A. Valiyev, V.M. Valiyev, A.D. Huseynova, Sh.T. Aliyev, and other authors have reflected on Azerbaijan's national economy and its development factors, including the use of resources, employment, foreign trade, economic security, and effective management of methodological issues concerning the sustainable development of the real sector and its diversification, organizational, economic, information, and innovation support, etc., as well as provided applied and important theoretical, methodological, and practical recommendations. The research conducted by scientific

staff of the Ministry of Economy, SCC RA, SOCAR, ASOA, ASUE, ANAS, and the Azerbaijan State University
of Economics should also be highly appreciated in this area. Without belittling the scientific and practical significance of the above scholars' works, it should be noted that to date, our country failed to have conducted a comprehensive and systematic study of cooperation (interaction) between the supervising and supervised systems of foreign trade activities aiming to improve the efficiency of the national economy, with a rather insufficient study of information and innovation aspects related to the improvement of their performance. It was this need that determined the choice of the dissertation's topic, defining the study's goal and objectives.

Object and subject of the study. Foreign trade and foreign trade policy in a market economy represents a study object, whereas a system of trade and economic relations emerging in the process of implementing national foreign trade policy constitutes the study's subject.

Purpose and objectives of the study. The purpose of the dissertation is to develop theoretical, methodological, and practical recommendations aimed at organizing, managing, and increasing the effectiveness of the development of foreign trade, import, and export operations, including areas to stimulate exports of the national economy. The following research objectives have been defined to achieve this goal:

- To consider the essence of foreign trade, its place in macroeconomics, and theoretical and methodological aspects of regulating areas related to it;

- To study the management of foreign trade, the state's role in regulating trade operations, and its methods of applying taxes and customs duties in the area of foreign trade operations;

- To identify the available reserve potential by analyzing and evaluating the current situation and organizational and economic opportunities for the use of preferential and non-preferential rules of origin in foreign trade;

- To study the current procedure of re-import, re-export, temporary import and export, cabotage, etc. applying various methods

directly related to foreign economic activity and using long-term statistical data to improve the efficiency of the national economy, as well as to identify organizational, economic, and social reserve potential;

- To study the situation with the use of foreign trade technologies, authorized economic operators, and the system of safe exports at different levels of government and determine their role in the country's socio-economic development;

- To determine directions for improving the mechanisms of regulation and management of foreign trade in the areas under study;

- To develop scientifically substantiated comprehensive proposals and recommendations for the effective organization of activities by foreign trade entities.

Research methods. Methods of analytical generalization, purposeful systematic and programmatic approach, economic and statistical analysis, logical thinking, and economic and mathematical modeling were used in the process of completing the dissertation work. The research is based on the information about the macroeconomic situation of the State Statistical Committee of the Republic of Azerbaijan, official collections and bulletins comprehensively reflecting foreign trade activity, annual reports of the Ministry of Economy, the Ministry of Internal Affairs, the State Customs Committee, and technical and economic indicators characterizing the activity of enterprises and their subordinate entities. NASA SIC presents comprehensive and analytical reviews, information from the stock of its reporting documents, and information from the mass media about the current state of foreign trade, innovation activities, and development prospects.

The principal provisions to be defended are as follows:

1. Reflecting national specificity, the concept of foreign trade development provides an occasion to present new ideas concerning the study of the unique features of the national economy.

2. Selecting from among the possible combinations of contiguous production possibilities the combination that maximizes the level of social welfare would imply mobilizing society to implement the combinations envisaged. International best practices in developing

national economies turn the peculiarities of their application in different countries into a necessity.

3. Just as protectionism encourages the development of domestic production to replace imported goods, this policy ensures that the damage to the national economy from retaliatory measures by other trading partners exceeds the benefits of customs protection. Although tariffs and quotas are used to protect national markets from foreign goods, they can be inefficient and bring about an inefficient use of resources.

4. Government subsidization of established export sectors with their cost reduction and protecting inexperienced domestic producers from foreign competition undermine international trade.

5. The identification of the share of goods imported from countries that use the national system of preferences underwent an assessment to allow for the analysis of factors that may harm the local production sector because of increased imports.

6. More important is the search for new markets, regions, and countries less affected by the financial and economic crisis as well as the assessment of trading products from the Republic of Azerbaijan with regional countries outside the CIS as the identification of problems of trade and economic relations reveals the prospects of cooperation with countries of interest to Azerbaijan A cross-comparison between the average import and export price indexes, the physical volume index, and the physical volume indexes of exports and imports has led to forecasting the indicators of foreign trade, reflecting the efficiency of the national economy.

7. As for modern customs procedures and techniques, their adaptation to the standards of the major customs convention known as the Revised Kyoto Convention should be recognized as necessary. Consideration of the Authorized Economic Operator status - one of the provisions of the Kyoto Convention - will lead to the improvement of foreign trade activities to meet modern requirements.

8. Arguments in support of tariff protection also involve specifying and justifying disadvantages. Reliance on tariffs and quotas to protect national industry is equally ineffective even if they present manufacturers with some "profits."

9.   Since errors should be avoided in choosing the benefits of economic policy, the clarification of methods and restrictions for state intervention in economic life requires an active defense of economic fundamentals. The tactical and strategic priorities of developing Azerbaijan's economy involve the implementation of specific modernization measures.

The **study's scientific novelty** represents the following:
- Objective conditions for the development of general and special knowledge in the context of the organization, the current state, and prospects of the national economy's development have been determined; the need to develop the concept of foreign trade, taking into account national specifics has been substantiated;
- Building the national production possibilities curve and economic resource scarcity model made it possible to determine that the ability to manage social development lies in the choice of a potentially possible combination that maximizes the level of public welfare within the limits of production capabilities and the ability to mobilize society to achieve such combinations.
- Justifying the economic *benefits of the income, redistribution, protection, and consumption resulting from any country's application of tariffs*.
- The share of goods imported from countries that use the national system of preferences underwent assessment; factors that may harm the local production sector because of increased imports have been assessed.
- To identify prospects for expanding cooperation, proposals have been made to assess the foreign trade of Azerbaijani products with regions and countries less affected by the financial and economic crisis, countries outside the CIS, and countries of interest to Azerbaijan.
- The research work conducted a cross-comparison of the average export and import price indexes, physical volume indexes, and physical volume indexes of exports and imports for several important commodities to forecast foreign trade results in terms of national economic performance.

- In the research work, a systematic approach and comparative analysis have been used to consider the responsibilities associated with the status of the authorized economic operator, as well as rationalization proposals have been justified to ensure the effective identification of new sources in the generation of state budget revenues.

- Consumer "losses" from tariffs (import taxes) and quotas used to protect national industry, government, and manufacturers have been accounted for as efficiency losses.

The study's theoretical and practical significance. The theoretical significance of the study lies in the fact that it determines the objective conditions for the development of general and special knowledge regarding the organization, the current state, and development of the national economy, trends of foreign trade in the contemporary economy, and the system of state regulation in the national economy; it offers an interpretation of the role of meso-economic factors and the concept of foreign trade, which reveals national specificity of individual economic development concepts, the influence of foreign trade on the country's economy, and the influence of the country's economy on foreign trade, ensuring the systematic transformation of the national economy. The practical significance of the dissertation work lies in the fact that its main theoretical and methodological provisions, results, suggestions, and recommendations can enable their effective implementation through the proper use of available reserve opportunities in terms of Azerbaijan's foreign economic activity and ties, its social infrastructure facilities, and the fulfillment of the country's obligations under international agreements. Also, these proposals and recommendations can stimulate the development of a foreign economic activity framework and a vision of public administration bodies in the area of developing foreign economic policy; they can also benefit the activity of diplomatic services and ensure the future strengthening of Azerbaijan's position in the world arena.

Outlined in this research work, these proposals and recommendations consist in developing projects for the effective use

of our country's foreign trade potential, designing a plan of organizational and technical measures and targeted programs aimed at improving the efficiency of the national economy, preparing instructions and regulations, assessing the final activities of foreign trade entities, and teaching such courses as Economic Theory, International Trade, Logistics, State Economic Regulation, Foreign Economic Activity, etc.

In terms of its theoretical and methodological grounds, the research work resulted from works and ideas of Azerbaijani and foreign prominent scientists related to the national economy, foreign trade, foreign trade policy, international exchange of labor products (goods, services, intellectual property objects), including those on improvement and increase of management efficiency, as well as laws of the Republic of Azerbaijan on legal regulation of foreign trade and customs procedures, relevant decrees and orders of the President of the Republic of Azerbaijan, decisions of the Cabinet of Ministers, resolutions, and instructions of the Ministry of Economy and State Customs Committee, findings of sectoral research institutes, recommendations of international financial institutions and important scientific and practical conferences, etc.

Approval and application. In addition to published scientific articles, the following 15 international and national scientific-practical conferences and seminars focused on the interim and final results of the study: International Scientific-Practical Conference (Baku-2012) titled 'Traditional Areas of Foreign Trade Policy: Reality and Prospects;' Theoretical Views on the National Economy. Materials of the international scientific-practical conference on 'Problems of the Development of a Post-Industrial Society in the Context of the Socio-Economic Revolution.' (Saratov 2012); Objective resource potential as a determinant of national economic models. International conference (Baku 2012); "The main links of foreign economic activity II International Scientific-Practical Conference dedicated to 'Economic and Legal Paradigm of the Development of Modern Society' (Baku 2013); Arrangements Practically Implemented Regarding International Treaties. Proceedings of the Republican

Scientific and Practical Conference (Baku 2015); Improving the strategy involving taxes and duties payable on import and export operations. International Scientific and Practical Conference (Baku 2017); Correlation of the model and reality in achieving the efficiency indicator. International Scientific-Practical Conference (Baku 2017); International Conference (Baku 2018) on 'Responsibility associated with indirect taxes as a topical problem of the modern economy: problems of essence and identification;' Customs fees. Sustainable development and actual problems of humanitarian sciences. (Baku 2018); The role of national economic models in obtaining efficiency indicators. Proceedings of the National Scientific Conference (Baku 2019); Export Promotion as a Pivotal Moment in the Economy of Azerbaijan. National Scientific and Practical Conference (Baku, 2019); Three stages in the development of the discipline of economic theory. Research and characteristic features. International scientific conference (Baku 2019); Economics is a science field about the effective use of limited resources. 55th International Scientific Conference on Economic and Social Development (2020 SCOPUS); İnstitutional view of the national economy. 55th International Scientific Conference on Economic and Social Development (2020 SCOPUS); Reflections on Integration under the Kyoto Convention. Proceedings of the III International Scientific Conference on the Humanities and Social Sciences. Scientific work. International scientific journal with a high impact factor of 1.518 (2021).

Name of the institution where the thesis work was performed.

Baku State University.

The total volume of the thesis, including a reference to the volume of its separate structural sections. The logical framework of the dissertation has been designed to comply with the study's subject, object, goals, and objectives. The structural composition of the thesis comprises an introduction, five chapters, fifteen paragraphs, three subparagraphs, conclusions and suggestions, and a list of references. Chapter I of the thesis consists of 72364 characters, Chapter II of 74701 characters, Chapter III of 81764 characters, Chapter IV of

56001 characters, and Chapter V of 66565 characters, with a total of 422117 characters. In its logical sequence and essence, the dissertation comprises 242 pages, including 16 tables, 6 figures, 5 graphs, and 1 diagram, making up the work.

GROUNDS FOR A DEFENCE
PROVISIONS

1. In terms of the identification of national specifics, the concept of foreign trade development provides a reason to propose new views on the study of the national economy's unique features.

Taking into account the interests of the state and society, the national economy plays a major role in the effective management of the development of national production. The national economy can be considered an area of economic science and business practice, which fulfills several important tasks.

The German economist Friedrich List (*1789-1846*) became the first critic of classical political economy. It was the views of F. List that determined the development of the school of history, which paved the way for the emergence of the national economy as a separate sector. The historical school strongly protested against the formalism and abstraction of classical political economy, which turned man into a minor detail. It reflected a vision of the growing importance of the human factor in human development [2, p.66]

The historical school has undergone three stages in its development: the old (*W. Roche, B. Hildebrand, K. Knies*), the new (*H. Schmoller, C. Buer*), and the newest (*W. Sombard, M. Weber*).

In modern times, the theory of institutional economics largely underpins the study of national economic systems. The influence of Marxism on institutionalism should not be denied either.

Thus, criticizing classical political economy and analyzing its characteristic features, historical approaches represent a primary factor in studying theoretical views of the national economy and the justification of their originality.

In modern theory, the term "institution" refers to the "rules of the game" or a "man-made" community-based limited framework that shapes the system of relationships between people and actions that enforce them. They produce a structure that forces people to interact and organize their daily lives to reduce uncertainty.

Below is a schematic representation of the interaction between society, institutions, and the economy:

Society ⇄ **Institutions** ⇄ **Economy**

Figure 1. The role of institutions in the development of society

The analysis of theoretical views on the national economy leads us to conclude that theories of the national economy emerged as an alternative to mainstream economic ideas.

David Ricardo, the nineteenth-century English economist, saw the utility of foreign trade as increasing the quantity, variety, consumption, and production of products. Foreign trade creates a tendency for capital accumulation, which comes at the expense of lower consumer spending. In addition, if cheaper consumer goods are imported, foreign trade can also increase profits by reducing wages [3, p. 70]

The study of the national economy culminates in the acquisition of the following:

❑ general and special knowledge about the development of the national economy, its current state, and prospects of improvement;

❑ comprehension of objective economic, social, and political conditions of the nation, their reflection in the national economic mentality, socio-economic standards, and rules of behavior of economic agents;

❑ the study of micro-, meso-, and macro-level characteristics of the national economy and mechanisms of the development of sectoral and territorial complexes, the system of state regulation of the national economy;

❑ the ability to acquire the necessary information and analyze the current situation as well as model the socio-economic development of regions, districts, and the entire national economic complex by effectively using the available resources;

❑ the ability to implement state regulation using modern monetary and fiscal policy methods as well as to participate in preparing and executing promising national projects;

❑ the ability to make forecasts using modern economic and mathematical methods and utilize skills in strategic and tactical planning;

❑ the ability to analyze socio-economic and political programs using institutional economics and public choice theory methods.

2. Choosing a combination that maximizes the level of social welfare from the variety of possible adjacent combinations means mobilizing society to achieve the intended combination. International best practices in developing national economies turn the peculiarities of their application in different countries into a necessity.

When creating a national economic model, the state, business entities, and civil society always have objectively limited resources at their disposal. They analyze this resource constraint using the production possibilities curve model.

They demonstrate the model reflecting the production possibilities curve through a simplified diagram, assuming only two alternative types of economic activity (Fig. 2.).

Let us consider the example of an oil-rich country that has great potential to attract foreign tourists.

Tourist services
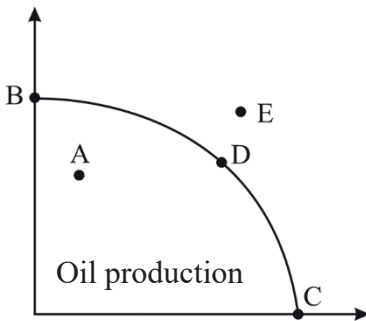
Figure 2. The production possibility frontier and the resource-constrained model of the national economy

If resources are used inefficiently, the national economy will fall below the production possibilities frontier (e.g., point A). Even if all resources are utilized at the maximum level, the country will not be able to go beyond the curve in a short time (e.g., to provide the combination of production defined by point E). With more efficient use of all available resources in the country, the national economy can provide an output corresponding to any point of the production possibilities curve. The problem lies in the ability to determine whether it is appropriate to concentrate resources on oil production (point C) or tourism development (point B) or to develop both at about the same level (point D), identifying the combination that will maximize the welfare of the nation.

Table 1. Per capita GDP distribution by cluster in BRICS and post-Soviet countries (based on purchasing power parity) in 2016, 2017, 2018, and 2019.

Countries	GDP per capita based on purchasing power parity (thousand U.S. dollars)				Cluster serial number				Dynamics of real GDP volume compared to the previous year (as %)	
	2016	2017	2018	2019	2016	2017	2018	2019	2019	2020
Russia	8,7	10,7	11,4	11,6	2	3	2	3	1,3	-3,6
Brazil	1,8	2,1	1,9	1,8	5	5	5	6	1,4	-4,5
China	11,2	12,3	13,9	14,4	6	5	4	4	6,0	2,3
India	5,8	6,2	6,7	6,97	6	6	5	5	4,2	-8,0
RSA	13,4	13,5	13,7	13,7	3	3	3	3	0,2	-7,5
From post-Soviet space										
Armenia	3,6	3,9	4,2	4,6	6	5	4	5	7,5	-4,5
Azerbaijan	3,8	4,2	4,7	4,8	4	5	3	4	2,2	-2,6
Kazakhstan	7,7	9,3	9,8	9,8	3	5	3	3	4,5	-2,69
Lithuania	15	16,9	19,2	19,6	4	3	2	2	4,3	-0,8
Turkmenistan	6,9	6,4	6,6	6,9	4	5	4	4	6,3	1,8
Ukraine	2,2	2,6	3,1	3,7	4	5	4	5	3,2	-7,2
Estonia	28,7	29,7	31,8	32	3	3	2	2	5,0	-2,9
Georgia	4,1	4,4	4,7	4,7	5	5	5	4	2,3	1,9

Source: Bulletin on current trends in the world economy 2021. Thomson Reuters. World development indicators 2021

Thus, modern economists actively use the division into developed and developing countries when classifying world countries by their resource potential. This classification ensures consistency between historical and statistical criteria (Table 2.):

• Mostly containing human resources, developed countries notably represent former colonial states;

• Developing countries represent former colonies that, after gaining independence, tend to remain relatively poor, and their national wealth is dominated not only by human resources but also by natural resources.

Table 2.
Dualistic classification of national economic models

Criteria	Developed countries	Developing countries
Availability of resources (estimated by national wealth per capita)	Rich	Poor
Structure of resources	Human resources represent a clear priority	Human and natural resources dominate
Historical origin	Former metropolises	Former colonies

There are several exceptions to this dualistic classification. Some 'third-world' countries that export natural resources (primarily oil-exporting countries such as Saudi Arabia) have very high rates of national wealth and lifestyles. Some 'third-world' countries (newly industrialized countries such as Taiwan, South Korea, Mexico, and Turkey) have managed to create effective national economic models relying on the production and export of industrial products. But most 'third-world' countries are poor; to develop their national economic models, they have to choose between specializing in intensive technologies and/or the role of 'supplying raw materials' for developed

countries. In the past, all developed countries were not colonies (e.g., the United States, Canada, Australia, and New Zealand - former British colonies). This group also includes countries whose national economic models are heavily dependent on the production and export of primary commodities (Netherlands, Norway, and Canada). But their national economic models usually focus on the priority development of capital and knowledge-intensive technologies [3, p.110-111].

3. Just as protectionism encourages the development of domestic production replacing imported goods, it is also a policy whereby the damage to the national economy from retaliatory measures by other trading partners may exceed the benefits of customs protection. Although tariffs and quotas are used to protect national markets from foreign goods, they can be inefficient and bring about an inefficient use of resources.

Import tariffs protect domestic producers in import-substituting and competitive industries, making domestic consumers suffer as they pay import tariffs. In the context of free trade, national prices approach the weighted average price in the world market. Imports eliminate the deficit related to a specific commodity group. The introduction of an import tariff increases domestic prices, reducing the volume of imports. Under protectionism, national producers can expand production to avoid paying tariffs and allow national enterprises to reach a "golden equilibrium" of marginal costs and revenues, thereby optimally increasing large-scale production [1, p.17].

Export tariffs turn the exporting country into a monopolist in the world market, forcing the importing country to pay more for the product it receives. Joining together as an integration bloc, a group of countries can simultaneously apply export restrictions to reach a significant growth of their monopoly profits. An example of a protectionist policy is the Common Foreign Customs Tariff, adopted by the European Union countries.

The decrease in foreign customs tariffs does not signify a weakening of protectionist tendencies. Thus, the analysis of the current state of international economic relations, on the contrary,

reveals a rare use of classical or traditional methods of protectionist mechanisms, pointing instead to the appearance of unconventional methods as new protectionist tendencies. The expansion of protectionist practices and methods currently involves the use of almost fifty types of non-tariff trade restrictions. Though favoring free trade, industrialized countries widely use such restrictions in their active trade policies.

Under tariff restrictions, the quantity of exported and imported goods remains unregulated; the applied tariff rate depends on the customs value of the goods' quantity or a combination thereof. Quotas limit the volume of foreign trade to a certain quantity. The state issues licenses to ensure the export and import of a limited volume of products, thus preventing unlicensed trade.

Moreover, quotas differ from tariffs in that they completely prevent foreign competition from impacting domestic prices; finally, import quotas protect the country from a non-licensed influx of new and advanced foreign goods. As a result, quotas turn into a very important and powerful protectionist policy.

Quotas have important qualitative differences from tariffs: under international treaties, national legislation regulates the change of tariffs. For this reason, the government is not free to raise tariffs. In this case, it tightens import quotas and streamlines foreign trade policy by allocating licenses to specific enterprises.

Although a comparison of protectionism and free trade in the scope of world trade shows their equality, the conflict between the parties continues.

Vital national interest usually constitutes the most common reason for government control of foreign trade. Whereas restrictive measures can benefit the citizens of any country, foreign trade restrictions result in losses for the world economy as a whole. Let us divide the arguments of supporters of foreign trade control into three groups:

The first includes reasons rooted in strategic, political, social, and moral considerations. The expansion of strategic production is explained by maintaining the country's skilled workforce and technological expertise that may be needed in emergencies.

The second group includes economic arguments. For example, being equivalent to the tax burden, the duty is divided between the producer and the consumer depending on the elasticity of the supply-demand ratio. Hence, the government can use import tax as a measure to improve the trade climate.

Arguments that could lead to negative consequences belong to group three. Imports are often restricted to maintain employment [1, p.18-19].

Another argument from this group states that it ensures effective protection against the displacement of the national workforce by cheap and unskilled foreign labor. This argument contradicts several principles of economic theory. In the context of international specialization, cheap labor can constitute a country's advantage. Low wages can both result in the cheap use of labor and low productivity. The introduction of customs duties can make labor cheaper. Conversely, an increase in the cost of labor can boost demand for its product, causing domestic prices to rise. Finally, the fourth group includes customs restrictions that increase competition in the global market.

4. Government subsidization of established export sectors with their cost reduction and protecting inexperienced domestic producers from foreign competition undermine international trade.

Any country's application of tariffs results in **several economic effects,** some of which include the following:

Revenue efficiency means an increase in budget revenues resulting from the application of import duties; It is calculated as a country's imports indicator after the tariff's introduction. Although not a loss to the country's economy, the income effect is a loss to consumers as the government withholds their income and transfers it to the budget. There is a transfer of revenues from the private budget to the public sector;

The *redistributive effect* refers to the redistribution of income from consumers to product manufacturers that compete with

importers; It is calculated as the difference between the additional profit received by producers after the introduction of the import duty and additional costs incurred for the production of additional products.

The protection effect reveals a country's economic losses caused by the country's need for additional domestic production under tariff protection at a higher cost. As the protection of the domestic market through tariffs increases, the production process consumes more resources that are not specifically intended for the production of a given commodity. This leads to higher costs of production compared to those the country incurs when it purchases the same product abroad at a lower price. In manufacturing domestic goods for the domestic market, less efficient domestic products tend to replace more efficient foreign products, thus creating a protective effect.

Caused by an increase in domestic prices, a decrease in the consumption of goods brings about an increase in the *efficiency of consumption*.

Importing countries apply tariffs and quotas to protect their national markets from competition with foreign products. However, tariffs and quotas become ineffective if the products the country manufactures and exports lose their competitiveness. In such cases, the government helps national producers to strengthen their competitive position by allowing them to sell their products on world markets at prices below the actual cost of production. Whereas such measures increase the volume of exports, this kind of artificial exaggeration of the volume ultimately leads to inefficient use of resources.

The fairness of these arguments has been repeatedly challenged. Protectionist measures are inevitably expected to follow even if major national producers have an urgent desire to buy time. Instead of protecting inexperienced domestic producers from foreign competition, the government should subsidize "well-established" export industries and keep them competitive abroad until they learn to cut costs and expand production.

5. The share of goods imported from countries that use the national system of preferences underwent an assessment to allow

for the analysis of factors that may harm the local production sector because of increased imports.

In most cases, the use of non-tariff methods, especially intensive quantitative ones, generally leads to a rather limited trade policy of the state, even if the customs regimes remain liberal.

The Azerbaijani Law No. 261 "On Antidumping, Countervailing, and Protective Measures," dated 31 May 2016, regulates the rules for applying non-tariff measures. It seeks to protect economic interests and opposes dumping, subsidies, or increased imports that threaten to harm national production. The percentage value of the difference between the export price and the normal value of the imported product is called the **dumping markup**.

In general, factors that could harm local production through increased imports require assessment. In this case: 1. Both absolute and relative indicators should be used to determine the growth rate and volume of this product; 2. Its share of the domestic market must be identified; 3. It is necessary to take into account changes in the area of employment levels and production efficiency caused by imports into Azerbaijan.

A fundamentally important issue for evaluating trade agreements is the treatment accorded to foreign goods, services, and capital in the territory of a state.

6. More important is the search for new markets, regions, and countries less affected by the financial and economic crisis as well as the assessment of trading products from the Republic of Azerbaijan with regional countries outside the CIS as the identification of problems of trade and economic relations reveals the prospects of cooperation with countries of interest to Azerbaijan A cross-comparison between the average import and export price indexes, the physical volume index, and the physical volume indexes of exports and imports has led to forecasting the indicators of foreign trade, reflecting the efficiency of the national economy.

Important conditions for the normal functioning of an open economy include a growing market of products, an uninterrupted supply of energy resources at mutually acceptable prices, and boosting the country's economic security.

Table 3. displays import and export indicators of the Republic of Azerbaijan by groups of countries.

Table 3. Import and export indicators of the Republic of Azerbaijan by groups of countries

Country groups	Imports (share, %)								Exports (share, %)								Trade balance					
	2011	2014	2016	2017	2018	2019	2020	2021	2011	2014	2016	2017	2018	2019	2020	2021	2011	2017	2018	2019	2020	2021
CIS	26,2	22,7	25,3	27,3	25,0	25,1	26,1	25	11,0	3,8	7,3	7,6	5,8	6,0	9,5	8,1	-15,2	-19,7	-19,2	-19,1	-16,6	-16,9
EU	32,3	33,8	26,0	22,1	20,3	17,8	23,6	18,3	59,4	53,0	43,2	54,0	54,3	53,5	49,5	58,8	27,1	31,9	34	35,7	25,9	40,5
OBSEC	37,5	36,0	38,8	39,8	36,0	33,5	38,4	39,6	14,2	9,7	22,0	23,2	19,9	25,4	34,6	24,5	-23,3	-16,6	-16,1	-8,1	-3,8	-15,1
ECO	17,9	18,5	17,6	20,1	20,3	18,9	20,9	21,4	3,2	4,4	15,2	11,1	10,4	15,6	20,0	13,5	-14,7	-9	-9,9	-3,3	-0,9	-7,9
GUAM	6,7	5,6	4,0	6,2	5,0	4,0	4,6	4,9	5,5	2,6	4,2	6,0	4,4	4,7	6,0	5,0	-1,2	-0,2	-0,6	0,7	1,4	0,1
OPEC	2,9	2,6	3,0	3,5	4,4	4,2	3,6	4,2	4,5	1,4	1,0	0,4	0,4	0,6	0,5	0,6	1,6	-3,1	4	-3,6	-3,1	-3,6
ECO	19,7	20,0	19,7	21,9	22	20,5	21,6	23,2	10,8	17,4	19,3	16,4	14,7	16,3	23,0	17,2	-8,9	-5,5	-7,3	-4,2	1,4	-6
APCO	35,3	35,0	42,3	41,8	41,3	43,6	44,6	43,9	19,6	23,4	20,3	18,3	16,7	12,6	12,5	7,6	-15,7	-23,5	-24,6	-31	-32,1	-36,3
EFTA	2,3	1,4	4,0	2,5	5,4	9,7	1,4	2,4	0,7	0,7	1,1	1,3	0,7	0,9	1,6	1,2	-1,6	-1,2	-4,7	-8,8	0,2	-1,2
ASEAN	0,9	1,4	4,0	2,1	2,2	2,1	2,5	2,8	6,5	13,7	2,5	4,6	4,2	2,1	3,0	1,3	5,6	2,5	2,1		0,5	-1,5
OSCE	57,6	58,6	52,4	49,3	50,6	52,8	48,6	46,2	67,1	57,9	60,9	65,7	72,4	67,0	66,5	71,6	9,5	16,4	21,8	14,2	17,9	25,4

Source: Statistical bulletins of the State Customs Committee and statistical publications of the State Statistical Committee of the RA.

The Republic of Azerbaijan conducts import and export operations with over 180 countries (185 countries in 2021). However, the CIS region constitutes the main and biggest priority direction for the Republic of Azerbaijan (9.5% of the country's exports and 26.1% of imports in 2020, 8.1% of exports and 25% of imports in 2021, 11% of the country's exports and 26.2% of imports in 2011), including other directions such as EU countries (49.5% of the country's exports and 23.6% of imports in 2020, 58.8% of exports and 18.3% of imports in 2021, 59.4% of the country's exports and 32.3% of imports in 2011), BSEC countries (34.6% of the country's exports and 38.4% of imports in 2020, 24.5% of exports and 39.6% of imports in 2021, 14.2% of exports and 37.5% of imports in 2011), and OECD countries (66.5% of exports and 48.6% of imports in 2020, 71.6% of exports and 46.2% of imports in 2021, 67.1% of exports and 57.6% of imports in 2011). Between 2009 to 2011, the foreign trade balance with CIS countries increased from -22.1 to -15.2, changing from -15.2 to -19.7 between 2011 and 2017; in 2018, the balance rose to 19.2%; between 2009 and 2011, to 16.9 in 2021. The foreign trade balance with EU countries increased from 17% to 27.1%, surging from 27.1% to 31.9% between 2011 and 2017; in 2018, it amounted to 34.1%; in 2021 it amounted to 40.5%. Over the comparable period, the decrease in imports from CIS countries from 29.8% to 27.3% resulted, for example, from the replacement of beef imports from the Russian Federation and Germany with such countries as India and Brazil, as well as from changes in the geography of imports of poultry, butter, and other products.

Let's consider the import-export balance of Azerbaijan as shown in the following chart (Figure 3/):
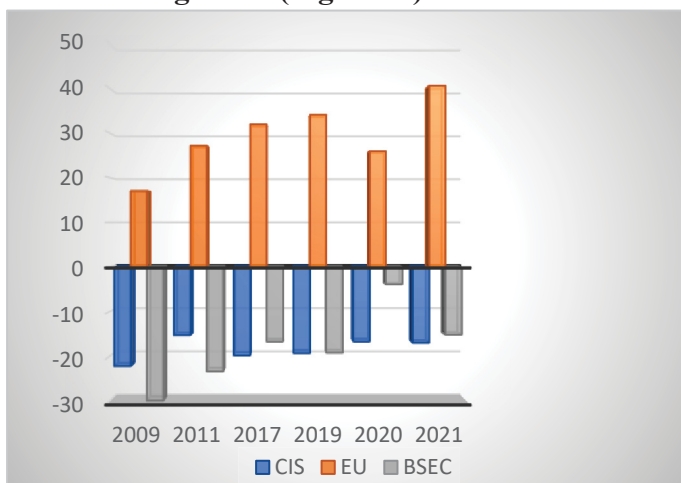
Figure 3. Azerbaijan's import-export trade balance by some groups of countries

Groups of countries	Trade balance					
	2009	**2011**	**2017**	**2019**	**2020**	**2021**
CIS	-22,1	-15,2	-19,7	-19,1	-16,6	-16,9
EU	17	27,1	31,9	35,7	25,9	40,5
BSEC	-29,8	-23,3	-16,6	-8,1	-3,8	-15,1

Table 4. Imports of some important products

Product's name	Country name	Quantity										
		2012	2016	Share of 2016 compared to 2012, in %	2017	Share of 2017 compared to 2016, in %	2018	Share of 2018 compared to 2017, in %	2019	Share of 2019 compared to 2018, in %	2020	Share of 2020 compared to 2019, in %
Bovine cattle meat, **t.**	Ukraine	15,0	4565,5		7331,7		6769,7		6049,9		6958,2	
	India	3476,6	287,0		1098,3		235,6		572,7		691,6	
	Belarus	-	-		448,1		930,7		1265,8		1281,0	
	Brazil	239,4	135,0		135,6		212,9		666,5		719,7	
	Germany	67,8	-		25,7		-		-		-	
	USA	-	12,8		11,5		-		-		-	
	Paraguay	-	76,0		80,4		36,5		14,9		-	
	Spain	-	-		-		24,4		-		-	
	Other countries	80,7	181,6		124,8		117		240,7		118,6	
Total		**3879,5**	**5257,9**	**136,0**	**9255,4**	**176,0**	**8326,8**	**0,89**	**8810,5**	**105,8**	**9769,1**	**111**
Butter, other fats and milk spreads, tons	New Zealand	2747,2	11910		9362,2		6980,6		7019,5		8348,5	
	Ukraine	92,6	361		1419,2		2058,0		2936,7		4003,5	
	Netherlands	-	40		800,5		-		-		-	
	Belarus	169,9	420,9		552,1		1371,7		1453,2		1832,5	
	Finland	141,3	406,9		506,5		640,3		695,4		647,9	
	Germany	254,9	535,6		404,7		401,9		221,5		342,3	
	France	253,5	305,7		343,1		321,0		414,7		463,0	
	Australia	486,1	-		-		-		-		-	
	Other countries	1325,8	385		420,7		341,8		1291,3		1168,7	
Total		**5470,6**	**14365,1**	**263**	**13811,1**	**0,96**	**12115,3**	**0,88**	**14032,3**	**115,8**	**16806,4**	**120**

Tea, t.											
Sri Lanka	5351,8	11539,6		11766,9		10867,4		12102,4		11302,6	
Russia	15,2	263,2		621,2		683,9		820,2		1021,7	
India	1543,0	241,1		530,4		572,1		581,2		534,3	
Vietnam	-	38,4		250,8		132,2		109,6		613,9	
Germany	-	18,3		13,3		-		-		-	
Iran	554,4	170,7		14,6		357,3		26,1		59,2	
Other countries	171,2	338,2		388,3		344,9		456,4		453,2	
Total	**7635,2**	**12609,5**	**65,1**	**13585,5**	**8,0**	**12957,8**	**0,95**	**14095,9**	**108,7**	**13984,9**	**0,99**
Wheat, thous. tons											
Russia	258,9	1486,5		1194,9		809,1		1310,6		1349,8	
Kazakhstan	1100,3	93,0		63,4		269,4		272,9		14,9	
Ukraine	-	18,8		15,9		2,1		-		-	
Turkiye	-	-		0,2		0,2		0,5		-	
Austria	-	-		0,0		0,1		0,1		-	
Other countries	-7,1	1,3		-		-		-		0,4	
Total	**1366,3**	**1599,6**	**17,1**	**1274,4**	**0,8**	**1080,9**	**0,85**	**1585,0**	**146,6**	**1365,1**	**0,86**
Rice, t.											
India	9040,5	25974,4		27963,7		28227,3		29857,3		31834,2	
Russia	6718,3	14222,8		11559,7		8856,3		10452,7		10703,7	
Thailand	579,0	4297,0		4417,7		2874		2182,3		3139,2	
Pakistan	918,0	3118,8		3758,1		2489,2		3941,8		3485,6	
Kazakhstan	-	398,9		2099,5		7215		133,0		3795,1	
Vietnam	-	106,2		911,1		-		204,3		-	
USA	18,7	-		260,0		-		-		-	
Other countries	408,2	67,7		90,5		164,3		1883,2		3926,5	
Total	**17682,7**	**48185,7**	**272,5**	**51060,2**	**6,0**	**49826,1**	**0,98**	**48654,6**	**0,98**	**56884,3**	**117**

Wheat flour, t.						
Russia	5174	3529,8	2461,3	2047,9	2808,5	2863,1
Ukraine	8635,6	77,5	139,5	12	-	-
USA	-	-	15,8	-	-	-
France	-	8,8	14,6	10,9	11,2	9,6
Belarus	379,9	-	12,6	-	3,7	8,7
Germany	-	10,4	10,5	11,6	-	-
Turkiye	18,6	15,3	-	5,9	-	7,0
Other countries	971,7	16,6	18,8	36,1	30,7	21,4
Total	15179,8	3658,4	2673,2	2124,4	2864,1	2909,8
		0,24	0,73	0,8	134,8	102
Trucks, number						
Germany	4645,0	306 139	684 287	1502	2697	2652
Turkiye	663	13	50	189	320	137
France	29	35	46	-	-	-
Italy	89	24	37	245	-	-
Russia	721	21	-	-	198	375
China	2310	19	-	-	147	95
Korea	333		-	112	114	125
Japan	198 444		123	-	116	91
Other countries		14		-	188	151
Total	9432,0	571	1227	2300	3780,0	3626
		0,06	215	87,4	164,3	0,96

Source: Statistical bulletins of the State Customs Committee and statistical publications of the State Statistical Committee of the RA.

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Table 4. presents the volume and dynamics of some important products' imports on a year-on-year basis.

Thus, despite Azerbaijan's broad geography of trade and economic relations, it still has many issues associated with the need to deepen and intensify cooperation with many foreign countries and regions. Such issues become especially relevant during the global financial crisis that has severely affected countries with developed economies, especially the member states of the European Union. Under such conditions, the search for new markets becomes more important in regions and countries that have not been as severely affected by the financial and economic crisis.

The analysis of Azerbaijan's export structure reveals problems in foreign trade and yields the following results:

Firstly, although made from foreign raw materials, most of the exported goods are not subject to a significant level of processing. Second, one should note the weak product diversification of Azerbaijan's exports, both in general and by region. Whereas CIS countries mainly import food products such as potatoes and fruits, European countries import mineral products, etc., almost every importing region can boast of a group of goods that make up the largest share of Azerbaijan's exports. Thirdly, the export of Azerbaijani products lacks sufficient geographic diversification.

CNFEA-based analysis of imports of the Republic of Azerbaijan from non-CIS countries has produced the following findings. First, one can notice the high share of equipment and vehicles in imports. On the one hand, most of these products are used for technical upgrading of local enterprises; on the other hand, the country produces a large variety of such products, while their importation testifies to either insufficient production volume or low consumer characteristics of these products. Secondly, the country imports a sufficient number of domestic air conditioners and refrigerators, for instance Revealing the poor competitiveness of similar local goods in the domestic market, this also evidences that local enterprises manufacture a rather narrow range of such products. Meanwhile, it should be noted that imports from non-CIS countries exhibit sufficient effectiveness:

imported goods mainly represent investment and intermediate goods, including a small share of food and textile products and other consumer goods.

As for the foreign trade balance of Azerbaijan, the CNFEA-based analysis conducted by product categories and regions has produced the following findings: CNFEA is used to calculate the balance, revealing a positive trend in the trade of mineral products, i.e. intermediate products such as sturgeon caviar, animal or vegetable oils, untreated and/or unblown leather. The trade balance of other CNFEA categories of goods is negative.

On the regional level, a negative trade balance is observed in trade with Asia-Pacific Economic Cooperation (APEC) countries. Imports from the APEC region increase faster than exports (1.2, 15.7, 23.5, 24, 31, and 44.6 in 2009, 2011, 2017, 2018, 2019, and 2020, respectively). Given that trade with this region takes place through the signing of agreements at the government level, it is necessary to intensify efforts to increase exports to this region.

5. Specific share of APEC countries in Azerbaijan's exports Specific share of APEC countries in Azerbaijan's exports

States	In % terms						Location							
	2011	2012	2017	2018	2020		2011	2012	2017	2018	2019	2020
United States of America	6,8	6,7	0,4	1,7	0,2		3	6	24	17	34	32
Indonesia	3,4	7,4	3,4	3,1	-		5	4	8	10	-	-
Malaysia	2,5	1,6	-	-	0,4		9	16	-	-	-	25
South Korea	1,7	-	-	-	-		14	-	-	-	-	-
Thailand	0,5	1,4	0,8	0,7	0,9		26	17	22	23	14	20
China	0,2	0,8	3,2	0,6	3,1		34	23	11	26	6	9

Source: Statistical bulletins of the State Customs Committee and statistical publications of the State Statistical Committee of the RA.

Table 6. Specific share of APEC countries among Azerbaijan's major trading partner countries for imports

States	In % terms					Location					
	2011	2012	2017	2018	2020	2011	2012	2017	2018	2019	2020
United States of America	6,5	7,4	8,2	4,6	5,9	4	4	4	5	5	4
China	6,4	6,5	9,7	10,4	13,2	5	5	3	3	3	3
South Korea	2,1	2,5	1,0	2	1,7	11	11	20	12	18	12
Japan	1,8	2,5	1,9	3,3	1,8	14	10	11	9	14	11
Malaysia	0,4	-	0,4	0,5	0,6	29	-	34	30	30	24
Taiwan	0,3	0,3	-	-	-	34	33	-	-	-	-
Thailand	0,2	0,3	0,3	0,4	0,4	39	34	35	36	38	33
Indonesia	-	0,4	0,6	0,5	0,3	-	30	29	32	33	40

Source: Statistical bulletins of the State Customs Committee State Statistical Committee of the RA - statistical publications.

When analyzing foreign trade indices, it is necessary to pay attention to the cross-comparison of the index of average prices of exports and imports and the index of physical volume, as well as the indices of physical volume of exports and imports. The indices with non-CIS countries exhibit a significant "curvature." The average export price index exceeds the physical export volume more than 2 times, i.e. instead of supply, it is the price factor that causes the exports to grow. Since the price is a more opportunistic factor than the demand, it introduces an element of instability to Azerbaijan's exports to the region. As for imports, on the contrary, its average price index was much lower than its physical volume. In this case, the opposite situation arises for exports: when prices change on the world market, imports sharply increase in price, thereby worsening the terms of trade. Also, the physical volume index of Azerbaijan's trade with non-CIS countries is significantly lower than that of its imports. This indicates that Azerbaijan's demand for imported goods exceeds the demand for Azerbaijani goods abroad, which can lead to significant changes in export and import prices.

Table 7. Index of the physical import of several important goods and the average index of import prices

Name of products (tons)	2020 (reporting year)		2018 (base year)	
	Quantity	Amount, thous. US dollars	Quantity	Amount, thous. US dollars
Wheat flour	2909,8	1150,9	2124,4	814,1
Butter, other milk fats, and milk spreads	16806,4	82608,3	12115,3	69690,0
Lubricating oils	38438,8	65594,6	33199,1	59589,3
Metalwork	44915,6	96395,1	43950,0	106693,6
Burnished rolled steel	135287,4	107016,1	123697,6	100789,9
Total	238358	352765	215086,4	337576,9
Physical volume index		**110**		
Average price index		**104**		

Table 8. Index of several important goods' physical import and the average import price index

Name of products (tons)	2020 (reporting year)		2018 (base year)	
	Quantity	Amount, thous. US dollars	Quantity	Amount, thous. US dollars
Tea	1357,2	9461,4	1367,0	9373,9
Unprocessed aluminum	37667,1	63710,3	34583,8	71438,8
Cotton fiber	97578,2	131930,2	52512,1	79529,9
Tobacco	4794,0	12081,3	4175,7	12730,2
Semifinished ferrous metal products	15320,8	5693,1	38434,9	16941,2
Physical volume index			**120**	
Average price index			**117**	

Source: Statistical bulletins of the State Customs Committee and statistical publications of the State Statistical Committee of the RA.

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In the context of the global financial crisis, it is necessary to pay special attention to the diversification of trade and economic relations, the search for new markets, and the intensification of relations with countries that previously had no great prospects in this area but now have an advantage over developed countries since they hardly suffered from the global financial and economic crisis.

7. One should recognize the need to adapt to the standards of the Revised Kyoto Convention, which is the main customs convention in the field of modern customs procedures and methods. Consideration of the Authorized Economic Operator status - one of the provisions of the Kyoto Convention - will lead to the improvement of foreign trade activities to meet modern requirements.

It is important to examine the practical aspects of international agreements using the approach of scientific research. In this respect, the scope of our research includes responsibilities related to the status of the authorized economic operator defined by the Customs Code of the Republic of Azerbaijan, other legislative acts of the Republic of Azerbaijan, and international treaties. Hence, the research utilizes a systemic approach and comparative analysis to consider the obligations associated with the status of the authorized economic operator as well as to define relevant streamlining proposals aimed to improve customs relations in this area. It is believed that, in terms of the effectiveness of identifying new sources of state budget revenues, the obligations associated with the status of the authorized economic operator should always remain in the center of focus, and it is important to further improve the regulatory framework and strategy in the relevant area.

If we include those failing to comply with appropriate requirements to the category of business entities that regularly import or export various goods and have a good reputation and reporting system, it becomes more of a punishment than a reward for the latter

ones' legal and social responsibility and responsible corporate behavior. This means that both commercial and administrative costs are high because customs authorities commit too many resources to monitoring low-risk traders. Therefore, it is necessary to provide such entities with access to simplified customs clearance procedures as a reward for meeting the requirements established by law.

8. Arguments in support of tariff protection also involve clarification and justification of adverse outcomes. Reliance on tariffs and quotas to protect national industry is equally ineffective even if they present manufacturers with some "profits."

Two main tools used to protect national industry are tariffs (i.e., import taxes) and quotas (i.e., quantitative restrictions on imports). See Figure 4. below.
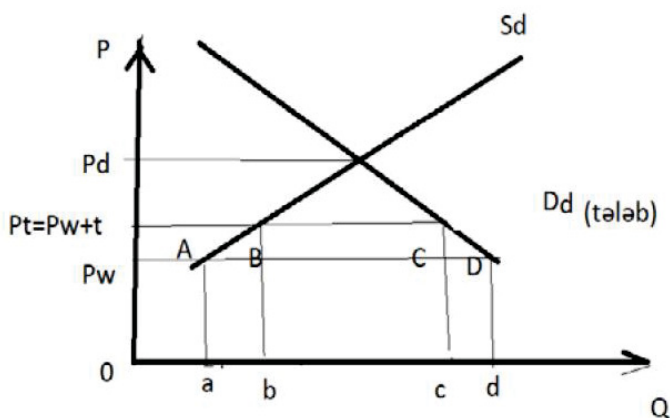

Figure 4. Instruments used to protect national industries are tariffs (i.e., import taxes) and quotas

If the price of the imported product P_w is much lower than the domestic equilibrium price P_d, then a tariff t is imposed to protect the national industry, significantly increasing the end price of the imported

product for final consumers. They pay $P_t=P_w+t$. The government's revenue from the tariff's application equals C. The producers' profit (A) stems from the price's approximation to that of the national product on the domestic market. But consumers encounter significant losses that equal $A + B + C + D$, surpassing the "gain" of both the state and the producers. Thus, the lost efficiency equals B+D, consisting of both production and consumption losses.

Another means of protecting national production implies applying quotas to imported goods. If domestic goods, such as computers, are not in high demand, imports of foreign TV sets can be partially limited by the imposition of certain quantitative restrictions on imports (quotas). Meanwhile, an increase in the size of domestic production can help pay for some of the unmet demand. This will happen because the quota's introduction will cause the price of imported goods to rise.

Whereas a group of individual producers benefits from tariffs, they make the entire country's population suffer. But then why are tariffs applied over and over again? The following arguments could help support the application of *tariff protection* by developing countries:

•Most developing countries use trade taxes as a major source of *government revenue* because they are easy to administer and collect;

•Limiting imports is a natural response to the chronic *balance of payments* and foreign debt problems;

•Import protectionism is one of the most appropriate means to boost local industry and overcome economic dependence;

•Import restriction policies allow developing countries to achieve greater economic independence while encouraging foreign investment in domestic import substitution industries.

But we should also take into account these policies' disadvantages. In the first place, the imposition of import restrictions leads to the preservation of inefficient and expensive domestic production entities. As a rule, the benefits of import substitution go to foreign companies. Moreover, much of the import substitution depends on imports of intermediate products, causing national currencies to appreciate. As a result, national production facilities

cannot reach global competitiveness under the pressure of customs restrictions.

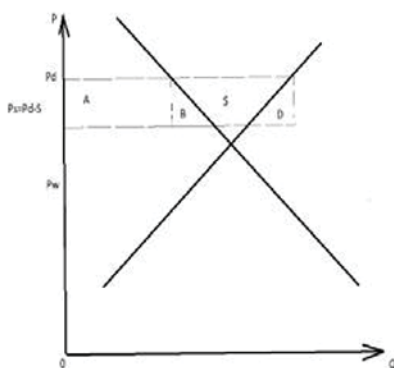**Figure 5. illustrates the system of export subsidies for national producers.**

Figure 5.. Export subsidy system for national producers

If world prices Pw are lower than local prices Pd, government subsidies (S) can reduce the difference. In this case, the export price national producers use to export their products amounts to Ps=Pd-S. Consumers' losses will total A+B, whereas producers' benefits will equal A+B+S. Since government spending is B+S+D, the net loss to the population would make B+D. They cover the promotion of national industry and its future access to the global level. In the short term, an export-oriented policy involves limiting national demand and temporarily shrinking the market. In 1973-1985, such countries as Hong Kong, Singapore, South Korea, and Taiwan successfully applied the export-oriented strategy. A little later, the PRC began to actively pursue this policy. Despite the undoubted successes achieved by these countries, one should not forget the difficulties encountered during the export-oriented policy's initial implementation. The first problem faced by these countries was an increase in monocultural specialization, making their economies very sensitive and dependent

on world market conditions. The second problem has to do with the fact that a significant increase in exports boosts competition and slows the domestic price growth rate compared to that of the finished products imported from developed countries. Therefore, many developing countries seek to diversify their exports. As they do this, they will encounter difficulties.

9. On the one hand, this means that mistakes must be avoided in choosing the benefits of economic policy. On the other hand, specifying the limits and modes of state intervention in economic activity means actively protecting economic fundamentals. The tactical and strategic priorities of developing Azerbaijan's economy involve the implementation of specific modernization measures.

When choosing economic policy priorities, we should first point out the typical mistakes we should avoid.

• "*We should not emphasize "recovery" or "restoration*."

• *We cannot afford to contrast the market and democracy with social justice*.

• *We cannot afford to contrast the state with the market*.

• *There is no need to emphasize concern for any social group such as the poor, entrepreneurs, Russians, etc*.

• *Economic policy should not primarily follow national accounting indicators (e.g. 'double the rate of economic growth,' 'catch up and surpass America in per capita indicators,' etc.)*.

The following priorities in the development of Azerbaijan's economy should be listed:

1. Economic capacity. In recent years, several economic sectors have made significant contributions to economic growth.

Table 9. Non-public sector share in GDP, as a %

	2005	2018	Share of 2018 compared to 2005	2019	Share of 2019 compared to 2018	2020	Share of 2020 compared to 2019
Gross Domestic Product	77,8	84,7	109	85,0	100,4	80,8	95,1
Industry	84,6	89,5	106	89,3	99,8	85,6	95,6
Construction	90,4	80,2	89	82,9	103,4	84,6	102,8
Agriculture, forestry, fishing	97,8	99,9	102	99,9	100	99,9	100
Trade, repair of vehicles	97,8	99,8	102	99,7	99,9	99,9	100,2
Transportation and storage	37,5	83,1	222	83,4	100,4	80,0	96
Information and communication	80,2	82	102	82,4	100,5	80,8	98,1
Social and other services	31,8	56,4	177	60,0	106,4	53,2	88,7
Petroleum products production indicators							
2005	2017	In 2017, compared to 2005	Share of 2018 petroleum product production in industrial production	Share of 2019 petroleum product production in industrial production	Share of 2019 petroleum product production in industrial production compared to 2018		
114,2	92,2	81	5,9	6,2	5,1		

Source: *The author used SSC information*

2. Personal freedom.

3. Social justice.

A catchy and polysemous slogan should articulate institutional priorities. The following options could be considered:

➢ 'Combining a market economy with social services.'

➢ 'One can be poor, living alone; to live with dignity, we must pull the same end of the rope.'

➢ The middle class constitutes the backbone of Azerbaijan;

➢ Overcoming administrative restrictions and creating public control;

➢ Encouraging 'regional locomotives of growth;'

➢ 'Providing targeted support to sensitive regions and ensuring conditions for improving the quality of life of the population here represents one of the criteria for the integrity of Azerbaijan.'

➢ All over the world, integration blocs emerge to economically unite countries with common borders and issues (EU, NAFTA, ASEAN) [300,193]. The post-Soviet space should unite through integration. The following options can be used as a slogan:

➢ 'Insomuch as the Germans created an effective social market economy model of the 20th century, we will create an effective social market economy model of the 21st century.'

➢ 'Azerbaijan will change without changing itself.'

MAIN CONCLUSIONS AND SUGGESTIONS

Based on the targeted and systematic approach, the analysis andevaluation of foreign trade tasks for improving the efficiency of the national economy in market economy conditions produced the following conclusions and allowed to make the following comprehensive recommendations:

1. Conclusion about the analysis conducted in connection with the theoretical views of the national economy

The analysis of theoretical views on the national economy leads us to conclude that theories of the national economy emerged as an alternative to mainstream economic ideas. The study ofthe national economy results in the development of the following basicexperience:

- general and specific knowledge regarding the emergence of the national economy, its current state, and prospects for development;
- understanding the nation's objective economic, social, and political conditions, their embodiment in the national economic mentality and socio-economic norms and rules of behavior of economic agents;
- studying the system of state regulation in the area ofthe national economy; ability to obtain necessary information and analyze the current situation as well as to model the socio-economic development of regions, districts, and the entire national economic complex, effectively using available resources;
- ability to carry out state regulation using modern methods of monetary and fiscal policy as well as to participate in the preparation and implementation of promising national projects;
- ability to make forecasts using modern economic and mathematical methods and possess skills for strategic and tactical planning;
- ability to analyze socio-economic and political programs using institutional economics and public choice theory methods.

2.   Conclusions obtained through analysis of resource constraint using the production possibilities curve model when creating a national economic model, the state, business entities, and civil society always have objectively limited resources at their disposal:

Given the existing resource constraints, society cannot arguably go beyond the production possibilities frontier. Therefore, the ability to manage the development of society implies the following skills:
• to correctly determine the limitations of the production possibility frontier;
• to choose the curve maximizing the level of public welfare from potential combinations within these limits (both at present and also in the long run);
• the ability to mobilize society to implement the envisaged combinations.
They demonstrate the model of the production possibilities frontier by using a simplified scheme that assumes only two alternative types of economic activity (Figure 2.3.1.1). If resources are used inefficiently, the national economy will fall below the production possibilities frontier. Even if all resources are utilized at the maximum level, the country will not be able to go beyond the curve in a short time. With more efficient use of all available resources in the country, the national economy can provide an output corresponding to any point of the production possibilities curve. The problem lies in the ability to determine whether it is appropriate to concentrate on resources.
The issue of selecting optimal production combinations is further complicated by two factors. On the one hand, efforts should be made to maximize not only current but also future costs. Historical experience shows that the attempt to immediately maximize a nation's level of prosperity can impede its growth in the long run.

3.   Protectionism is characterized by the financial stimulation of the national economy and the exports of goods. The

protectionist policy encourages the development of national production capable of replacing imported goods. However, protectionism has a flip side that is defined by the research.

The imposition of high duties on the products maintains their higher prices.Areas protected from foreign competition lose incentives for technical progress. This intensifies illegal imports bypassing customs controls. Moreover, retaliatory measures by other trading partner countries cancause damage to the national economy that may exceed the income generated by customs protection.

4.   Suggestions on economic efficiency as a result of the imposition of a tariff by any country

The higher the percentage increase of the tariff rate forthe raw-materials-to-finished-products production cycle, the higher the level of protection enjoyed by manufacturers of finished products from foreign competition. The increase of the tariff by developed countries causes developing countries to stimulate the production of raw materials, thus "conserving" their technological backwardness and making them only supply the market with raw materials subject to the minimum customs duty. In the meantime, developing countries cannot access the market for finished products because of the tariff escalation that prevails in most of the developed countries. Any country's application of the tariff results in several economic effects, some of which include the following:

Revenue efficiency means an increase in budget revenues resulting from the application of import duties;

The redistributive effect refers to the redistribution of income from consumers to product manufacturers that compete with importers;

The protection effect reveals a country's economic losses causedby the country's need for additional domestic production under tariff protection at a higher cost.

Caused by an increase in domestic prices, a decrease in the consumption of goods brings about an increase in the *efficiency of consumption*.

5. Suggestions in favor of free or at least freer trade

The overall summary of economic arguments testifies in favor of free or, at least, freer trade. In particular cases, widespread arguments prevail in favor of the two economic justifications for protectionism, i.e., the preservation of nascent areas and the determination of the optimal tariff.

6. Suggestions on assessment of factors that can damage local production area as a result of increased imports

Export quotas are established either under international stabilization agreements that determine each country's share of total exports for a particular commodity (e.g., oil exports from OPEC countries), or a country's government imposes them to prevent the outflux of goods in short supply on the domestic market (oil exports from Russia, sugar exports from Ukraine in the early 1990s);

Local governments apply import quotas to ensure the protectionof domestic producers, the balance of trade, regulation of supply and demand in the domestic market, and as a way to respond to discriminatory trade policies of other countries. For example, the U.S. imposes a quota of 5.7 million liters on milk and sour cream importedfrom New Zealand.

In general, factors that could harm local production through increased imports require assessment. In this case: 1. Both absolute and relative indicators should be used to determine the growth rate and volume of this product; 2. The product's share must be determined in the domestic market; 3. It is necessary to take into account changes in the area of employment levels and production efficiency caused by imports into Azerbaijan.

7. Suggestions in terms of evaluation of Azerbaijan Republic's regional foreign trade of products with non-CIS countries and search for new sales markets in regions and countries less affected by the financial and economic crisis

Despite Azerbaijan's broad geography of trade andeconomic relations, it still has many issues associated with the need todeepen and intensify cooperation with many foreign countries and regions. Such

issues become especially relevant during the global financial crisis that has severely affected countries with developed economies, especially the member states of the European Union. Operating under such conditions, it is more important to look for newmarkets in regions and countries that have not been as severelyaffected by the financial and economic crisis.

To identify challenges in the area of trade and economic relations, it is necessary to assess the share of national products in Azerbaijan's foreign trade with non-CIS countries from a regional perspective and define the prospects for expanding cooperation with the countries of interest to Azerbaijan.

8. Suggestions on the cross-comparison of the index of average prices ofexports and imports and the index of physical volume, as well as the indices of physical volume of exports and imports when analyzing foreign trade indices,

The indices with non-CIS countries exhibit a significant "curvature". The average export price index exceeds the physical export volume more than 2 times, i.e. instead of supply, it is the price factor that causes the exports to grow. Since the price is a more opportunistic factor than the demand, it introduces an element of instability to Azerbaijan's exportsto the region. As for imports, on the contrary, its average price index was much lower than its physical volume. In this case, the opposite situation arises for exports: when prices change on the world market, imports sharply increase in price, thereby worsening the terms of trade. Also, the physical volume index of Azerbaijan's trade with non-CIS countries is significantly lower than that of its imports. This indicates that Azerbaijan's demand for imported goods exceeds the demand for Azerbaijani goods abroad, which can lead to significant changes in export and import prices.

9. Suggestions on the commitments of member states to obey some principles detailed in the General Annex to the Revised Kyoto Convention

Hence, the research utilizes a systemic approach and comparative analysis to consider the obligations associated with the

status of the authorized economic operator as well as to define relevant streamlining proposals aimed toimprove customs relations in this area. As for the effective identification of new sources of revenues to benefit the state budget, it is considered that the obligations arising from the status of an authorized economic operator should always constitute a major focusof attention, and it is important to further improve the regulatory framework and strategy in the relevant area.

10.   Suggestions on the distraction of attention from more important aspects of WTO accession, since modern economy does not benefit from euphoric expectations that WTO accession will bring immediate positive advantages to the entire economy and the focus on such issues as the market access condition (list of "bound" tariffs and obligations on theaccess of foreigners to the services market):

• general systemic requirements for changing the conditions of economic activity in the country;
• producer protection mechanism;
• the uneven development of the regions;
• obligations assumed under regional trade agreements.

In the backdrop of the tasks facing the country, the failure to resolve these issues can lead the entire negotiation process to poor results.

11.   Suggestions in support of the tariff protection in developing countries

Whereas a group of individual producers benefits from tariffs, they make the entire country's population suffer. But then why are tariffs applied over and over again? The following arguments could help support the application of *tariff protection* by developing countries:

• Most developing countries use trade *taxes as a major source ofgovernment revenue* because they are easy to apply and collect;
• Limiting imports is a natural response to the chronic *balance of payments* and foreign debt problems;
• Import protectionism is one of the most appropriate means to boost local industry and overcome economic dependence;

• Import restriction policies allow developing countries to achieve greater economic independence while encouraging foreign investment in domestic import substitution industries.

But we should also take into account these policies' disadvantages. In the first place, the imposition of import restrictions leads to the preservation of inefficient and expensive domestic production entities. As a rule, the benefits of import substitution go to foreign companies. Moreover, much of the import substitution depends on imports of intermediate products, causing national currencies to appreciate. As a result, national production facilities cannot reach global competitiveness under the pressure of customs restrictions.

12. Legal, organizational, economic, and social recommendations for improving the mechanism of regulating and managing foreign economic activity in a market economy have been developed.

The main provisions of the dissertation work, the obtained results and proposals are reflected in the following published articles and theses of the author:

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The following published works of the author contain major provisions, findings, and suggestions of the thesis work:

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The author's extended abstract was forwarded to the required addresses at _____ 2023.