

**AZERBAIJAN REPUBLIC**

*Under Manuscript Rights*

**ABSTRACT**

of the Dissertation Submitted for the Degree  
of Doctor of Philosophy (PhD)

**"THE IMPROVEMENT OF THE MECHANISM FOR  
UTILIZING INTERNATIONAL CAPITAL IN THE CONTEXT  
OF ENSURING DYNAMIC ECONOMIC DEVELOPMENT IN  
THE REPUBLIC OF AZERBAIJAN"**

Speciality: 5310.01 - The World Economy

Field of science: Economic science

Applicant: **Ismayil Ibrahim Mammadov**

**Baku – 2025**

The dissertation was carried out at the Azerbaijan Cooperation University

Scientific supervisor: Doctor of Economics Sciences, Professor  
**Mubariz M.Baghirov**

Official opponents: Doctor of Economics Sciences, Professor  
**Hajiagha Bakhish Rustambayov**

Doctor of Philosophy in Economics,  
**Gunay Tanriverdi Pasha**

Doctor of Philosophy in Economics  
**Aykhan Nizami Ayvazli**

Dissertation council FD 1 11 of Supreme Attestation Commission under the President of the Republic of Azerbaijan operating at Azerbaijan State University of Economics.

Chairman of the  
Dissertation council



signature

Doctor of economic sciences, Professor  
**Yadulla Hamdulla oghlu Hasanli**

Scientific secretary of the  
Dissertation council

signature

Doctor of philosophy in economics  
**Rashad Aktiv oghlu Huseynov**

Chairman of the  
scientific seminar:

signature

Doctor of economic sciences  
**Mushfiq Yelmar oghlu Guliyev**

## **GENERAL CHARACTERISTICS OF THE DISSERTATION**

### **Relevance of the Topic and Degree of Development**

Since the second half of the 20th century, integration and globalization processes have gained significant momentum in the international arena, reaching an advanced stage of development today. The deepening of these processes has become one of the most characteristic features of modern economic relations.

At the beginning of the 1990s, as a result of the collapse of the USSR, Azerbaijan gained independence. However, no foreign state was willing to provide either loans or aid to the newly established independent state, and there was little interest in investment inflows. At that time, the only sector where international capital could be attracted was the oil sector. In 1994, with the signing of the "Contract of the Century," a new phase began in Azerbaijan's history. This agreement marked the realization of the "Oil Strategy," which played a crucial role in the revitalization of the economy, and the development of relationships with foreign countries and transnational companies. The "Open Door" policy dominated the economic strategy. As a result, several developed countries and numerous transnational corporations began investing in the country's economy.

Through the utilization of international capital, the oil and gas sector of the country was equipped with new technology, equipment, and machinery, meeting global standards. Subsequently, large-scale efforts were made to develop the non-oil sector, using the revenues generated from the oil complex.

A large-scale diversification policy is being implemented in the economy through the use of international capital. Relevant issues are reflected in the "Azerbaijan 2020: Vision for the Future" concept adopted in 2012 and the "Strategic Roadmap for National Economic Perspective of the Republic of Azerbaijan" adopted in 2016. The first document outlines the key directions, parameters, objectives, and tasks of the diversification policy that can be implemented through international capital. The basic principles of applying horizontal, vertical, related, and unrelated forms of diversification are also included in this document.

The second document focuses on the effective mechanisms of utilizing international capital in macro and micro-level economic policies, including the further development and improvement of the financial, banking, and insurance markets. Numerous measures are being taken to achieve efficient results from the strategic projects being implemented in the country.

Azerbaijan is preparing to implement another project that will serve as an example to the world: “The restoration of the territories liberated from occupation, their rapid integration into the national economy, ensuring sustainable development, establishing modern infrastructure, restoring cultural and historical monuments, and creating a decent living environment are being worked out in accordance with modern trends and will be implemented using advanced technologies.”

To accelerate economic revitalization in the liberated territories, increase investment attractiveness, create modern and effective production, trade, and service infrastructure, apply innovative technologies, realize industrial potential, develop optimal incentives and stimulating mechanisms, and improve the business environment, it is necessary to create favorable conditions for private initiatives. This includes the improvement of investment promotion mechanisms, the establishment of customs and tax preferences related to the import of raw materials and materials for businesses operating in the liberated areas, expanding the access of entrepreneurs in these regions to financial resources, and strengthening state support in this direction.

The issues related to the attraction of international capital, its role in ensuring dynamic development, its essence, and theoretical-methodological foundations are discussed in the works and research of scholars in both world economic literature and Azerbaijani as well as post-Soviet scholars. Specifically, the works of classical economists such as Adam Smith, David Ricardo, John Stuart Mill, Bertil Ohlin, Erik Hækkerup, Robert Nursey, Knud Iversen, John Maynard Keynes, C. Hobson, J. Sayer, Alfred Marshall, Léon Walras, Louis Domar, Frank Maclup, Raymond Aron, and others include extensive research on the nature of international capital, its content, theoretical issues, its application, and social-economic consequences.

At the same time, the works of Russian economists such as B.A. Raizberg, A.Sh. Lozovsky, E.B. Staredubchova, A.I. Dobrin, A.S. Bulatov, N.N. Livensov, A.B. Borisov, R.I. Khasbulatov, V.A. Stepanov, E.A. Zvonov, and others contain valuable research and findings on the application, efficiency, and mechanisms of international capital in forms such as investments, loans, and direct investments.

Alongside these, the works of Azerbaijani scholars and researchers such as academician R.Mehdiyev, E.Hajızade, F.Mustafayev, G.Ganjiyev, A.Shakarliyev, H.Rustambayov, M.Baghirov, I.Mammadov, A.Alakbarov, M.Valiyev, J.Mammadov, F.Baghirov, Q.Aliyev, R.Guliyev, I.Karimli, and others also address issues related to the topic under investigation. While it is important to emphasize the high value of these studies, it must be noted that these researches have not comprehensively examined the improvement of the mechanism for utilizing international capital in ensuring dynamic development. This gap has provided the foundation for selecting the research topic in its present form.

**Object of the Research.** The object of the research is the sectors of the Azerbaijani economy that attract international capital.

**Subject of the Research.** The subject of the research includes the processes of attracting international capital into the national economy, its management, regulation, analysis, and evaluation. It encompasses the general set of methods, rules, and tools that determine the implementation of these processes, as well as the economic relations formed within this framework.

**Aims and Objectives of the Research.** The aim of the dissertation is to theoretically and methodologically explore the regularities, characteristics, and efficiency of the mechanism for utilizing international capital in ensuring dynamic development in Azerbaijan's economy. The research also seeks to systematically analyze the current state of international capital inflows into the country, determine the degree of its utilization, justify the priorities of its use, and offer scientifically grounded and practically implementable proposals and recommendations for improving the efficiency of these processes.

To achieve the stated aims of the research, the following objectives are set:

- To reveal the essence of dynamic development, identify its regularities and characteristics, and substantiate its role in the economy;
- To explain the economic essence of international capital, describe the content of its forms, and justify the directions of its impact on economic development;
- To interpret the theoretical issues of using international capital, analyze it, explore different viewpoints, and review its methodological aspects by explaining the approaches to it;
- To analyze the current state of the environment for using international capital in Azerbaijan and investigate the specific characteristics of its utilization mechanisms;
- To conduct a comprehensive analysis of the current state of the mechanism for using international capital in Azerbaijan and identify the necessary trends;
- To evaluate the results of using international capital in the country's economy;
- To identify the directions for improving the mechanism for utilizing international capital;
- To define the priority directions for the effective use of international capital, and to provide proposals and recommendations based on the analyses conducted.

**Research Methods.** The research methods consist of theoretical and practical studies related to the dynamic development of Azerbaijan and foreign factors, the mechanisms of utilizing international capital in ensuring this development, the organization, management, regulation, and improvement of these processes. These include laws adopted by the Milli Majlis (National Assembly), decrees and orders of the President of the Republic of Azerbaijan, decisions of the Cabinet of Ministers, methodological, normative acts and data of the State Statistical Committee of Azerbaijan, materials from the Strategic Roadmap, information and indicators from the International Monetary Fund, and others.

During the research process, a variety of methods have been

employed, including systematic complex analysis, positivist-pragmatic methods, statistical analysis, grouping, generalization, comparative analysis, comparison, synthesis, balance, and other research methods.

### **Key Provisions Defended**

- The essence of dynamic development and substantiation of its role in ensuring economic development;
- The economic content of international capital and the directions of its impact on economic development;
- Analysis of the current state of the use of international capital in our country and evaluation of its results;
- Improvement of the utilization of international capital and identification of priority directions for its impact on dynamic development.

### **Scientific Novelty of the Research:**

- Based on a comprehensive analysis of theoretical and methodological approaches, the essence of the mechanism for utilizing international capital in ensuring dynamic development has been clarified, and its necessity has been substantiated;
- The environment for using international capital in ensuring dynamic development has been extensively studied, and the key parameters of its utilization mechanism have been identified;
- The current state of the mechanism for utilizing international capital has been analyzed in detail using numerous indicators, the positive trends it has generated have been identified, and proposals for its improvement have been presented;
- An evaluation has been conducted based on the analysis of numerous indicators characterizing the state of international capital utilization, the impact level of each indicator on the country's macroeconomic indicators has been determined, and concrete proposals for their improvement have been put forward;
- As a result of the extensive analysis and evaluation, the priority directions for the efficient use of international capital and ensuring dynamic development have been identified.

**Theoretical and Practical Significance of the Research.** As a result of the research conducted in this dissertation, the systematized theoretical conceptual provisions and the proposed recommendations can be widely used in the preparation of programs and forecasts for the continuous attraction of international capital into the national economy, as well as for organizing, regulating, and improving this process. Additionally, the materials of the research can be used as visual aids in the teaching process of both bachelor's and master's level students, specifically in courses such as "World Economy," "International Economic Relations," "International Financial Relations," "International Credit," and others.

**Approval and Implementation.** The results and key provisions of the dissertation were presented and discussed at international and national conferences, symposia, and seminars from 2017 to 2022. As a result of the research, 8 scientific articles and abstracts were published, totaling 3.6 printed sheets.

**The organization where the dissertation was carried out:** *Azerbaijan Cooperation University.*

**The structure of the dissertation, with the separate volume of its sections noted, is as follows:** The dissertation consists of an introduction, three chapters, a conclusion, and a bibliography. The introduction (15,279 characters), Chapter I (68,566 characters), Chapter II (71,469 characters), Chapter III (39,701 characters), conclusion (11,228 characters), and the bibliography (15,786 characters) make up a total of 242,192 characters. Excluding tables, figures, and the bibliography, the total number of characters in the dissertation is 206,243



## **KEY PROVISIONS PRESENTED FOR DEFENSE:**

### **1. The essence of dynamic development and the justification of its role in ensuring economic development;**

The existence of dynamic development in the national economy refers to the dynamics of indicators that characterize the overall condition of the economy and are observed with growth. In the "Modern Economic Dictionary" published under the authorship of Russian economists B.A. Rayzberg, L.Sh. Lozovskyi, and E.B. Starodubtsev, the dynamics of economic indicators is defined as follows: "The dynamics of economic indicators reflects the character of their change over time. This is determined through the compilation of these indicators and the analysis of a number of important indicators. The so-called necessary dynamic sequences are shown with an increasing total, reflecting the aggregate of these important indicators" [114, p. 80].

In our country, the "Contract of the Century," which played a base and foundational role in restoring dynamic development, ensured the rapid development of all districts, regions, cities, and the capital Baku. In order to protect the interests of future generations and ensure their dynamic development, the Oil Fund was established in 1999.

Analyses show that in the early years of dynamic development, despite the lack of foreign exchange reserves and the very low level of budgetary funds, by the end of 2019, our country had foreign exchange reserves amounting to 51 billion USD. The 2024 budget reached a historic record in terms of revenue and expenditure items. The flow of foreign investments into the country's economy began in 1995, and by 2006, the share of foreign capital, or international capital, in the foreign investments directed to the economy reached 70-75%. Starting from 2007, the share of domestic investments in the national economy began to increase each year, and this ratio has since shifted in favor of domestic investments. The strengthening of the country's own economy and the growth of financial and foreign exchange reserves have led to the fact that currently 80-85% of the capital investments in the national economy are realized through domestic resources.

The result of dynamic development formed in Azerbaijan as of January 1, 2024, has led to growth rates in macroeconomic indicators. Specifically, in 2019, compared to the previous year, the Gross Domestic Product (GDP) increased by 2.2%. The non-oil sector saw a growth of 3.5%, industrial production increased by 1.5%, non-oil industrial production rose by 14%, and the agricultural sector experienced a growth of 7%. During the same year, inflation stood at 2.6%, and household income grew by 7.4%. In 2024 alone, the volume of foreign exchange reserves increased, reaching 73.493 billion USD by September 30, 2024. This figure consists of the foreign exchange reserves of the Azerbaijan State Oil Fund (SOFAZ), which amounted to 61.698 billion USD, and the foreign exchange reserves of the Central Bank of Azerbaijan, which were 11.795 billion USD. According to the volume of foreign exchange reserves, Azerbaijan ranked first among the member states of the Commonwealth of Independent States (CIS). Another notable high macroeconomic indicator achieved due to dynamic development in the country is that by the end of 2024, the balance of foreign trade turnover stood at 6.106 billion USD. This high figure contributed to maintaining the stability of the manat exchange rate throughout the year and ensured the overall preservation of macroeconomic stability [16, p. 167].

## **2. The Economic Content of International Capital and Its Impact on the Directions of Economic Development**

One of the most important factors influencing economic dynamics is international capital. As one of the most crucial segments of international financial-economic relations, international capital holds significant importance in a globalizing world. International capital possesses essential parameters for both importing and exporting countries. It is a substantial part of financial resources expressed in monetary and natural forms. Unlike other factors of production, international capital is more mobile and yields greater benefits by creating new value in the location where it is invested.

International capital refers to a portion of a country's national capital that, over a certain period, is allocated to the economy of another country in the form of production or investment, thus

contributing to its growth [48, p. 54-59]. The operation of capital import and export gives it the parameter of international capital.

Azerbaijani scholar F. Mustafayev, pointing out the essence of international capital, noted that countries rich in natural resources often become the raw material base for the states with which they trade, as well as for the global economy. Such countries frequently build their industries based on outdated technologies and cannot keep up with developed nations. This reality is somewhat characteristic of our republic as well. Countries without such resources, on the other hand, are forced to create resource-saving technologies and develop processing industries and capital-intensive production [51, p. 360].

Azerbaijani economist E. Hacızadə evaluated international capital as an essential element of economic growth, stating that in real life, the attraction of additional resources creates new effective sources for growth, which can be used to improve macroeconomic indicators and ensure their dynamics [56, p. 24].

To study the essential parameters and the nature of international capital, one of the issues that must be considered is the forms of international capital. Different perspectives can be found on this issue. Russian scholars A.I. Dobrinin and L.S. Tarasevich argued that international capital is exported from a country in two forms. The first form is entrepreneurship capital, while the second occurs in the form of loan capital [95, p. 424].

In the form of entrepreneurship capital, the export of capital is directed towards the creation of enterprises and organizations in foreign countries, or the implementation of any project in various sectors of the economy. In practice, depending on the level of participation of the exporter in an investment project, two forms of investment are distinguished. These are direct investments and portfolio investments. Direct investments refer to investments in which foreign partners fully own the funds placed in the investment projects or possess a controlling shareholding. Portfolio investments, on the other hand, refer to investments where international capital owners have the right to own shares in projects, but without full ownership or control over the controlling shareholding.

According to Russian scholars, the second important form of

international capital utilization is in the form of loan capital [70, p. 429]. This form is currently the most widespread form of international credit in international economic relations. This form of utilizing international capital increases the volume of inter-country commodity exchange, facilitates monetary settlements, creates vast opportunities for attracting foreign financial resources to further develop the economy, and more. Currently, the growth rate of international loans between countries surpasses the growth rate of international trade and also the growth rate of foreign direct investments.

### **3. Analysis of the Current Situation of Using International Capital in Our Country and Evaluation of Its Results;**

It should be noted that the attraction of international capital to the Azerbaijani economy is one of the priorities of the country's economic policy. The creation of a favorable environment for the use of international capital in the country was realized through the establishment of a legal framework. This framework was ensured by the adoption of the "Law on the Protection of Foreign Investments in the Republic of Azerbaijan" on January 15, 1992, and the "Law on Investment Activities in the Republic of Azerbaijan" on January 13, 1995.

In order to use international capital more efficiently, barriers and restrictions for creditors and investors were removed, a fixed exchange rate for operations was determined, and favorable conditions for reinvestment were provided. Based on these measures, a favorable environment for the use of international capital has been created in our country.

To analyze the situation of international capital use in Azerbaijan, it is necessary to examine the dynamics of investments made in the country's economy from 2000 to 2019 and their ratio to GDP. [Table 1].

**Table 1**

**The dynamics of investments made in the Azerbaijani economy  
and the Gross Domestic Product (GDP) from 2000 to 2022.**

Year	Total investments		Foreign investments		Domestic investments		Gross Domestic Product	
	mln. manats	mln. dollars	mln. manats	mln. dollars	mln. manats	mln. dollars	mln. manats	mln. dollars
2000	1289.8	1441.4	829.5	927.0	460.3	514.4	4718.1	5272.5
2001	1454.5	1561.8	1016.8	1091.8	437.7	470.0	5315.6	5687.7
2002	2718.9	2796.6	2172.8	2234.9	546.1	561.7	6062.5	6232.2
2003	4249.3	4326.3	3311.0	3371.0	938.3	955.3	7146.5	7275.1
2004	5820.3	5922.8	4496.3	4575.5	1324.0	1347.3	8530.2	8675.2
2005	6733.4	7118.5	4628.5	4893.2	2104.9	2225.3	12522.5	13236.3
2006	7415.6	8300.4	4514.2	5052.8	2901.4	3247.6	18746.2	20977.0
2007	10353.9	12066.1	5727.2	6674.3	4626.7	5391.8	28360.5	32898.2
2008	13328.0	16222.0	5625.8	6847.4	7702.2	9374.6	40137.2	48846.9
2009	10475.0	13033.5	4395.1	5468.6	6079.9	7564.9	35601.5	44146.0
2010	14118.9	17591.4	6619.7	8247.8	7499.2	9343.6	42465.0	52656.0
2011	17048.8	21588.9	6849.8	8673.9	10199.0	12915.0	52082.0	66144.0
2012	20251.0	25778.8	8102.7	10314.0	12148.3	15463.8	54743.7	69524.4
2013	21448.2	27340.0	8269.3	10540.9	13178.9	16799.1	58182.0	73891.1
2014	21890.6	27907.5	9175.6	11697.7	12715.0	16209.8	59014.1	74948.0
2015	20057.4	19547.2	10998.9	10719.1	9058.5	8828.1	54380.0	52749.0
2016	22706.4	14228.0	16216.1	10161.1	6490.3	4066.9	60425.2	37826.2
2017	24462.5	14213.2	15697.3	9120.5	8765.2	5092.8	70337.8	40866.3
2018	25877.0	15221.7	14002.1	8236.5	11874.9	6985.2	80092.0	47094.1
2019	24986.6	14698.0	12119.5	7129.1	12867.1	7568.9	81896.2	48174.2
2020	22484.0	13225.9	10413.2	6125.4	12070.8	7100.5	72578.1	42693.0
2021	25313.8	14890.4	12751.9	7501.1	12561.9	7389.3	93203.2	54825.4
2022	29135.1	17138.3	14879.3	8752.5	14255.8	8385.8	133825.8	78721.1
<b>Total</b>	<b>353619.0</b>	<b>316158.7</b>	<b>182812.6</b>	<b>158356.1</b>	<b>170806.4</b>	<b>157801.7</b>	<b>1080365.9</b>	<b>933359.9</b>

*Source: Table prepared by the author based on data from the State Statistical Committee of Azerbaijan.*

It can be seen from the data in Table 1 that between 2000 and 2022, a total of 353,619.0 million manat, or 316,158.7 million dollars, was invested in the economy of our country. The volume of these investments has shown a dynamic trend of growth from 2000 to 2022.

From the data in Table 1, it is evident that, with the exception of the years 2006, 2008-2009, and 2017-2020, there was a dynamic increase in foreign investments in the country's economy every year.

From 2000 to 2022, the volume of annual investments increased

18 times. As shown, during the analyzed period, a total of 182,812.6 million manat, or 158,356.1 million dollars, was invested as foreign direct investments in the country's economy.

Foreign investments accounted for 51.1% of total investment inflows, while the remaining 48.9% was allocated to domestic investments. As shown in the table, the highest amount of foreign investment was made in the years 2012-2016.

The inflow of international capital into the country in the form of foreign investments directly contributed to ensuring economic dynamics and improving macroeconomic indicators. This factor directly influences various macroeconomic indicators, including the total volume of gross domestic product (GDP), employment levels, unemployment rates, money supply, technological armament levels, and others.

From the data in Table 1, it can be seen that during the period from 2000 to 2022, a total of 1,080,365.9 million manat, or 933,359.9 million dollars, of GDP was produced. During this period, total investments accounted for 32.7% of GDP. The share of foreign investments in GDP was 16.9%, and the share of domestic investments in GDP was 15.8%. The share of foreign investments in GDP reached its highest level in 2015 at 20%, 2016 at 27%, and 2017 at 22%.

One of the important indicators to analyze the impact of international capital on the country's economy is the comparative dynamics of international capital directed towards fixed capital in the years 2000-2022. [Table 2].

**Table 2**

**Comparative Dynamics of International Capital Directed to Fixed Assets in the Azerbaijani Economy Between 2000 and 2022**

Years	Total investment (mln.man)	Increase, decrease compared to the previous year		Including foreign investment		Increase, decrease compared to the previous year	
		Amount (+;-)	change (+;-) %-lə	change amount (mln man)	share in total (%-lə)	Amount (+;-)	Change (+;-) %-lə
2000	967.8	+739.8	424.4	507.5	52.4	+428.8	644.8
2001	1170.8	+203.0	121	733.1	62.6	+225.6	144.4
2002	2107.0	+936.2	179.9	1560.9	74.1	+828.8	212.9
2003	3786.4	+1679.4	179.7	2848.1	75.2	+1287.2	182.4
2004	4922.8	+1136.4	130.0	3598.8	73.1	+750.7	126.3
2005	5769.9	+847.1	117.2	3665.0	63.5	+66.2	102.0
2006	6234.5	+464.6	108.0	3333.1	53.5	-331.9	90.9
2007	7471.2	+1236.7	119.8	2844.5	38.1	-488.6	85.3
2008	9944.2	+2473.0	133.1	2242.0	22.5	-602.5	78.8
2009	7724.9	-2219.3	77.68	1645.0	21.3	-597	73.3
2010	9905.7	+2180.8	128.2	2406.5	24.3	+761.5	146.3
2011	12799.1	+2893.4	129.2	2600.1	20.3	+193.6	108.0
2012	15407.3	+2608.2	120.3	3258.9	21.2	+658.8	125.3
2013	17850.8	+2443.5	115.8	4671.9	26.2	+1413	143.3
2014	17618.6	-232.2	98.7	4903.6	27.8	+231.7	105.0
2015	15957.0	-1661.6	90.6	6898.5	43.2	+1994.9	140.7
2016	15772.8	-184.2	98.8	8594.5	57.0	+2655.1	144.7
2017	17430.3	+1657.5	110.5	8476.4	49.0	-118.1	98.6
2018	17244.9	-185.4	98.9	7701.1	33.0	-775.3	91.0
2019	18539.5	+1294.6	107.5	7334.3	36.9	-366.8	95.2
2020	17226.1	-1313.4	92.9	5155.3	29.9	-2179	70.3
2021	16815.5	-410.6	97.6	4253.6	25.3	-901.7	82.5
2022	17878.2	+1062.7	106.3	3622.3	20.3	-631.3	85.2
<b>Total</b>	<b>260545.3</b>			<b>92855.0</b>	<b>35.6</b>		

Source: Table prepared by the author based on the data from the State Statistical Committee of Azerbaijan.

From the data in Table 2, it is evident that between 2000 and 2022, foreign investments accounted for 35.6% of total capital investments in the country's economy. As seen, this indicator was above 50% during the 2000-2006 period. In the years 2007-2019, this figure exceeded 50% only in 2016, reaching 57%. The increase in the

share of domestic investments in capital investments from 2007 onwards can be explained by several factors, such as the sufficient level of capital equipment in the oil and gas sector (which attracted more foreign investments), the formation of the country's necessary level of foreign currency reserves, and others. However, the decrease in the share of foreign investments in capital investments over the analyzed years does not imply a reduction in the role of these funds in the economy.

This is because, during the years 2007-2009, the share of foreign investments in capital investments fluctuated between 20.3% (in 2011) and 57% (in 2016), playing an important role in the dynamic development of the country's economy. During the period from 2000 to 2007, the share ranged from 52.4% (in 2000) to 75.2% (in 2003), and it consistently exceeded domestic investments during these years. Between 2000 and 2005, annual growth was observed in the volume of foreign investments.

From the data in Table 2, it is clear that between 2000 and 2019, the share of foreign, international capital in total capital investments in the main capital exceeded 50% until 2007, and then decreased in subsequent years, reaching a level close to the average value for 2000-2022 (43.8%) in the last analyzed year of 2015. This figure has remained at 35.6% from 2000 to 2022, playing a key role in meeting the main capital needs first in the oil and gas sector and then in other sectors of the economy. Based on recent data, we can say that international capital, from 2015 to 2022, continues to play an important role in the dynamic development of the economy, with an average share of 43.8%.

In accordance with the objectives and tasks of the research, an analysis was conducted on the flow of international capital and the attraction of international capital to Azerbaijan, its impact on dynamic development, and the most critical parameters of the use of these funds between 2000 and 2022. Based on the indicators obtained from the analysis, evaluating the results of the use of international capital is one of the main objectives and tasks of this study. Taking this into account, the following evaluation has been carried out.

### **1) The Impact of International Capital Flows on Global GDP**



Based on statistical data from the period 2005–2022, it has been determined that, assuming other variables remain constant, a 1% increase in the volume of international capital circulating in the global economy results in a 0.12% increase in global GDP. Furthermore, it was found that 98.3% of the variation in global GDP can be explained by the indicators included in the model—namely, international capital flows and changes in global GDP from the previous year ( $R^2 = 0.983$ ).

The results of the estimation are statistically satisfactory: the coefficient for international capital flows is statistically significant at the 0.05 level, while the other coefficients are significant at the 0.01 level. Additionally, the coefficient of determination ( $R^2$ ) is statistically significant at the 0.01 level. The Durbin-Watson statistic, with a value of 2.002, indicates the absence of autocorrelation among the residuals.

## **2) The Impact of Investments on GDP in Azerbaijan: Domestic and Foreign Investments**

Based on statistical data from the period 2000–2022, it has been determined that, assuming other variables remain constant, a 1% increase in foreign investments in the Azerbaijani economy leads to a 0.22% increase in the country's GDP, while for domestic investments, this figure is 0.28%. Furthermore, the analysis reveals that 99.4% of the changes in Azerbaijan's GDP can be explained by the indicators included in the model—namely, domestic and foreign investment flows, as well as changes in GDP from the previous year ( $R^2 = 0.994$ ).

The estimation results are statistically robust: all coefficients, including the coefficient of determination ( $R^2$ ), are statistically significant at the 0.01 level. The Durbin-Watson statistic value of 1.623 (considering the length of the time series and the number of independent variables) indicates the absence of autocorrelation among the residuals.

## **3) The Impact of International Capital on Non-Oil GDP in Azerbaijan**

Based on statistical data from the period 2009–2022, it has been determined that, assuming other variables remain constant, a 1% increase in foreign investments in Azerbaijan's non-oil economy

results in a 0.12% increase in non-oil GDP one year later. Moreover, it was found that 99.9% of the variation in Azerbaijan's non-oil GDP can be explained by the variables included in the model—namely, the volume of foreign investments in the non-oil economy and changes in non-oil GDP from the previous year ( $R^2 = 0.999$ ).

The estimation results are statistically robust: all coefficients, including the coefficient of determination ( $R^2$ ), are statistically significant at the 0.01 level. The Durbin-Watson statistic value of 1.988 indicates that there is no autocorrelation among the residuals.

**Based on statistical data from the period 2009–2022**, it has been determined that, assuming other variables remain constant, a 1% increase in the volume of foreign financial loans directed to Azerbaijan's non-oil economy leads to a 0.13% increase in non-oil GDP in the following year. Additionally, it was found that 99.96% of the variation in Azerbaijan's non-oil GDP can be explained by the variables included in the model—namely, foreign financial loans to the non-oil economy (with a one-year lag) and changes in non-oil GDP from the previous year ( $R^2 = 0.9996$ ).

The estimation results are statistically sound for the most part: all coefficients, including the coefficient of determination ( $R^2$ ), are statistically significant at the 0.01 level. However, the Durbin-Watson statistic value of 2.549 (given the time series length and the number of independent variables) falls within the zone of uncertainty, which does not allow for a definitive conclusion regarding the presence or absence of autocorrelation among the residuals.

**4. Based on statistical data from the period 2010–2022**, it has been determined that, assuming other variables remain constant, a 1% increase in the volume of foreign direct investment (FDI) in Azerbaijan's non-oil economy results in a 0.05% increase in non-oil GDP in the following year. Additionally, it was found that 99.9% of the variation in Azerbaijan's non-oil GDP can be explained by the variables included in the model—namely, foreign direct investment in the non-oil sector (with a one-year lag) and changes in the non-oil GDP volume from the previous year ( $R^2 = 0.999$ ).

The estimation results are statistically sound for the most part: all coefficients, including the coefficient of determination ( $R^2$ ), are statistically significant at the 0.01 level. However, the Durbin-Watson statistic value of 2.911 (considering the length of the time series and the number of independent variables) falls within the zone of uncertainty, which does not allow for a definitive conclusion regarding the presence or absence of autocorrelation among the residuals.

### **5) The Impact of Foreign Capital Investments on GDP in Azerbaijan**

Based on the statistical data for the period 2000–2022, the evaluation has shown that, assuming other variables remain constant, a 1% increase in the volume of foreign capital investments in Azerbaijan's economy results in a 0.14% increase in GDP in the following year. Meanwhile, a 1% increase in domestic capital investments leads to a 0.20% increase in GDP within the same year. It was also determined that 99.1% of the changes in Azerbaijan's GDP are explained by the model variables — domestic capital investments (with a one-year lag), foreign capital investments, and changes in the previous year's GDP volume ( $R^2 = 0.991$ ). The evaluation results are statistically satisfactory: all coefficients, including the coefficient of determination ( $R^2$ ), are statistically significant at the 0.01 level, and the dummy variable coefficient is statistically significant at the 0.05 level. The Durbin-Watson statistic value of 2.067 indicates the absence of autocorrelation among the residuals.

### **4. Priority Directions for Improving the Use of International Capital and Its Impact on Dynamic Development**

One of the main directions for improving the mechanism of attracting international capital to the national economy is the participation of partner countries in international economic cooperation, integration, and globalization processes. This process has become one of the most pressing issues for all countries in today's world. It is especially important for developing countries, as it represents one of the most advantageous options that creates favorable

conditions for ensuring economic development [30, p. 22].

In Azerbaijan, one of the factors contributing to the formation of various directions for improving the mechanism of using international capital is the set of reasons that make the country's economy attractive for foreign capital. These include, first and foremost, the decisive role of oil and petroleum products in the energy policies of leading countries, the likelihood that these trends will persist over the next 50 years, the increasing demand for energy resources in European countries, a decline in oil production in some oil-producing regions leading to a shift in supply sources for developed countries, and the growth of oil and gas production and exports in Azerbaijan [32, pp. 22–25].

Following Azerbaijan's accession to the International Monetary Fund (IMF) in 1992, cooperation with the organization has been carried out across multiple areas. Between 1996 and 2019, the IMF provided a total of 570 million SDR in loans to Azerbaijan, aimed at strengthening the country's balance of payments capacity and supporting the implementation of economic reform programs. These loans were extended under concessional terms with an annual interest rate of 0.5%, a grace period of five and a half years, and a total repayment term of 12 years. To date, 13.8 million SDR of the loan has already been repaid to the Fund [45, p. 24]. The fulfillment of these objectives—namely, the regulation of the balance of payments—is a commonly observed and widely implemented direction for improving the use of international capital in many countries. Continued utilization of this instrument would be highly beneficial for Azerbaijan's economy.

Global experience shows that in resource-dependent countries, economic diversification becomes one of the main components of development strategies. One of the key factors contributing to this trend is the rapid and extensive globalization of economies, particularly financial markets, across the world. In an environment governed by free market principles, the globalization of economic relations facilitates the spread and mitigation of potential economic risks, while also promoting the rapid development of partner countries through mutual cooperation.

One of the most critical priorities for the effective use of international capital is attracting it in the form of foreign direct investment (FDI) and channeling it into diverse and essential sectors.

In Azerbaijan, another key priority in ensuring the efficient use of international capital and achieving dynamic development is the establishment of transnational corporations. A prominent example of this is the State Oil Company of the Republic of Azerbaijan (SOCAR), which has developed through foreign investments and transformed into an investor abroad. SOCAR's performance has yielded notable outcomes in the sphere of international relations. This type of development has facilitated the expansion of Azerbaijan's economic relations with other countries, accelerated its integration into the global economy, and enabled active participation in globalization processes.

Another major priority in the efficient utilization of international capital and ensuring dynamic development is increasing the international competitiveness of the economy and the specific sectors that attract capital. In this context, it is crucial to align competitiveness with international standards and requirements. One of the fundamental principles in this area should be ensuring competitiveness at both the macroeconomic and microeconomic levels within the national economy.

### **Conclusion**

1. The modern Azerbaijani economy is distinguished by its specific characteristics. After gaining independence, including in 2022, the share of the oil sector in both export operations and state budget revenues has been close to 80%. This situation is linked to the existing structure of the country's economy. It should also be noted that the role of international capital has been significant in the formation of the country's economic structure. After the signing of the "Contract of the Century," the large amount of international capital attracted to the country has led to the creation of a dynamic, sustainable, and stable economic system. The basis for the economic successes achieved and the positive trends in the economy, as well as the growth of macro and microeconomic indicators, the strengthening of the country's geopolitical and geostrategic position, and the formation of necessary economic parameters, has been directly related

to the attraction of international capital.

2. The analysis and research conducted during the dissertation have proven that international capital has played a multiplicative role in the country's economy, ensuring the continuous growth of economic indicators. As of January 1, 2020, the dynamic development of the economy resulted in an increase in macroeconomic indicators. For instance, in the last fiscal year, 2019, the GDP grew by 2.2% compared to the previous year. The non-oil sector grew by 3.5%, industrial production by 1.5%, non-oil industry production by 14%, and the agricultural sector by 7%. In that year, inflation was 2.6%, while the population's monetary income increased by 7.4%. In just 2019, the country's foreign exchange reserves increased by \$6.4 billion, exceeding \$50 billion in total. Due to the dynamic development formed under the influence of international capital, the country achieved a positive trade balance of \$6 billion by the end of the year. As a result, the manat exchange rate remained stable throughout the year, and overall macroeconomic stability was maintained. In this stable environment, numerous social infrastructure projects were implemented, ensuring the continuous improvement of the population's social welfare.

3. The research has shown that the environment and mechanism of using international capital in our country have specific features. This specificity is primarily due to the fact that the process of attracting international capital to the economy began during a period of intense political, social, and economic conditions. The research has demonstrated that the key parameters determining the mechanism of utilizing international capital flows in the country are as follows: the main directions of utilizing international capital flows in the country; the flow of foreign capital into the country as the most important and priority aspect of international economic policy, the organization of their use, the regulation of these issues; the main directions of the currency, financial, and credit policies of the involved countries, international financial institutions, and foreign economic entities; and the regulation of trade, which is an essential element of international integration.

4. The dissertation analyzes the current state of the mechanism

for using international capital in the Azerbaijani economy and concludes that this mechanism involves the creation of capital resources, their directed movement, the establishment of legal and normative legislation regarding the use of these resources, and the implementation of these resources according to the established rules. Since both exporters and importers are provided with favorable conditions for utilizing international capital in the Republic of Azerbaijan, the inflow of such capital into the economy began in 1995. These capital flows have contributed to a successful transformation of the country's economy, played a key role in ensuring dynamic development in all sectors of the economy, and have become a significant factor in the accumulation of state financial reserves and the improvement of the population's social welfare. They have also become the driving force behind the effective results of the country's economic policies at both the micro and macro levels.

5. Based on the statistical data from 2005-2022, it has been determined that, assuming other variables remain constant, a 1% increase in the volume of international capital moving in the global economy results in a 0.12% increase in global GDP. Moreover, it has been found that 98.3% of the changes in global GDP can be explained by the indicators included in the model—the movement of international capital and changes in global GDP from the previous year ( $R^2 = 0.983$ ). According to the statistical data from 2000-2022, the research has shown that a 1% increase in investments in Azerbaijan's economy leads to a 0.22% increase in the country's GDP, while in the case of domestic investments, this indicator is 0.28%. Furthermore, it has been determined that 99.4% of the changes in Azerbaijan's GDP are explained by the indicators in the model—domestic and foreign investments, and the changes in GDP from the previous year ( $R^2 = 0.984$ ).

6. Based on the statistical data from 2009-2022, the assessment has determined that, assuming other variables remain constant, a 1% increase in foreign investments in Azerbaijan's non-oil economy leads to a 0.12% increase in the non-oil GDP one year later. It has also been found that 99.9% of the changes in Azerbaijan's non-oil GDP can be explained by the variables in the model—the volume of foreign

investments in the non-oil economy and changes in non-oil GDP from the previous year ( $R^2 = 0.999$ ). Additionally, it has been determined that a 1% increase in foreign financial loans in Azerbaijan's non-oil economy results in a 0.13% increase in non-oil GDP the following year. 99.96% of the changes in non-oil GDP are explained by the variables in the model—foreign financial loans in the non-oil economy and changes in non-oil GDP from the previous year ( $R^2 = 0.9996$ ).

7. Based on the statistical data from 2009-2022, it has been determined that, assuming other variables remain constant, a 1% increase in foreign direct investments in Azerbaijan's non-oil economy leads to a 0.05% increase in non-oil GDP in the following year. Furthermore, it has been found that 99.9% of the changes in non-oil GDP are explained by the variables in the model—foreign direct investments in the non-oil economy and changes in non-oil GDP from the previous year ( $R^2 = 0.999$ ). Similarly, a 1% increase in foreign capital inflows into Azerbaijan's economy results in a 0.14% increase in the GDP of the country the following year, while a 1% increase in domestic capital inflows raises GDP by 0.20% in that year. 99.1% of the changes in GDP are explained by the indicators in the model—domestic and foreign capital inflows into the country's economy and changes in GDP from the previous year ( $R^2 = 0.991$ ).

8. The analysis of the current state of the environment and mechanism for attracting international capital to the economy of the Republic of Azerbaijan and the assessment of the results of using international capital have led to the identification of directions for improving the use of these funds. These directions are considered essential for both the short-term and long-term strategic development of the country's economy, and they are as follows: continuous rapid development of key industrial sectors, solving water and energy supply issues, ongoing reforms in the state structure, improving the financial and banking systems, enhancing institutional and monetary governance, managing public expenditures, strengthening diversification, ensuring financial accessibility, etc.

9. Based on extensive analysis, the priority directions for effectively utilizing international capital and ensuring dynamic development in Azerbaijan have been identified. It has been proposed



to create investment funds, transnational corporations, and similar organizations, and to widely utilize their activities. The enhancement of competitiveness in sectors utilizing international capital has been identified as a crucial approach for both effective use of international capital and ensuring dynamic development.

10. In order to ensure the effectiveness of the repatriation and reintegration process, which is an important part of the economic development of the liberated territories, necessary measures will be taken, including innovative projects such as "Smart City," "Smart Village," and the creation of "Green Energy Zones." Social and technical infrastructure and the new "Return and Reintegration" electronic management system integrated with "e-Government" will be used to carry out these activities. All of these processes should ultimately lead to sustainable settlement, the provision of employment, and improved living standards.

**The main results of the dissertation have been published in the following scientific journals:**

1. И.И.Мамедов: “Роль международного капитала в обеспечении динамичного развития в Азербайджане” // Сборник статей по материалам LXII Международной Научно-практической конференции «Инновационные подходы в современной науке». Москва: – 2020, №2(62), – стр.125-129
2. İ.İ.Məmmədov: “ Beynəlxalq kapitalın cəlb edilməsinə dair nəzəri yanaşmalar.” // Naxçıvan Dövlət Universiteti – Azərbaycan Respublikası iqtisadiyyatının davamlı inkişafında innovasiyaların rolu – Respublika Elmi Konfransının materialları – 2020. səh.74-78
3. İ.İ.Məmmədov: “Azərbaycan Respublikası iqtisadiyyatında Beynəlxalq kapitalın rolu” // Naxçıvan Universiteti Elmi əsərləri – 2018. №3 (10), –səh.37-43
4. İ.İ.Məmmədov: “Xarici investisiyaların və beynəlxalq maliyyə kreditlərinin dinamik inkişafa təsiri” // Naxçıvan Universiteti Elmi əsərləri – 2018, №4(11), –səh.54-58

5. İ.İ.Məmmədov: “Azərbaycan Respublikasının beynəlxalq maliyyə təşkilatları ilə əlaqələri” // Maliyyə və uçot jurnalı, – 2018 / 07 (314) iyul, – səh.22-27
6. İ.İ.Məmmədov: “Azərbaycanda bankların xarici iqtisadi fəaliyyətinin inkişaf istiqamətləri” // Azərbaycan Kooperasiya Universiteti, “Kooperasiya” elmi-praktiki jurnal,– 2018, №1(48), –səh.136-141
7. И.И.Мамедов: «Направления развития внешнеэкономической деятельности банков Азербайджана» // Экономика и предпринимательство, –2017, №8(ч.3),–стр.1194-1197.  
[www.intereconom.com](http://www.intereconom.com)
8. İ.İ.Məmmədov: “Bank fəaliyyətinin beynəlxalq iqtisadi münasibətlərə təsiri” // Azərbaycan xalqının Ümummilli lideri Heydər Əliyevin anadan olmasının 94 illiyinə həsr olunan “Heydər Əliyev irsi: Müasir dövrdə İslam Həmrəyliyi” mövzusunda beynəlxalq elmi-praktiki konfransın materialları. –Bakı: 10 may 2017-ci il, –səh.136



The defense will be held *on “30” may 2025* at FD 1.11 Dissertation Council established for organizing the defense of doctoral theses in economic sciences at the Scientific Research Institute of Economic Research under the Azerbaijan State University of Economics

Address: AZ 1001, Baku, Istiglaliyat street 6

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

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

Abstract was sent to the required addresses on *28 April 2025*.

Signed for print: 18.04.2025

Paper format: 60x84 <sup>1</sup>/<sub>16</sub>.

Number of hard copies: 20

(40963 Symbols)

“AA – Polygraph” Production and Commercial Association

*Email: [capevi@internet.ru](mailto:capevi@internet.ru) Tel.: (+99455) 2012809*