

INTERNATIONAL ECONOMIC RELATIONS OF AZERBAIJAN AND INVESTMENTS

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Abstract. The article analyzes the content of Azerbaijan's foreign relations, socio-economic perspectives of foreign investments, the conditions of modern globalization, the expansion of Azerbaijan's foreign economic relations, the understanding of the development characteristics and directions of these relations.

Keywords: globalization, economic cooperation, international relations, investment.

AZƏRBAYCANIN BEYNƏLXALQ İQTİSADİ MÜNASİBƏTLƏRİ VƏ İNVESTİSİYALAR

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Xülasə. Məqalədə Azərbaycanın xarici əlaqələrinin məzmunu təhlil edilir, xarici investisiyaların sosial-iqtisadi perspektivləri, müasir qloballaşmanın şərtləri, Azərbaycanın xarici iqtisadi əlaqələrinin genişlənməsi, bu əlaqələrin inkişaf xüsusiyyətləri və istiqamətlərinin dərk edilməsi araşdırılır.

Açar sözlər: qloballaşma, iqtisadi əməkdaşlıq, beynəlxalq əlaqələr, investisiya.

МЕЖДУНАРОДНЫЕ ЭКОНОМИЧЕСКИЕ ОТНОШЕНИЯ АЗЕРБАЙДЖАНА И ИНВЕСТИЦИИ

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Резюме. В статье анализируется содержание внешних связей Азербайджана, социально-экономические перспективы иностранных инвестиций, условия современной глобализации, расширение внешнеэкономических связей Азербайджана, понимание особенностей развития и направлений этих отношений.

Ключевые слова: глобализация, экономическое сотрудничество, международные отношения, инвестиции.

1. Introduction

Nowadays, various countries face a complex and multifaceted system of foreign economic relations and try to make maximum use of it. The national economy of each country is connected to the international economy through various forms of foreign economic relations, depending on how it uses its achievements, it can take certain results. This process did not happen by itself, it can only be possible through the formation of a purposeful foreign economic policy strategy of countries and its legal regulation. At the center of foreign economic relations are foreign trade relations. Therefore, the legal guarantee system of foreign trade relations and the mechanisms of its implementation are of special relevance today.

In general, international experience shows that the effective functioning of the market economy requires the active participation of the state in economic processes. In this direction, both customs-tariff regulation and non-tariff regulation methods attract more attention. It is from this point of view that it is very necessary and urgent to reveal the essence of the legal

guarantee of the foreign economic policy strategy formation mechanism, to study its scientific-theoretical bases and directions for improvement.

The available scientific literature, periodical press, reports and materials of the State Customs Committee, State Statistics Committee and the Ministry of Economic Development, information of other ministries and committees, materials and reports of international organizations, reports, monographs, scientific articles, scientific research works were used.

2. Features of the development of international economic relations of Azerbaijan

2.1. Directions and formation of Azerbaijan's foreign economic strategy

One of the main regularities of the modern era is the increasing dependence of the development of the countries of the world on the world economy, which is formed as a self-developing system. This process has led to the emergence of the world economy, which consists of multilateral and complex economic relations with a higher level of development of social production. The countries participating in the development of the world economy naturally perform different roles in this process and at the same time solve different tasks. It should be noted that the most important goal of each of these countries is to make maximum use of the total economic potential of mankind. At the same time, the international importance of each country is determined by its economic potential, its role in the production of world goods and services, the share of its technology and finance in the world economic system.

Taking into account that the internationalization of economic processes at a higher level in the world and economic integration is increasing in modern conditions, the examination of the international economic relations that make up the content of these processes, the evaluation of its development trends are of great importance for every country, which has gained independence and is integrated into the world economy. It should be noted that the Republic of Azerbaijan, which has taken the line, is particularly relevant.

After the Republic of Azerbaijan gained state independence, one of the important directions of its foreign economic policy was relations with international financial and credit and economic institutions. A lot of work has been done in this field during the past period. Azerbaijan became a member of almost all prestigious international organizations, including the International Monetary Fund, the World Bank, the European Bank for Reconstruction and Development, the Islamic Development Bank, and the Asian Development Bank in 1999.

Economic cooperation with foreign countries provides great advantages for ensuring the multifaceted development of the national economy of Azerbaijan. That is why, in the conditions of the formation of the national economy of Azerbaijan, mutual economic relations with foreign countries and the development of these relations are of great importance [1].

In recent years, the state of Azerbaijan attaches special importance to the development of bilateral relations with individual countries. Positive results have already been achieved in this field, and new directions for the expansion of mutually beneficial cooperation have been

identified. President Ilham Aliyev's visits to foreign countries, as well as mutual meetings of delegations of different levels of Azerbaijan and partner countries, have given a strong impetus to this work. As a result of this, the geography of Azerbaijan's international relations is expanding every year. Our country's relations with neighboring countries are of great importance in bilateral cooperation. Since Azerbaijan regained its state independence, official Baku paid special attention to this point and spared no effort to strengthen friendly neighborly relations.

Let's consider this idea on the example of Turkey. Relations with the aforementioned brotherly and friendly state are constantly developing. The South Caucasus energy corridor, which contributes to the energy security of both the region and Europe, was realized primarily by the political will of Azerbaijan and Turkey. Currently, a new project has been launched to further strengthen this corridor. In other words, the TANAP project, which envisages the construction of a pipeline for transit transportation of natural gas from Azerbaijan through Turkey, has been launched. Also today, the implementation of the Baku-Tbilisi-Kars railway project continues successfully. This project, which was implemented on the initiative of Azerbaijan without the participation of any foreign company or international financial organization, will lead to the activation of the East-West transport corridor, a significant increase in cargo transportation and, as a result, the acceleration of regional development [2].

2.2. The role of foreign economic strategy in the formation of existing foreign economic relations

In bilateral cooperation, relations with the neighboring Russia are also of great importance. Azerbaijan's relations with this country in various fields are expanding every year. Currently, Russia is one of the main trade partners of our republic. According to the State Statistical Committee, in 2013 the volume of trade between the two countries exceeded 2 billion US dollars. Let us also remind that Azerbaijan has established direct cooperative relations with most of the subjects of the Russian Federation, with some of them intergovernmental agreements have been concluded. Today, more than 70 regions of the neighboring country cooperate with Azerbaijan, and more than 70 percent of the mutual trade turnover falls on the share of those regions [3].

According to the information of the State Statistics Committee, in January-December 2013, the residents of the Republic of Azerbaijan carried out trade transactions with legal and natural persons of 148 countries of the world, goods were exported to 102 countries and imported from 140 countries. 29 of the foreign trade participants are America, 49 are Europe, 38 are Asian countries and others. During twelve months, foreign trade turnover amounted to 39.7 billion US dollars and increased by 4 percent compared to the same period of 2012. Exports accounted for 30 billion dollars of turnover, imports accounted for 9.7 billion dollars, resulting in a positive balance of 20.3 billion dollars. Export of non-oil products increased by 7.4 percent

compared to January-December 2012 and amounted to 1.6 billion dollars. Export of non-oil products per capita increased by 10.1 dollars and equaled 172.9 dollars [4].

The foreign economic policy strategy implemented by Azerbaijan at the state level, the work done in the direction of ensuring the equal rights of all natural and legal persons in the import and export of strategic products and preventing monopolies, the proper establishment of the marketing of the domestic market, the simplification of customs relations, the liberalization of foreign trade, as well as the creation of a favorable investment environment creation etc. issues, including a slight expansion of the scope and geography of foreign economic relations. Besides, by 2020, in the concept of economic development of Azerbaijan, the volume of the non-oil sector is defined as a target that will increase to 1000 US dollars per person or 10 billion dollars in total. At the same time, it is predicted that the non-oil export of our country will be equal to the total import in 2020. This will play a positive role in the expansion of Azerbaijan's foreign economic relations and in maintaining the advantage in the trade balance during the period of depletion of oil production [5].

One of the most important points is the steps taken to increase the country's export potential under the leadership of the country's President. Thus, the President of Azerbaijan İlham Aliyev declared the importance of expanding the foreign economic relations of our country and stated that today investment opportunities are being investigated by Azerbaijan in various countries as well as in the European Union and preliminary steps are already being taken. This is important for the diversification of the country's financial resources.

Azerbaijan's trade turnover has increased 7 times in recent years. According to the data of the State Statistics Committee, the volume of trade turnover has increased 7 times compared to 1991, when Azerbaijan gained independence. So, if in 1991 the volume of trade turnover was only 4 billion US dollars, last year this figure was close to 30 billion dollars. On the other hand, if in the first years of independence, the main trade partners of Azerbaijan consisted of Russia and other CIS countries, in the following years this ratio changed in favor of the European Union countries.

The increase in oil production within the framework of the "Contract of the Century" has led to the expansion of our country's foreign economic relations. The growth of oil exports at a certain level affects the growth of foreign trade turnover at the same level. Studies show that there is a positive correlation between foreign trade turnover and oil exports. That is, as oil exports increase, the volume of foreign trade also increases.

3. Socio-economic perspectives of foreign investments in Azerbaijan

3.1. Economic directions of foreign investments in Azerbaijan

On the background of the growth of foreign trade turnover, the volume of investments in the economy of Azerbaijan continues to increase. So, according to official data, the volume of investments in the country's economy has exceeded 100 billion US dollars since 1994. In

terms of foreign trade turnover, Azerbaijan is the undisputed leader in the South Caucasus. Thus, the annual foreign trade turnover of neighboring Georgia and Armenia is only 7 billion dollars. This is almost 5 times less than Azerbaijan's foreign trade turnover. As it can be seen, a significant part of the foreign trade turnover of the region falls on the share of Azerbaijan.

The oil and gas sector of Azerbaijan, which has a large amount of hydrocarbon resources, has always been attractive for foreign investments: more than 85% of FDI in the amount of 77.8 billion dollars directed to the country's economy during the years 2000-2017 fell to the share of the oil and gas sector. However, the country's non-oil and gas sector, mainly the processing industry, could not arouse much interest among foreign investors during that period. In an environment where foreign investors are active in the country's oil and gas sector, it is a matter of concern that their interest in non-oil fields is low. In order to achieve an increase in the attraction of FDI to those sectors, it is important to reveal the factors that scare foreign investors, as well as to implement measures to eliminate them. To what extent the decisions taken by the government in the last three years in the direction of increasing investment activity are sufficient and effective is also one of the issues that should be investigated.

3.2. Brief information about current foreign investments in Azerbaijan and their aspects

According to the information of the State Security Council, during the period of 1995-2017, 125.5 bln. foreign investment in the amount of dollars was included, 96.1 percent of which took place during the years 2000-2017. 29.2 billion of the investment made in the country during 2000-2017. 77.8 billion dollars in financial loans from international financial and credit organizations of Azerbaijan and individual states. foreign direct investments, 217.7 mln. dollar oil bonus, 13.4 bln. dollars were other investments [6].

During the years 2000-2017, 77.8 billion directed to the economy of Azerbaijan. USD 66.8 billion of Foreign Direct Investment. dollars in the oil sector, 19.9 billion. dollars in non-oil fields.

In contrast, the ratio of FDI to non-oil GDP in the non-oil sector has often been below 3%. In 2016, this indicator increased to the level of 7.6%. The sharp decrease of non-oil GDP played a major role in the sharp change of the indicator: in 2016, the amount of non-oil GDP was about 22.5 billion. dollar, which was 46.8% less than in 2014, and 32.4% less than in 2015. Due to the decrease of Foreign Direct Investment in 2017, the level of that indicator decreased to 3.5%.

During the period of 2000-2017, FDI in the amount of 10.9 billion dollars was included in the non-oil sector of Azerbaijan: this is the amount of 3.3% of the GDP created in the non-oil sector in the country during that period.

According to the information of the State Security Council, the total Foreign Direct Investment included in the non-oil sector during this period was 2588.2 mln. dollars Turkey, 1649.3 mln. dollars England, 1125.0 mln. dollars Netherlands, 911.7 mln. dollars USA, 757.9

mln. dollars Russia, 717.6 mln. United Arab Emirates, 615.4 million dollars Germany, 143.7 mln. dollars Italy, 138.3 mln. dollars France, 97.1 mln. dollars fell to the share of Chinese companies [6].

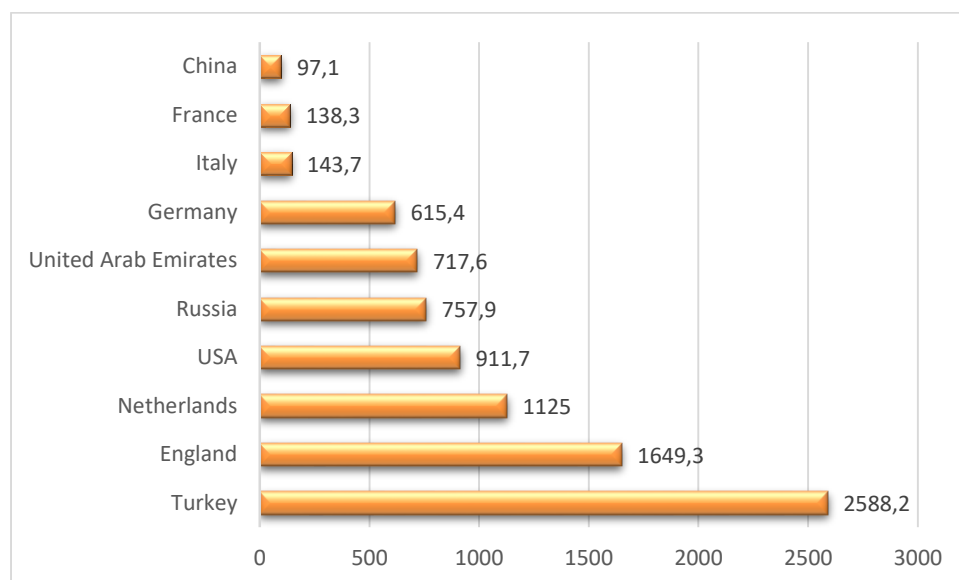


Fig.1. The total Foreign Direct Investment in the non-oil sector (rates in million)

Investments of Turkish companies in the non-oil sector of our country have often had a superior position. In addition, almost every year a certain amount of investments has been made in the non-oil sector of our country from the USA, UAE, Great Britain, Germany, Russia, and France. However, during the last years, the investment from Switzerland and Russia has increased even faster. After the decline in 2015 in the amount of FDI entering the country's non-oil sector, the funds received from Switzerland, Turkey and Russia played a decisive role in the sharp increase in 2016.

Turkey is one of the biggest investors of Azerbaijan. In 1995-2021, the volume of direct foreign investments (FDI) from Turkey to Azerbaijan amounted to 13.3 billion dollars (\$10.4 billion in the oil and gas sector, \$2.9 billion (1st place) in the non-oil and gas sector). Even at the International Business Forum held on November 14-17, 2021, MUSIAD Founding President and IBF President Erol Yarar said that they will make the biggest economic launch in the history of Azerbaijan with the participation of important business people from all over the world, especially Turkey. Erol Yarar stated that they will take 500 Turkish businessmen operating in many different sectors to Azerbaijan as a result of their work for almost a year and gave the following information:

-We are going there with our businessmen to invest in Azerbaijan and to develop our trade. There are very important sectors such as agriculture, food, health, tourism, infrastructure investments. We are establishing 360-degree economic relations. As a result, we will increase

the investments between the countries and develop trade relations. We are targeting. In terms of the development of Karabakh, there are very important agricultural and mining regions there. We are also taking our investors who are interested in this matter. We are in talks with the Ministry of Economy of Azerbaijan.

Yarar, noting that there is a need for infrastructure worth billions of dollars in Karabakh alone, "Azerbaijan has a very serious potential for tourism, health and agriculture. When we look at these, we are talking about increasing the volume of foreign trade between the countries by 4-5 billion dollars. Therefore, 500 jobs from Turkey alone "We are going with our man," he said [7].

Conclusion. The article is devoted to the characteristic features of the foreign economic policy strategy of the Republic of Azerbaijan in modern conditions and directions for its improvement.

Foreign economic policy means state policy in the field of import and export, customs duties, tariffs, restrictions, attraction of foreign capital, export of capital abroad, foreign bonds, provision of economic assistance to other countries and implementation of joint economic projects.

At the same time, relations with international financial and credit and economic institutions, which are one of the important directions of the foreign economic policy of the Republic of Azerbaijan, were analyzed in the article. Currently, Azerbaijan has mutual economic and trade relations with 84 countries of the world. The prospects for the development of bilateral relations with individual countries are discussed. The directions of bilateral cooperation of our country are considered on the example of neighboring countries Turkey and Russia. Relations with CIS and European Union countries are being investigated. Currently, economic relations with Italy, which is one of the largest trade partners of Azerbaijan, are discussed. Azerbaijan's close economic relations with the world's economic superpower, the United States, are widely commented on, and large transnational projects are discussed.

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