

## FOREIGN TRADE RELATIONS IN AZERBAIJAN AT THE LEVEL OF MODERN REQUIREMENTS

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### ABSTRACT

The expansion of trade relations with foreign countries gives impetus to its worthy place among the economically developed countries. Each state seeks to increase its power and expand its activities in this direction by establishing trade relations with other states. Azerbaijan's foreign economic relations, in accordance with the new market rules, require the establishment of trade and economic relations with many countries, freedom of access to foreign markets and the possibility of integration into the world economy at the level of modern requirements.

Here, mainly by studying the issues of expanding foreign trade relations of the Republic of Azerbaijan, I tried to make suggestions and recommendations on the existing problems in this area. Despite the amount of research, many problems remain.

Given the urgency of the topic, in the article, I have tried to devote more space to the analytical analysis of issues that are considered important in this area. In addition, in the article, I have tried to make some suggestions on the revision of the concept of taxation of foreign trade, the effective use of the process of globalization. In order to carry out a high level of integration into the world economy, it is proposed to actively use electronic systems in the establishment of mechanisms for regulating foreign trade relations in Azerbaijan at the level of modern requirements, to create an information portal in this area.

**Keywords:** foreign trade relations, finance, competition, government revenues, fiscal and tax policy, world economy, investment.

## ÖZET

Dış ülkelerle ticari ilişkilerin genişlemesi, ekonomik olarak gelişmiş ülkeler arasındaki değerli yerine ivme kazandırmaktadır. Her devlet, diğer devletlerle ticari ilişkiler kurarak gücünü artırmaya ve faaliyetlerini bu doğrultuda genişletmeye çalışır. Azerbaycan'ın dış ekonomik ilişkileri, yeni piyasa kurallarına uygun olarak, birçok ülke ile ticari ve ekonomik ilişkilerin kurulmasını, dış pazarlara erişim özgürlüğünü ve modern gereksinimler düzeyinde dünya ekonomisine entegrasyon olasılığını gerektirmektedir.

Burada ağırlıklı olarak Azerbaycan Cumhuriyeti'nin dış ticaret ilişkilerinin genişletilmesi konularını inceleyerek bu alandaki mevcut sorunlar hakkında öneri ve önerilerde bulunmaya çalıştım. Araştırma miktarına rağmen, birçok sorun devam etmektedir.

Makalede konunun aciliyeti göz önüne alındığında, bu alanda önemli görülen konuların analitik analizine daha fazla yer ayırmaya çalıştım. Ayrıca yazımda dış ticaretin vergilendirilmesi kavramının revize edilmesi, küreselleşme sürecinin etkin kullanılması konusunda bazı önerilerde bulunmaya çalıştım. Dünya ekonomisine yüksek düzeyde entegrasyonu gerçekleştirmek için, Azerbaycan'da dış ticaret ilişkilerini modern gereksinimler düzeyinde düzenlemek için mekanizmaların oluşturulmasında elektronik sistemlerin aktif olarak kullanılması, bu alanda bir bilgi portalı oluşturulması önerilmektedir.

**Anahtar kelimeler:** dış ticaret ilişkileri, finans, rekabet, devlet gelirleri, maliye ve vergi politikası, dünya ekonomisi, yatırımlar.

## 1. GİRİŞ

The processes taking place in the world increase the importance of foreign trade day by day. The rapprochement of countries, the volume and nature of foreign trade relations have a significant impact on their economic influence in the world, their development, prosperity and maximization of the benefits of economic units. One of the main goals of Azerbaijan is to establish relations with world powers, strengthen them, and strengthen foreign trade relations with the international community. One of the steps taken for this is to develop in the non-oil sector and to have a large share in foreign trade. We all know that one of the main conditions for this is the production of competitive products. As a result of globalization, the world has become a single market.

The impact of state liberalization on the development of foreign trade is sufficient. Thus, in the context of modern globalization, the expansion of economic relations between countries, the strengthening of interdependence, the difficulty of solving problems depends primarily on the improvement of the national economy and the development of a conceptual framework for international trade. Liberalization of foreign trade relations is a key stage of economic relations. Liberalization of foreign trade is a state policy that directly affects the trade balance of countries, regulates the purchase and sale of goods and services and import-export processes. Frequent changes in the factors affecting economic trade and the impact of changes in world markets on the domestic economy force the state to always focus on foreign economic relations. The main goal of each country's economic management is to be able to positively assess the control over the foreign trade balance. The strength and sustainable development of the country's export-oriented policy will lead to a positive increase in economic power and an increase in the foreign trade balance. To this end, the main foreign trade policy in countries trying to accelerate development is mainly export-oriented development. Liberalization of foreign trade varies depending on the economic legislation, decrees and economic measures taken within the country.

Azerbaijan, like other developing countries, is constantly implementing new cooperation and work to strengthen foreign trade relations. Azerbaijan has great potential in the non-oil industry (eg, production of vegetables, edible fruits and nuts, tea, mate and spices, winemaking, cocoons, tourism, etc.). In order to develop these industries and increase their competitiveness and achieve exports to the international market, these products must be produced with high quality and low cost. Of course, in order to ensure quality, it is important that these products meet international standards and the certification process is carried out correctly. On the other hand, when approaching the issue from the price factor, indirect costs that increase the cost of these goods and services should be regulated, and barriers to the export of products should be eliminated. On the other hand, in order to increase exports in Azerbaijan, the necessary infrastructure for online sales must be further improved, skills in this area must be improved, and e-commerce specialists must be trained. Given that today there are a lot of electronic purchases from foreign markets, it is impossible to do the opposite. With the right human factor involved, it can be done easily.

After gaining independence, it solved the main tasks related to the establishment of national statehood institutions and signed projects that stimulated the establishment of financial and budgetary systems. Thus, the formation of an independent economic system of the Azerbaijani state, trade relations, along with giving impetus to the development of foreign economic policy, has become one of the areas that play an important role in future development.

Liberalization of foreign economic activity, waiver of votes and licensing of foreign trade operations, unified and liberalized currency regime, regular interbank foreign exchange activities created favorable conditions for domestic conversion of national currency, increased exports and imports and increased the activity of the republic's foreign economic relations. . This process has led to an increase in investment flows from foreign firms in the United States, Great Britain, Japan, Germany, Canada, Turkey and other countries, and has accelerated Azerbaijan's integration into the world economic system. For these reasons, the proper establishment of Azerbaijan's foreign trade relations is a very important factor. One of the basis of these factors is the need to take into account the requirements of modern times.

## 2. Regulation of Foreign Trade Relation in Azerbaijan.

As an independent republic, it is very important to be able to establish the right cooperation, choose the right ally and determine the direction of development of foreign economic relations. In the current context in which the state has acquired this right, the problem of developing a mechanism for regulating foreign economic activity is particularly relevant. Taking into account these processes, when establishing foreign relations, the state must properly regulate the policy of deepening relations with other countries, as well as the ability to make a profit. From this point of view, one of the urgent problems facing the Republic of Azerbaijan is the definition of the borders of state control over foreign trade activities. In this regard, the necessity and effectiveness of government intervention, the tools and methods used are of interest. However, the insufficient development of the system of regional regulation of foreign trade in the system of foreign economic relations of Azerbaijan shows the need to develop methodological materials in this area.

Given the dynamics of the development of science and technology, the development of problems that reflect the essence and characteristics of the mechanism of state regulation of foreign economic relations, which is characteristic of the modern era, is experiencing a new era. Thus, opinions on the most optimal ways, methods and combinations of economic and administrative regulators of foreign trade are emerging in new areas for the Republic of Azerbaijan. That is why it is necessary to establish mechanisms for regulating foreign trade relations in Azerbaijan at the level of modern requirements and to create methods and principles for assessing state regulation in this area. In order to establish mechanisms for regulating foreign trade relations in Azerbaijan at the level of modern requirements, the main attention is paid to the formation and solution of the following related tasks:

- Disclosure of the essence and content of the system of foreign economic relations in accordance with the principles of modern requirements;
- Identification of the main trends and contradictions in the development of foreign economic relations, including foreign trade, relations in the Republic of Azerbaijan;
- Analysis of foreign trade relations of the Republic of Azerbaijan and alternative ways of their development;
- Development of the concept of systematic assessment of foreign trade and foreign economic relations of the Republic of Azerbaijan and identification of their priority areas at the current stage of development of the society.

As can be seen, the requirements of the modern age offer more colorful proposals. There is no denying that there are many risks along the way. Timely identification and prevention of these risks are also important factors.

## 3. Prevention of risks in foreign trade relations in Azerbaijan during economic globalization

In modern world trade, there is a rapid expansion and growth due to the diversification of economic relations, the expansion of production, the increase in the range of products, the deepening of the international division of labor and transnational cooperation. Today, the impact of new technology and the delivery of goods from producers to intermediaries and consumers, regardless of their location, are accelerating. Particular attention is paid to the barriers to foreign economic activity, as the success of governments' economic policies depends directly on the growth rate of the economies of individual countries and the world economy as a whole. According to each of the world's scientists, successful foreign trade operations can be considered one of the main factors that predict the prosperity of all countries.

World experience shows that foreign trade procedures should be simple and clear in order to reduce the complexity of international trade operations due to excessive legal and bureaucratic barriers, while improving the foreign trade policy of countries and ensuring the effectiveness of state control over foreign economic activity. Foreign trade procedures include not only operations directly related to the conclusion and implementation of foreign trade operations, but also customs control,

payment of customs duties, international payments, transportation of goods, etc. It should be noted that procedures are also included. As part of ongoing reforms to facilitate foreign trade, international trade procedures should focus on standardizing procedures and reducing the time and cost required to implement them. [8, [https://www.azerbaijans.com/content\\_730\\_az.html](https://www.azerbaijans.com/content_730_az.html)]

In many countries that take these processes into account, procedures are reviewed by customs services and the following tools are used:

- Formation of a number of administrative documents in a single document;
- joint interdepartmental data processing;
- computerization of customs clearance;
- application of electronic documentless customs clearance system to multimedia, etc.

In this regard, in choosing a foreign economic strategy, the state, on the one hand, fulfills the function of control by stimulating or limiting all areas of international economic relations, and on the other hand, seeks to be a participant in profitable foreign economic activities. [1- Shakaraliyev A.Sh., Shakaraliyeva Z.A. Customs Organization and Management. Textbook. Baku: "University of Economics" Publishing House - 2015. - 168 pages.]

### 3. Macroeconomic Indicators of Foreign Trade Turnover.

According to experts, the cost of projects for the implementation of agreements, which include many other components of the reform of customs services, could increase to a million dollars. In order to prevent possible threats to the foreign trade relations of the Republic of Azerbaijan in modern times, first of all, the mechanism of foreign trade management should be improved.

The share of foreign trade turnover in the macroeconomic indicators of the Republic of Azerbaijan in different years and the ratios for 2021 were studied and reflected in the table (Table №1).

**Table №1.**

January-June 2021 of the Republic of Azerbaijan  
Foreign trade in macroeconomic indicators in the months  
specific weight of turnover

	January-June 2021, actual	January-June 2021 as a percentage of January-June 2020	January-June 2020 as a percentage of January-June 2019
Gross domestic product, <b>million manat</b>	39 915,0	102,1	97,3
Foreign trade turnover, <b>mln. USD \$</b>	11 957,6	121,3	70,2
Export, <b>mln. USD \$</b>	7 564,7	132,8	69,4
non-oil and gas exports, <b>mln. USD \$</b>	907,6	125,8	91,1
Import, <b>mln. USD \$</b>	4 392,9	105,5	71,4

Source: <https://www.stat.gov.az/news/macroeconomy.php?page=1>

In January-April this year, Azerbaijan's foreign trade turnover increased by 2.1% compared to the same months in 2020 and amounted to 9,893.24 million. USD. According to the State Customs Committee, in January-April 2021, Azerbaijan exported 6,364.34 million manat to foreign countries. The company exported goods worth \$ 3,528.91 million. dollars. As a result, 2,835.43 mln. There was a positive trade balance of \$ 1 billion. In January-April 2021, compared to the same period last year, the positive balance of foreign trade turnover of Azerbaijan decreased by 3.1%, while exports and imports increased by 0.9% and 4.4%, respectively [13] <https://apa.az/az/xeber/maliyye/azerbaycanin-xarici-ticaret-dovriyyesi-21-artib-643232>.

The July Global Economic Outlook report, published by the International Monetary Fund (IMF), said that economic differences between economies have increased compared to the April

report. According to the report, the global economy will grow by 6% in 2021 and 4.9% in 2022. According to the report, the expectations of developing countries for 2021 have been updated downwards, while developed economies have been updated upwards. The global growth forecast for 2022 states that an increase of 0.5% will result in additional financial support expected in the second half of 2021 and improved health in developed countries, especially the United States [14<https://ticaret.gov.tr/blog/ekonomi-haberleri/kuresel-ekonomik-toparlanmada-fay-hatlari-genisliyor>].

Economic processes in the world did not pass Azerbaijan. From this point of view, it is very important to eliminate possible economic problems in time. Currently, the process of economic globalization is underway. This area has both advantages and disadvantages. In this regard, the following measures should be taken to prevent and address the risks posed by economic globalization in foreign trade relations in Azerbaijan. In this process, first of all, international economic organizations should play a greater role in economic globalization. The rapid development of economic globalization transcends economic regulation and control, as well as the creation of a single regulatory system. Thus, the globalized world economy is free and dragged. In the 1930s, the developed countries of the West and the economic crises that spread throughout the capitalist world went a long way. The financial crises of Mexico and East Asia in the 1990s and the inflation of long-term capital management companies required the creation of an appropriate institution, the international financial markets, for the globalized economy to function effectively. From this point of view, taking into account the world experience, the following measures should be taken to prevent the risks arising in the foreign trade relations of the Republic of Azerbaijan:

- The macroeconomic coordination established by the policies of different countries should be strengthened and the IMF and the World Bank should create a perfect early warning system against financial crises and develop post-crisis support;
- Cross-border financial control should be strengthened;
- Appropriate control should be exercised over international capital flows, especially short-term capital flows, which have serious negative effects.

Despite the fact that Azerbaijan has done a lot over the past 5 years, it is necessary to take some measures in this area. It is considered expedient to develop many projects that are important to address this issue in terms of modern requirements.

One of the reasons for the risks in foreign trade relations is the trend of economic globalization, which has arisen because the old international economic order has not yet been radically changed. In this process, some developing countries, which are unable to take advantage of their benefits and avoid losses, are in danger of being left out of economic development. Therefore, during economic globalization, the risk of developing countries falling into a dilemma increases. Although some countries distance themselves from this process, it causes them to lag behind the development of other economies. If they become active participants in the globalization trend, the latter is likely to become the successor of developed countries due to its dominance in this period. Taking into account this expectation, the interests of developing countries must be ensured and their views must be broadened in the process of developing a new international economic order.

The development of economic globalization is a prerequisite for sustainable growth, to ensure the sharing of growth. That is, the development of globalization should not only bring great benefits to the world economy, but also provide these benefits to each country and different departments and interest groups. Rather, Azerbaijan, like all countries in the world, should use the benefits of globalization in its foreign trade.

Thus, if developing countries do not benefit from the process of globalization for a long time, the economic interests of developed countries will undoubtedly be affected. Take the United States as an example. The United States has long sought to link the establishment of a single work standard, including the wage standard, to trade issues. This insistence is a policy of eliminating the comparative advantages of developing countries and weakening their international competitiveness. For this reason, developed countries are asked to take into account the realities of developing countries and

to abandon their unreasonable demands in order to link labor standards with trade issues. Another issue is that the reform of the economic system and the reconstruction of economic structures must be accelerated. International competition in the era of economic globalization is competition over economic systems and enterprise mechanisms. There is a huge difference between developed and developing countries in terms of both the economic system and the economic structure. At the same time, the government is committed to protecting intellectual property rights, ensuring the legal implementation of contracts, providing infrastructure and stabilizing the macroeconomic situation, and so on. should strengthen their functions. At the microeconomic level, government should play a major role in creating incentives and restraint mechanisms, and be consistent with the enterprise system and corporate governance to increase the efficiency and competitiveness of enterprises.

The strengthening of the domestic market and the increase in production areas guarantee that the unemployment problem in the country will decrease. From the point of view of the development of the industrial structure operating in the country, it is the state that should direct its efforts to stimulate rapid scientific, technological and educational development and increase investment in human capital development in order to modernize industrial structures. The goal is to achieve a balance in economic development, along with the unimpeded development of foreign trade.

#### 4. RESULT

Summarizing our opinion, we can say that in modern conditions the problem of regulating foreign trade relations is very acute and requires an immediate solution. In this regard, the following results are relevant:

1. In order to develop foreign economic relations, it is necessary to achieve a radical change in the old international economic order. Thus, the reforms carried out in the Republic of Azerbaijan can be called the beginning of this process. An example of this is the purposeful regulation of foreign trade relations by the state in the current socio-economic and political crisis.

2. The fact that the Republic of Azerbaijan has a higher position among the countries of the world can be considered as an important factor. For this, it is necessary to eliminate the existing problems in the development of foreign economic relations. During the development of foreign economic relations, the study of import and export processes and the use of a formula that is suitable for the country should be justified. At a time of globalization of the world economy, it is very important for the Republic of Azerbaijan to use the opportunities created. However, today it is still not possible to take full advantage of these benefits. The integration of the Republic of Azerbaijan into the world economy must be built at the level of modern requirements for the regulation of foreign trade relations.

3. Improving foreign trade relations requires comprehensive development of legislative, tax, investment, customs, financial and credit and production policies.

4. State support is needed to establish mechanisms for regulating foreign trade relations at the level of modern requirements, to form an infrastructure that meets the requirements of the world market, to create conditions for fundamental changes in the structure of exports and imports, to protect the interests of local producers.

5. In order to further develop the foreign trade relations of the Republic of Azerbaijan, stimulating the production of local producers of competitive products in the world should become one of the main parts of economic policy.

6. A concept is proposed based on a systematic assessment of the region's potential for the development of foreign trade relations and taking into account not only the results of the analysis of foreign trade and services, but also other forms.

In determining the priorities for the development of foreign trade relations of the Republic of Azerbaijan, the development of high technologies, heavy industry, the creation of real conditions for the elimination of raw materials, the development of food production, the export potential of the agricultural sector of the economy. and increase at the expense of livestock products, development of market infrastructure, expansion of exports of services, full use of the natural potential of the republic.

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