The current state of foreign trade relations of the Republic of Azerbaijan

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Sarkhan Jafarov
PhD in German Languages
Institution: Azerbaijan State Pedagogical University
Address: St. Uzeyir Hajibeyov, 68, Baku, Azerbaijan
E-mail: sarxan_cafarov@mail.ru

Zaur Imrani
PhD in Geography
Institution: Institute of Geography named after H. Aliyev (ANAS)
Address: St. Istiglaliyet, 30, Baku, Azerbaijan
E-mail: zaur_imrani@mail.ru

Zakir Eminov
PhD in Geography
Institution: Institute of Geography named after H. Aliyev (ANAS)
Address: St. Istiglaliyet, 30, Baku, Azerbaijan
E-mail: zakir_eminov@mail.ru

ABSTRACT
Nowadays, various trade operations are carried out in the international economic relations and economic relations between the world’s countries. Trade is one of the leading sectors of the world economy. Trade plays a vital role in shaping the world economy, increasing its efficiency based on historical stages of development, and regulating international relations. Specialisation, globalisation, and integration principles are taken as a basis in this case. Trade efficiency is achieved through a pricing policy that optimises international trade. It is also based on supply and demand. From this point of view, the article extensively studies the foreign trade relations of the Republic of Azerbaijan, along with its positive trends, and explores the areas hindering its development. Thus, the geography of foreign trade relations of the Republic of Azerbaijan has significantly expanded in recent years, has become a member of international trade organisations, and has achieved positive trends in trade. The Republic of Azerbaijan has established foreign economic and trade relations with several countries worldwide and constantly develops these relations.

Keywords: Foreign Trade, Foreign Policy, Economic Relations, Globalisation, Integration, Import, Export.

1 INTRODUCTION

The development of the national economies of any country trying to build a free market system is closely linked with domestic opportunities and the effective use of foreign trade, which is the main form of international economic relations [3]. In this regard, it is essential to study the system of economic relations between countries in different directions in the international arena. Thus, global trade operations
have significant theoretical advantages in applying various mechanisms based on development trends and principles of foreign trade policy.

The foreign trade relations of each country directly impact the globalisation of the world economy and its rapid development. They also facilitate the short-term integration of newly independent states into the world economy, the improvement and expansion of trade relations between countries (primarily neighbouring countries), and the establishment of mutual trade infrastructure, transport, and economic ties.

The potential of the world economy includes the following, which in turn are closely involved in the formation of foreign trade relations [12, 29]:

- natural resource potential - the availability of natural resources. These include soil, forest, biological (flora and fauna), mineral (minerals), climate, and recreational resources;
- financial resources of the world - resources of countries, international organisations and financial centres;
- entrepreneurial potential - the ability to effectively use economic resources to carry out economic activities;
- scientific and technical potential - the ability of the country to carry out scientific research and development work;
- labour resources - able-bodied population; working people of retirement age, working teenagers under working age.

In recent years, significant reforms have been implemented, strategically essential documents and programs have been adopted for the development of the economy, further improvement of the investment and business environment in the Republic of Azerbaijan, creation of favourable conditions for business expansion, stimulation of production and export of competitive non-oil products, increasing access to traditional and new markets, import substitution, as well as strengthening state support for local entrepreneurs to expand the scope of economic reforms and ensure effective coordination of work in this area [13, 125]. These programs have made it a priority to make better use of the existing potential of the regions, accelerate the development of local industries and agricultural production, ensure the result of a civilised market economy, support entrepreneurs in this work, to solve the problem of poverty by improving living standards and to develop comprehensively economically [10].

We believe that taking into account the above-mentioned potential opportunities, the foreign trade turnover of the Republic of Azerbaijan will increase slightly. This factor will also positively impact the sustainable development of the regions, creating several industries, which will have a positive impact on employment.
2 RESEARCH METHOD

During the research, historical-territorial, mathematical-statistical analysis, comparative approach, and systematisation methods were used in the chamber.

2.1 THE PURPOSE OF THE STUDY

To study the features of foreign trade relations, which is one of the main directions of development of the world economy and international economic relations in the context of globalisation, to study the effect of foreign trade relations in the Republic of Azerbaijan and to identify opportunities for improving Azerbaijan's foreign trade.

2.2 ANALYSIS AND DISCUSSION

Integration into the global world usually occurs by establishing foreign trade relations among the world's countries, developing a free market for goods, services and capital, and increasing economic interdependence. This requires the development of foreign trade and an increase in foreign investment, the main component of which is the expansion of international cooperation and the policy of rapprochement in the system of international relations.

After gaining independence, the Republic of Azerbaijan gained independence in its foreign policy and foreign economic activity, which helped establish its foreign trade relations on a new level. Because during the years of the former Soviet Union, Azerbaijan could not establish independent trade relations with both foreign countries and the former Soviet republics [5].

To determine the modern directions of the development of foreign trade relations in the Republic of Azerbaijan, it is necessary to study the traditional and most developed forms of international economic relations of foreign trade. Because the regulation of Azerbaijan's foreign trade relations is mainly based on international experience, and the current situation is based on scientific and theoretical analysis. All this requires an investigation of the existing problems facing foreign trade relations in the country, which is carried out within the potential of foreign trade policy.

Foreign trade relations of the Republic of Azerbaijan positively impact trade and economics, cooperation in critical areas, partnership, education, information and communication technology, expansion of cultural ties, ecology and scientific and technological development [6]. In this sense, the right choice of the regulation of foreign trade relations of the Republic of Azerbaijan (in terms of national
interests and interests) of the Republic of Azerbaijan, which is shaping its national economy, acts as a stimulus for sustainable economic development [9, 7].

If we look at the dynamics of the foreign trade turnover of the Republic of Azerbaijan, we can see that compared to 1991, the growth in 2020 was 6.1 times. This increase was reflected in both import and export operations. At present, the country's foreign trade turnover is $ 24.5 billion. Of this, 43.9% falls on imports and 56.1% on exports (Figure 1).

**Figure 1. Foreign trade turnover of the Republic of Azerbaijan, mln. USD**

The highest increase in the foreign trade turnover of the Republic of Azerbaijan was recorded in 2008 in the amount of 54 billion US dollars. In the following years, the trend changed slightly, but almost positively. If we analyse the balance ratio of foreign trade turnover during the years under study, we can see that this figure was negative in 1994-1999 and 2003.

In the 1990s, the structure of export trade accounted for 57% of oil products and cotton fibre, 24% of food and consumer goods, and 19% of machinery, chemical, petrochemical and metallurgical products. In imports, food and public consumption accounted for 37% of goods, raw materials and logistics products 63%, including gas 25% [1, 19]. In 2009, 92.8% of the country's exports fell to oil products. The share of products exported by other industries, agriculture and other sectors was only 7.2% of exported products [7, 107]. Such a trend significantly weakens the potential and opportunities of national economic entities to enter foreign markets. Because the dependence of foreign trade on the oil factor increases the risk factor.

In 2020, Azerbaijan mainly carried out foreign trade relations with Italy, Turkey, Russia, China, Germany, Ukraine and other countries. The share of Italy in this indicator is 18.7%, Turkey 17.0%, Russia 10.9%, China 7.5%, Germany 3.3%, Ukraine 3.2% [2].

In increasing the competitiveness of industrial and agricultural products, our country can increase its economic ties by expanding foreign trade relations. This factor will lead to the formation and expansion
of the concerns of the Republic of Azerbaijan with the world market and increase the volume of exports in the foreign economic strategy, as well as the production of competitive products by the requirements and standards.

Revenues from export operations are a tool for increasing the efficiency of the country's foreign trade relations and the development of wholesale outlets. Because the income from the country's foreign trade has a positive impact on the growth, expansion and investment policy of goods. Thus, conducting large-scale foreign trade operations and expanding export potential is one of the most critical conditions for any country.

At present, the formation and strengthening of the export potential of the Republic of Azerbaijan have their peculiarities. They are implemented in different directions and based on legal principles of public policy. Such factors play a crucial role in forming sustainable economic development, foreign trade, increasing export potential, long-term public policy, state support for entrepreneurship, development of non-oil sectors, determining the direction of market segments, etc.

The central part of the foreign trade turnover of the Republic of Azerbaijan, i.e. $ 13.8 billion, falls to the share of export operations. If we compare this figure with 2010, we can see that export operations in foreign trade turnover have decreased significantly. Thus, in 2010, this figure was 21.7 billion US dollars (Figure 2).

Figure 2. Products exported by the Republic of Azerbaijan, mln. USD

Source: Foreign trade of Azerbaijan. Baku, 2021

Note that 75.45% of the main exported products are crude oil products from crude oil and bituminous minerals, 12.05% - natural gas, 2.36% - petroleum products [2], and the rest - electricity, fruits and vegetables (tomatoes, hazelnuts, apples, dates, etc.), tea, vegetable and animal fats and oils, sugar, alcoholic and non-alcoholic beverages and vinegar, chemical products, plastics and plastic products, cotton fibre, cotton yarn, ferrous metals and products made of them, aluminium and products made of it, etc.
According to our research based on export indicators, we can say that the exchange rate has different effects on issues such as the regulation of real exports on the world market. The export sector indicates that the higher the country's foreign trade relations, the higher the elasticity of exchange rates during export operations. Sometimes exchange rate elasticity can also have adverse effects. The foreign trade and foreign economic relations system is accompanied by exchange rate fluctuations, which casts some doubt on the concept of a stable currency. However, the state must set its steady exchange rate. Otherwise, setbacks may be observed in some economic activities.

We know that exports are one of the leading indicators of the country's foreign trade relations in the world market. With the increase in the welfare of the country's population, foreign trade relations are expanding. Because a government based on a single export can buy more imported goods or vice versa. This indicator must be more than one to have favourable conditions for foreign trade. However, in this case, it is impossible to assess the activity of all foreign trade relations on only one factor. Therefore, it is necessary to analyse the dynamics, volume, and direction of foreign trade relations activities of the Republic of Azerbaijan.

Import means the importation of a product into the country’s territory if it is not returned. Imports include imported products intended for consumption in the country's economy and goods imported into the state’s territory under the re-import regime.

The volume and range of products a country imports play a crucial role in determining its leading role in the world market—the volume and content of products involved in these trade relations, including exported goods and services. Imports, in turn, are made possible by export earnings. This results in the inflow of foreign capital into the country.

If we conduct a statistical analysis of imported products in the foreign trade turnover of the Republic of Azerbaijan, we can see that this indicator has increased from 2010 to 2020. In 2010, it was $6.6 billion, and in 2020 it increased to $10.7 billion (Figure 3).
The main products imported by the Republic of Azerbaijan are meat, milk, butter, fruits and vegetables, tea, wheat, rice, tobacco, vegetable and animal fats, plastics and plastic products, pharmaceuticals, clothing and accessories, ferrous metals and products made from them, vehicles, machines, mechanisms, electrical apparatus, equipment and their parts, etc. Among them, 19.47% are machinery, electrical appliances, equipment and their parts, 12.03% are food products, 9.15% are vehicles and their parts, and 7.67% are ferrous metals and their products [2].

Imports are growing quite intensively in almost all areas, which can be a direct result of the strengthening of the manat. As an exception, it is associated with importing high-yielding food and agricultural raw materials within the country.

Foreign trade plays a vital role in the activities of any state, allowing it to increase its gross national income [14]. In this case, imports and exports of goods are registered based on a standard trade system. The role of foreign trade in the formation and development of the foreign policy of the Republic of Azerbaijan has a great impact. Thus, the Republic of Azerbaijan's foreign policy can, in principle, regulate or prohibit the free movement of goods and services between countries. All this has a significant impact on international trade.

One of the leading indicators of the foreign trade relations of the Republic of Azerbaijan is carried out by types of operations. Thus, in 2020, the calculations by type of operation amounted to 10.7 billion US dollars, the bulk of which is formed, i.e. 85.0% of settlements in freely convertible currency, 6.9% in closed currency settlements, the remaining 0.2% in national currency, 0.05% in a clearing, 0.05% in settlements for the construction of enterprises and facilities, and 7.8% in other operations types (Figure 4).

Figure 4. Calculations on foreign trade relations of the Republic of Azerbaijan by types of operations

[Diagram showing distribution of foreign trade by types of operations]

Source: Foreign trade of Azerbaijan. Baku, 2021
At present, the Republic of Azerbaijan carries out its foreign trade relations with 149 countries around the world. The main directions of these trade relations are the countries of Europe and Asia. Although it has trade relations with the United States, Africa and Oceania, it has a meagre percentage. If we look at the geography of foreign trade relations of the Republic of Azerbaijan, we can see that the first place is occupied by European countries (48.6%) with $5.2 billion. Asia occupies the next place with $4.5 billion (42.4%), the United States with $885 million (8.3%), Oceania with $27 million (0.3%) and Africa with $47 million (0.4%) countries [2].

As we have noted, if we look at the structure of foreign trade relations of the Republic of Azerbaijan by mode of transport, we see that the first place in the form of imports is occupied by road, the second by air, the third by rail and the fourth by sea. In the structure of exports, the first place is occupied by road transport, the second place is by rail transport, the third place is by air transport, and the fourth place is by sea transport.

International economic relations include foreign trade in goods and services, global capital flows, labour migration, knowledge trade (technological transfer), international currency and settlement relations [8].

At the initial integration stage, the EU countries create free trade and economic zones and remove trade customs barriers. After establishing the customs union, they established a single tariff and tax system for each other in the territory of the states. They carried out economic and trade relations with the union members of the outside world based on a standard policy and tariff. In the third integration stage, the same measures are applied to the trade and capital investment and the labour movement, and production in the union countries is freed from national borders [4, 198]. This helps to identify the potential of any country's future trade relations.

In the context of integration processes, the fundamental objective aspect is the rapprochement of national economies based on deepening the international division of labour [11]. One of the main strengths of the national economy is the vast potential of trade relations implemented by the country and their use.

The Republic of Azerbaijan participates in cross-border customs relations and joint trade to establish economic, social, cultural, and trade ties with neighbouring countries. This could develop several subregional trades and financial associations in the region, among which free trade relations can be found. As a result, it is possible to identify potential opportunities for the Republic of Azerbaijan's trade relations and ways to use them.

Potential opportunities for foreign trade relations in the Republic of Azerbaijan are directly related to its export structure. Thus, the share of the non-oil sector, including food, in the export structure of the Republic of Azerbaijan is very high. This factor positively affects the expansion of Azerbaijan's foreign trade relations.
The state measures taken to develop the non-oil sector in the Republic of Azerbaijan at a sustainable and high pace have paid special attention to increasing the production of competitive products in this area. One of the main requirements of the day is to enter the world market not only with the products of the oil industry but also with the products of the non-oil sector. The work done in this direction is mainly related to expanding the activities of agro-industrial enterprises processing agricultural products. The expansion of export opportunities for non-oil products to foreign markets has stimulated the production of export goods and improved the provision of export infrastructure. This has been stimulated by Azerbaijani products, including at exhibitions abroad, for example, Berlin in Germany, Legl in France, Brussels in Belgium, and Moscow in Russia.

3 CONCLUSION

Azerbaijan's foreign trade policy has led to a steady increase in economic growth, related economic development, and economic integration on a more substantial basis. Because Azerbaijan's foreign trade policy has further strengthened its position in the world. The result of foreign trade dynamics has positively impacted the internationalisation of production in the country, increasing investment, creating new economic structures, developing trade and economic integration processes, lowering customs rates, using scientific and technological progress, etc.
REFERENCES


