

## MAIN DIRECTIONS OF ECONOMIC DEVELOPMENT OF THE REPUBLIC OF AZERBAIJAN

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**Introduction.** Citizens of the Republic of Azerbaijan are going through a very responsible and stylish period of their historical destiny. Our country, which has already gained its national independence, is confidently moving towards creating a secular and civilized state with great successes achieved in all spheres of its life, as well as in the field of economy. There are great opportunities for Azerbaijan to specialize in the international division of Labor on the export of various types of services in areas with strong scientific potential. The international division of Labor expresses the application of international norms and standards that regulate and standardize Labor Relations of different countries. International labor organizations set standards in this area and defend the general principles of labor relations between countries. Currently, these include oil production, oil refining, oil machine building, chemical, petrochemical, selection-cultivation of new types of agricultural products and a number of other areas. [1.63]. The following areas of prospective specialization in the international division of labor for services related to the oil industry of our Republic alone can be included:

1. Discovery of oil fields, economic assessment of fields;
2. Development of oil production project;
3. Preparation of projects for laying oil pipelines;
4. Development of projects for the construction of oil refineries;
5. Consulting services on the development of new oil production and processing machines and equipment;
6. Installation, start-up and control of machinery and equipment in bushings;
7. Development of modernization projects of existing machinery and equipment, processing lines;
8. Organization of advanced training courses for lower and secondary specialized workers working in the oil and gas sector;
9. Development of the mechanism for the use and export of innovations obtained from the research of oil field scientists in Azerbaijan.

Such a solution to the problem not only strengthens its position in the international division of labor, but also stops the “brain drain”. However, despite all the listed promising directions, Azerbaijan still remains a Southern element of the vertical International Labor Division model. Of course, it is clear that a large amount of investment is required to realize specialization in these areas.

**Research methods.** In order for countries to effectively participate in the international division of labor, there must be certain conditions – Natural Resources, favorable climatic conditions, the development of transport and infrastructure, and so on. But it is necessary to distinguish between the reasons and the conditions for the participation of countries in the international division of Labor. The reason that forces countries to participate in the international division of Labor is income generation. And the conditions are separate specific conditions that ensure the saving of time during the participation of countries in the international division of Labor. The factors that condition participation vary depending on different countries and events, depending on the cause. In general, the factors determining the international division of Labor can be grouped as follows: availability of natural resources; natural climatic conditions, demographic potential

and the presence of qualified personnel in the country; geographical position of the country; scientific and technical revolution; development of transport and infrastructure [2, p. 102].

However, for the first time, foreign economic relations were studied more fully by representatives of classical political economy. In this regard, the theory of absolute superiority in Western economic science is of great importance. The basis of this theory is A., one of the founders of classical political economy. It was laid down by Smith. According to that theory, whatever goods are produced cheaper in a country, they should be exported to other countries, but goods that are more expensive to produce should be imported from foreign countries. A. Trying to justify the effectiveness of mutual trade for all countries, Smith wrote: "if any country is able to provide us with goods that cost us more to produce at a lower price, then it is more profitable to buy that product. Instead, we can offer goods that we have an advantage in the cost of a production." But life has shown that A. Smith's theory of absolute advantages also has certain flaws. Thus, justifying the meaning of the international division of labor only in absolute costs means narrowing its essence. Because, if in one country all goods are produced cheaper than in another, then what will happen? According to Smith, trading should not be done in this case. This is not so real. For example, developed countries produce their goods at lower costs than developing countries. Nevertheless, some industrial goods are imported by them from developing countries [3, p. 41].

**Discussions.** In general, it is advisable to implement a number of measures to ensure the specialization of our republic in the international division of Labor on finished products in the medium term. Priority development of Processing Industries with liquid demand in the world market and, first of all, active use of local resources should be ensured. The creation of its own segment in the world market, where the competitive struggle is exacerbated, should be considered as one of the factors shaping the directions of specialization. Increasing the intensity of renewable production resources to 60-70 per cent of the share of this type of industry in GDP and exports should become a strategic goal. Advanced technologies of Total Quality Control should be implemented. A new level of development of infrastructure in a broad sense should be provided. Acceleration of the privatization process and the factor of moral obsolescence must be taken into account here. Thus, in the process of privatization, the residual value of equipment that has long been morally worn out is also included in the price of the charges. The entrepreneur who privatizes the enterprise must then take it out and throw it away, unjustly paying the state the cost of this equipment, which is replaced by a new one. The authors of foreign trade theories of recent times are more likely to apply their concepts to practice [4, p. 96]. Of such theories, one can cite the concept of interdependence of nations, the concept of externally directed development, the theory of external impulse, and so on. In addition to indicating the pros and cons of all foreign trade theories, it is necessary to note that along with the factors that determine the participation of countries in the international division of Labor, the principles underlying foreign trade can be grouped mainly as follows:

- Insufficient domestic production;
- International differentiation of the price of goods;
- Production of different goods in different countries.

Taking these factors as a basis, countries are increasingly trying to further develop foreign trade. Recently, interference in foreign trade by countries has increased significantly, and each state, pursuing a foreign trade policy, pursues the following goals: elimination of the deficit of the foreign trade balance, protection from foreign competition, economic development (stimulation of exports), elimination of monopoly, liberalization of the economy, bringing income to the budget, social and political goals, etc. The main forms of the international division of labor, as well as the domestic division of Labor, are the intra-sectoral and inter-sectoral divisions of Labor. However, in contrast to the interregional form of the domestic division of Labor, the National Economic form of the international division of Labor is distinguished. The intra-industry international division of Labor is the exchange of certain types of items, details, aggregates and parts produced by enterprises of different countries included in the same industry. And the intersectoral international division of Labor arises during the exchange of products produced by enterprises belonging to various production sectors of the national economy. The National Economic form of the international division of labor, in contrast to the interregional form of the intra-country Division of Labor, expresses the relationship between all enterprises operating in different countries. This shows which part of the GDP of one country is exchanged for which part of the GDP of another country. At the same time, international specialization and cooperation are also the most important forms of the international division of Labor and its main elements [5, p. 136]. The international specialization of production is such a form of the division of labor between the country, in which one area or

enterprise organizes the production of certain products. As in the domestic division of Labor, one of the main characteristic features of the international division of Labor is specialization. The specialization of economic entities always comes in three forms - thing, field and territorial. Specialization is most effective in Mechanical Engineering and the chemical industry. So, the products of this area are very nomenclature. As specialization develops between the countries of the world and the division of Labor deepens, cooperation in industry and its individual areas intensifies. Cooperation of production is the interaction of specialized production areas that complement each other in order to obtain a greater economic result in the production of each separate product.

Cooperative relations between the countries of the world are mainly economic, production, scientific and technical, credit, sales, intra-firm, inter-firm, etc. it is carried out through. The main signs of international cooperation are the achievement of an agreement for joint activities between countries. And the main methods of cooperation are the implementation of joint programs, the creation of joint enterprises. Joint-Stock Companies, consortia, concerns, etc. are widely used as widespread legal forms of joint-venture in international practice. Thus, the international division of Labor is related to international specialization and cooperation, acting in various forms. At present, the international division of labor between the countries of the world has a new feature. Previously, they entered into economic relations with each other, dividing into countries of the world and socialist countries. However, starting from the late 80s, socialist countries began to carry out economic reforms for the transition to a market economy [6, p. 37]. As a result of this, currently in international practice, countries are divided into three groups:

- industrially developed countries;
- transition economy countries;
- developing countries.

In modern times, two important factors influence the international division of Labor. On the one hand, the globalization of the market, and on the other, the emergence of regional economic blocs the international division of Labor is a new stage in the development of international economic relations. Also, the participation of countries in the international division of Labor and foreign economic relations between countries are gradually strengthening. Thus, foreign economic relations were economic relations between the economies of different countries and were formed as a result of long-term historical processes. The internationalization of production and Exchange in the world further strengthens the economic relations of countries and leads to the formation of this World Economic complex. At the international level, economic relations between countries develop mainly in two conditions: when economic relations between countries are necessary; 2. When both parties are interested in the development of these relations. Economic relations between countries are also influenced by political, national, ethnic and social factors. Under these conditions, foreign economic relations between countries are carried out by international specialization and cooperation of production, the creation of joint ventures, scientific and Technical Cooperation, Foreign Trade, Trade with licenses and technologies, international movement of Labor, the provision of socio-cultural services, Tourism, Organization of transport services, the creation of Free Economic Zones. The system of economic relations between countries is grouped as follows: foreign trade, export of Capital, International Currency, Credit relations; scientific and technical cooperation; movement of the workforce. One of the main sections of foreign economic relations is foreign trade. Foreign trade in goods and services occupies an important place in the system of international economic relations. Foreign trade has existed since ancient times. However, the world market was formed at the rise of the emergence of capitalism. So, since the world economy in the XV century was closed in nature, most of the population lived in the countryside, and trade was concentrated in villages and around villages in order to meet the needs of the population for food and industrial goods. The trade carried by the far distance was the Silk Road trade through East and South Asia. In this way, goods, medicines and jewelry woven from silk were transported from India and China to Europe. From this period onwards, great changes took place in the economic and commercial life of Europe. The main reason for this was the development of science, geographical discoveries and population growth. After the discovery of the American continent, the Spaniards moved to Mexico and Peru, as a result of which the import of large volumes of gold from the American continent to Spain, and from here to other European countries, led to a significant increase in prices in the world. In Europe, this inflation led to the emergence of large markets. Another factor in the development of the economy and trade in Europe during this period was population growth. Population growth accelerated the urbanization process by causing the population to flow from the countryside to the city. This also constituted cheap labor for the developed industry. Starting from this period, the indicated process, which developed on a

global scale, created a class that was engaged in trade and had significant capital. All this and, at the same time, the emergence of independent states accelerated the development of foreign trade in the world. For industry, more raw materials, materials, fuel, large sales markets were required. Under the influence of scientific and technological progress, the structure in the national economy of countries is progressing, specialization in industrial production has strengthened the interdependence of national economies. And all this gave impetus to the development of trade.

Among the main directions of Azerbaijan's economic development, the following issues stand out: investment in tourism, technology, education and other fields, independent of the oil and gas industry, is an important strategic step to ensure the rapid and sustainable development of the Azerbaijani economy. To achieve this goal, rapid infrastructure projects should be supported in order to achieve the development of the tourism sector, increase the tourist potential of the country, the development of cultural and historical tourism. Development in the technological field, the introduction of new technologies and innovative projects help to achieve the diversity of this area. Bridge projects and programs connecting various sectors of the economy, strengthening ties between enterprises. The development of financial resources is important to support the development of this area. These measures can be jointly implemented to make the country's economy more stable, diversified and sustainable. The development of education is seen as a fundamental strategy for a country. The development and strengthening of the infrastructure of educational institutions and universities in order to ensure the development of the educational sphere of Azerbaijan ensures that students receive a quality education. Increasing the number of Independent Education schools and supporting their research and innovation activities helps to achieve success in education. Improving education in the field of technology and engineering increases the number of specialists with technological skills in the labor market. Educational programs should be combined with unique measures to develop competitive skills and promote innovative thinking. Mentoring programs and career guidance services should be provided for integration into the world of work with students. These measures can contribute to the development of education in Azerbaijan and the creation of innovative and capable Labor potential that meets the rapidly changing world economy.

The level of development of countries and their international position are largely determined by the competitiveness of their economies. Competitiveness is not only associated with the efficient use of existing resources, but also with ensuring sustainable and inclusive development. In this context, the implementation of structural reforms is of great importance. Structural reforms mean the modernization of the internal mechanisms of the economy, strengthening the institutional framework and supporting the development of strategic sectors. The main goal of structural reforms is to create conditions for the economy to operate more effectively and flexibly on market mechanisms. In this regard, it is first of all important to improve the institutional environment. Factors such as the transparency of the legal and regulatory framework, the protection of property rights, the independence and effectiveness of the judicial system play a leading role in the formation of investor confidence and the improvement of the entrepreneurial environment. Institutional reforms also involve strengthening the fight against corruption and the application of the principle of accountability in management. Ensuring macroeconomic stability should also be considered an integral part of structural reforms. Implementing effective fiscal and monetary policies, controlling inflation, managing public debt, and maintaining budget discipline contribute to reducing economic risks and improving the investment climate. In addition, deepening the financial sector and strengthening the banking system stimulate the development of the real sector by increasing access to credit resources. Another important direction within the framework of structural reforms is the development of human capital. Adapting education and vocational training systems to the requirements of the labor market, and applying innovation and technology-oriented approaches ensure the transition of the economy to high-value-added areas. Increasing state support for scientific research and development projects is one of the main conditions for the transition to a knowledge-based economy. On the other hand, modernization of infrastructure is also an integral component of structural reforms. Building effective and sustainable infrastructure in the fields of transport, energy, and communications not only strengthens regional integration, but also creates conditions for expanding economic activity. This also serves to expand the country's export opportunities and facilitate access to foreign markets. Finally, strengthening public-private sector partnerships and developing a competitive environment are key conditions for the effectiveness of structural reforms. The formation of competitive markets, the elimination of monopoly and monopolistic tendencies, and the promotion of small and medium-sized enterprises increase the flexibility and stability of the economic system. This approach also ensures the protection of the principles of social justice



and inclusive development. Thus, structural reforms, which are essential for increasing the competitiveness of the economy, require a complex and multifaceted approach. These reforms create conditions not only for improving economic indicators, but also for increasing the level of welfare of society and for the country to take a stable position in the global economic system [7, p. 161].

**Conclusions.** Strengthening infrastructure is an important step to ensure the economic development of a country, its connections and the provision of quality services. The development of roads and railway infrastructures to strengthen Azerbaijan's infrastructure is important for providing easy and improved opportunities to each region. The development of energy projects and ensuring energy security is one of the main conditions for rapid economic development. Strengthening telephone, internet and other communication services is important for information exchange. Provision of water supply and strengthening of effective sewage systems contribute to improving the health and livelihoods of the population. The development of airports and seaports also helps to increase the efficiency of trade and logistics areas. In the field of technology, it plays an important role in developing, innovative projects and increasing the competitiveness of the industry. Attracting domestic and foreign investments and activating the investment market have a catalyst role for economic development. Maintaining the interest of investors and implementing projects for security issues makes it easier to attract investments. Effective management of investments and development of the investment market ensure the development and development of investment. Attracting foreign investment strengthens the country's budget and contributes to its technological transfers is Ee. The joint development of these issues and directions contributes to the strengthening of infrastructure and ensuring the further successful and sustainable development of the Azerbaijani economy.

It has significant scientific significance in terms of analyzing the strategic goals set at the modern stage of development of the Azerbaijani economy and determining future development priorities. Scientific innovation is reflected, first of all, in the systematic analysis of the theoretical foundations and implementation mechanisms of the country's economic diversification policy in the post-oil period. The analytical approaches applied within the theoretical framework of the article, especially the recommendations given in terms of mutual integration of industry, agriculture, transport-logistics and the digital economy, are a topical subject of discussion in scientific discourse. The study considers the application of flexible and innovative mechanisms in economic management to ensure the sustainability of the national economy and puts forward specific scientifically substantiated proposals in this direction.

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**Jahan Guliyeva**, Senior Lecturer, Azerbaijan University of Architecture and Construction. **Main directions of economic development of the Republic of Azerbaijan.**

Economic development refers to growth and changes in the economy of any country. This process can occur in many areas, such as industrial development, expansion of the labor market, and improvements in technology. The main directions of economic development for Azerbaijan are based on different, different priorities. This includes increased investment in industry, energy development, improvements in technology and education. Also, the development of the labor market plays an important role. Having chosen the path of independent and development, the future economic development of Azerbaijan mainly depends on the implementation of appropriate and systematic economic reforms. In addition to these, the state faces the problems of strengthening foreign trade relations and increasing economic efficiency. The resolution of the mentioned matters depends significantly on the expansion of favorable foreign trade relations that are in line with the country's national interests. In trade relations, based on the achievements of

scientific and technical progress, it is required to produce competitive products and services and ensure free access to international markets by using technologies more effectively. In general, determining directions for improving foreign trade relations is of great practical importance. The adoption of new laws in the economic field, the adaptation of Azerbaijan's economic laws to European standards and other legislative initiatives not only ensured the national development of our country, but also deepened its integration with the countries of the world and created favorable opportunities for access to European markets. On the other hand, the policy of economic revival and reintegration in the liberated territories has opened a new stage in the economic development of Azerbaijan. In these territories, reconstruction work based on the concepts of "smart village" and "smart city", the use of alternative energy potential and the economic integration of regions are bringing new dynamics to the country's economy. From this point of view, the topic is of great relevance not only from economic, but also from social and geopolitical aspects. Research conducted on this topic makes a valuable contribution to the scientific substantiation of the country's socio-economic policy, the refinement of strategic planning and the formation of a national development concept. Thus, the relevance of the topic "Main directions of economic development of the Republic of Azerbaijan" stems from its theoretical and practical significance, as well as its strategic importance for the future development of the country.

**Key words:** division of labor, cost, trade, cooperation, credit, sales, strategy.

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### **Основні напрямки економічного розвитку Азербайджанської Республіки.**

Економічний розвиток стосується зростання та змін в економіці будь-якої країни. Цей процес може відбуватися в багатьох сферах, таких як промисловий розвиток, розширення ринку праці та вдосконалення технологій. Тисяча напрямків економічного розвитку Азербайджану базується на різних, відмінних пріоритетах. Це включає збільшення інвестицій у промисловість, розвиток енергетики, вдосконалення технологій та освіти. Також важливу роль відіграє розвиток ринку праці. Обравши шлях незалежності та розвитку, майбутній економічний розвиток Азербайджану головним чином залежить від впровадження відповідних та систематичних економічних реформ. Окрім цього, держава стикається з проблемами зміцнення зовнішньоторговельних відносин та підвищення економічної ефективності. Вирішення згаданих питань значною мірою залежить від розширення сприятливих зовнішньоторговельних відносин, що відповідають національним інтересам країни. У торговельних відносинах, спираючись на досягнення науково-технічного прогресу, потрібно виробляти конкурентоспроможні товари та послуги та забезпечувати вільний доступ до міжнародних ринків шляхом ефективнішого використання технологій. Загалом, визначення напрямків покращення зовнішньоторговельних відносин має велике практичне значення. Прийняття нових законів в економічній сфері, адаптація економічного законодавства Азербайджану до європейських стандартів та інші законодавчі ініціативи не лише забезпечили національний розвиток нашої країни, але й поглибили її інтеграцію з країнами світу та створили сприятливі можливості для доступу до європейських ринків. З іншого боку, політика економічного відродження та реінтеграції на звільнених територіях відкрила новий етап в економічному розвитку Азербайджану. На цих територіях роботи з реконструкції, засновані на концепціях «розумного села» та «розумного міста», використання потенціалу альтернативної енергетики та економічна інтеграція регіонів привносять нову динаміку в економіку країни. З цієї точки зору тема має велику актуальність не лише з економічного, а й із соціального та геополітичного аспектів. Дослідження, проведені з цієї теми, роблять цінний внесок у наукове обґрунтування соціально-економічної політики країни, уточнення стратегічного планування та формування національної концепції розвитку. Таким чином, актуальність теми «Основні напрямки економічного розвитку Азербайджанської Республіки» випливає з її теоретичної та практичної значущості, а також стратегічного значення для майбутнього розвитку країни.

**Ключові слова:** розподіл праці, вартість, торгівля, кооперація, кредит, продажі, стратегія.