

Czech University of Life Sciences Prague

Faculty of Economics and Management

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Diploma Thesis

Foreign trade-case study of Azerbaijan

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

DIPLOMA THESIS ASSIGNMENT

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Business Administration

Thesis title

Foreign trade – case study of the Azerbaijan

Objectives of thesis

The main aim of the thesis is to conduct the analysis of foreign trade in Azerbaijan. The objective of thesis is analyze the economical situation of Azerbaijan and also to examine how foreign trade influences the economy development and social life in this country.

Methodology

The thesis will be divided into two parts. Theoretical part and practical part. The methodology involves the study of scientific literature concerning the topic of the thesis. The thesis will use comparative and descriptive methods of research.

The proposed extent of the thesis

50-60 pages

Keywords

Foreign trade, export, import, the balance of payments, net exports

Recommended information sources

Benes V., Maitah M., Smutka L., and Tanner L (2009): Essentials of International Trade. Czech University of Life Sciences Prague, ISBN 978-80-213-1859-5;

Bjornkov C., and Ventus (2005) Basic International Economics. ApS, ISBN 87-7681-014-3;

Maitah M (2009): Macroeconomics, Czech University of Life Sciences Prague, ISBN 978-80-213-1904-2.

Expected date of thesis defence

2016/17 SS – FEM

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Declaration

I declare that I have worked on the Diploma thesis of “Foreign trade-case study of Azerbaijan” by myself. All quotations and resources of information which I used are mentioned in the references of this thesis.

In Prague, March 31th 2017

.....

Ali Imanov

Acknowledgement

I am grateful and thank my family and friends who support and encourage me to finish my master program. I also would like to express my special thanks to Doc. Ing. Mansoor Maitah, Ph.D. who is the supervisor of my diploma thesis. This diploma thesis would not be finished without his valuable advices and directions.

Foreign trade-case study of Azerbaijan

Summary:

The aims of this master thesis at the revelation of the peculiarities of implementation of basic mechanisms of the Azerbaijan foreign trade.

In order to achieve this aim, the following study objectives were set and consequently solved. The role of Azerbaijan's economy in the world and its effect on development of foreign trade are revealed. The stages of reformation of the Azerbaijan system of foreign trade and their basic peculiarities are determined, the importance and peculiarities of Azerbaijan's integration in WTO and the main results of this event were studied. The interrelation of foreign trade development and its role with general purposes of Azerbaijan economic reformation was analyzed. The role of foreign trade in the process of modernization of innovation-based Azerbaijan's economy was revealed, the basic peculiarities of the state regulation of foreign trade of the Azerbaijan with Europe, Asia, and USA in the context of frontier regions were shown. The object of this study is defining dynamic and socio-economic development of Azerbaijan foreign trade by analyzing it. The following objectives were set for reaching the goal. The subject of this study is analyze of foreign trade features of Azerbaijan.

Keywords: Foreign trade, Economic growth, Analysis, Azerbaijan, Exports, Import

Ázerbájdžánský zahraniční obchod

Souhrn:

Tématem diplomové práce je směřování k odhalení zvláštností realizace základních mechanismů Ázerbájdžánského zahraničního obchodu.

Za účelem dosažení tohoto cíle byly stanoveny následující cíle práce a následující řešení. Role ekonomiky Ázerbájdžánu ve světě a jeho vliv na vývoj zahraničního obchodu jsou odhaleny. Etapy reformace systému Ázerbájdžánského zahraničního obchodu a jejich základních zvláštností jsou určeny, význam a zvláštnosti integrace Ázerbájdžánu ve Světové obchodní organizaci a hlavních výsledků této akce byly studovány. Byla analyzována Propojenost vývoje zahraničního obchodu a její role s obecnými účely Ázerbájdžánské ekonomické reformace. Úloha zahraničního obchodu v procesu modernizace inovace založené na ázerbájdžánské hospodářství bylo odhaleno, byly ukázány základní zvláštnosti státní regulace zahraničního obchodu mezi Ázerbájdžánem a Evropou, Asií a USA v rámci příhraničních regionů. Cílem této práce je definovat dynamickou a sociálně-ekonomický rozvoj Ázerbájdžánu zahraničního obchodu tím, že analyzuje jej. Tyto ukoly byly stanoveny pro dosažení cíle. Předmětem této práce je analýza zahraničního obchodu rysů Ázerbájdžánu

Klíčová slova: Zahraniční obchod, Ázerbájdžán, analýza, HDP, vývoz, dovoz, hospodářský růst

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1. Introduction

Azerbaijan as a post-soviet country has faced many difficulties during the last two decades for the reason that it had to manage a number of negative effects due to its post-soviet heritage and for the first time in its history has had to build an economy as an independent country. A distinctive feature of the Azerbaijani economy is a high degree of involvement in international trade processes. The examination of the structure of the country's exports shows that natural resources (oil and petroleum products) compose over 90 per cent of exports. From the one hand, it seems logical that the presence of natural resources and successful management of exports may lead to a better economic performance; however, high reliance of the economy on resource trade may result in the absence of diversification of the economy, high volatility and dependence on external forces that determine commodity prices.

The research question of the current paper is aimed at investigating whether the opening up to trade has a positive effect on the economy; moreover, if there are any negative consequences of resource trade for the economy of the country. Through taking the case study of Azerbaijan the current work investigates whether the oil windfalls are a blessing or a curse, and what policies should be implemented in order to prevent negative outcomes in the future.

In order to see the change in economic performance of the country I analyze the trend of major economic indicators; these include GDP, GDP per capita and current account balance. The investigation of trade policies of the country and oil prices will show whether there is any positive correlation between economic performance of the country and the world energy prices.

Finally, the conclusions of the research are stated; and there is a discussion of the outcomes of the research and policy recommendations.

2. Objective and Methodology

2.1. Objectives

The main aim of the thesis is to conduct the analysis of foreign trade in Azerbaijan. The objective of thesis is analyzing the economic situation of Azerbaijan and also to examine how foreign trade influences the economy development and social life in this country.

- By gaining prepare information about theoretical conceptual basis of foreign trade
- Analyzing foreign trade strategy of Azerbaijan-determining perspectives by generalizing analysis conclusions and offer recommendations.

2.2. Methodology

Dissertation work is shared structure containing three chapter. At the first chapter mostly theoretical conceptual articles are discussed. There is given information from simple to complex about foreign trade. At the second chapter is provided information just about foreign trade strategy and dynamic of Azerbaijan including tables and diagrams on the same article. Finally, the main part of the research third chapter is comprehensive with tables and diagrams expressing development points on socio-economic improvement and foreign trade, got the final conclusion by analyzing points and the recommendations offered at last.

3. Theoretical and conceptual basis of foreign trade

3.1. Foreign trade system, its regulation and structure.

While speaking about foreign trade we have to mention it that it is directly connected with international trade system. For this reason, in the future shall be provided information about modern development level, structure and regulation of international trade.

Foreign trade is an interchange of commodity and services between foreign trade and agricultures. The term “Foreign trade” could be applied only for the special country. Under notion foreign trade policy is understood expediently influence of the country to trade relations with other countries by using different tools. Because of being close relationship with internal aspects of economic development, the main objective of foreign trade policy is extension of internal production of country and formation advantageous foreign economic atmosphere. Foreign trade policy is explained in wide aspect as a set of measures aimed to interfere to movement and directions of production country government, the volume, structure and geographical profile of trade and etc. The essence of foreign trade policy could be commented by majority of objectives completely adequate.

Depending on the intervention of the country to international trade free trade and protectionist trade policies are differ. During free trade policy state pursues minimum intervention policy to the foreign trade and foreign trade is developed on basis of free market forces, demand and supply. During protectionism policy protection policy of internal market from foreign competitiveness carries out by using tariff and non-tariff tools of trade policy. The most generalized description of protectionism theory is connected with Australian scientist Max Cordon. At his book named “Theory of protectionism” (1971) he noted that state regulation of foreign trade may be unilateral, bilateral and multilateral. Saying unilateral regulation is understood using regulation tools unilaterally by country without agreement and consultations with trading partners. Usually unilateral proceedings take place against the analogical motions of other countries and causes to political tension among trading partners. During bilateral regulation trade policy proceedings are agreed among partner countries. And during multilateral regulation trade policy is agreed and regulated on the basis of multilateral agreements. (Hasanov, 2009)

Country has goals for choosing that or other foreign trade policies, that we may formalize them as following:

1. Defense from foreign competition. Countries may terminate import of local industries which are not in competition power with foreign manufacturers.
2. Ensuring economic growth. Countries try to use foreign trade policy as a tool of economic growth.
3. Elimination market deficiencies. Foreign trade is used widely for improvement structure of internal market.
4. Ensuring internal economic stability. Foreign economic policy is used for elimination of negative trends such as unemployment and inflation.
5. Ensuring of state budget with revenue. Sometimes numerous taxes applied to import and export have important share at revenue part of state budget.
6. Ensuring monopoly position at foreign market. Sometimes the goal of the foreign trade policy is getting monopoly position at world markets.
7. Social and political reasons. Foreign trade policy may be used for environmental protection, defense of public health and generally genetics of population.
8. Foreign trade goals. Foreign trade policy as a part foreign trade serves to its goals directly.

At the modern development stage of foreign trade policy carried out by world countries has got two trends which are contradict each other and at the same time are in intercommunication-protectionism and liberalization trends. From one side is tried for liberalization of international trade, elimination of trade obstacles, on the other hand the import of the foreign capital and goods are restricted all available ways. Already two centuries that debates continue among economists and politicians about which trend is better-protectionism that creates conditions development of national industry or free trading which gives opportunity connecting national production charges with international trade charges. In different historical periods advantages were at the side of this or another approach. In 1950-1960s refusal of protectionism and liberalization of foreign trade was characteristic. And at the beginning of the 1970s contrary trend was observed. For the protection internal market from foreign competition countries began to use more improved tools against each other. Improved international trade-economic and financial communications began to require restriction of protectionism. Through in cases of crisis the weakening of this or another member of world industry makes current country receding from liberalization course of trade. Although currently liberalization trend is stronger the cases back to protectionism are being observed.

Free trade defender's thoughts based on the revenues got from international division of labor. So that free operation of market mechanism could be providing optimal resource division and give opportunity to all countries benefit from it by maximizing world production. According to their opinion, protectionism undermines the efficient distribution of resources by restricting of competition and applying discrimination in production, reduces business activity of entrepreneurs. During election of defending areas basing on the interests of a group of people, not economic factors are also caused it. According to the free trade supporters, protectionism leads to monopoly; big companies get a monopoly status by ousting small business subjects from market or unifying them with themselves. In addition, that free trade is avoiding of above mentioned causes, as based on the operation of market mechanism minimizes the bureaucratic barriers. But applying of the protectionism proceedings are caused to the formalization of very complicated bureaucratic mechanism. And this may be caused to waste of the resource and corruption. The defenders of the protectionism at foreign trade nominate some factors. Such as, they intend that protectionism is important for national security, economic growth, carried out strategic trade policy, prevention of dumping. As other reasons they intend the increasing the level of employment, improvement of trade conditions and increasing of competition ability at foreign trade. It must be noted that in modern era protectionism is became concentrated at confined areas. Developed countries carry out this policy among them at the agricultural, weaving, ready-made clothes and steel industries. This policy shows itself among developed and developing countries at the export of industry goods by developing countries. And during the trade among developing countries the object of protectionism is traditional export goods.

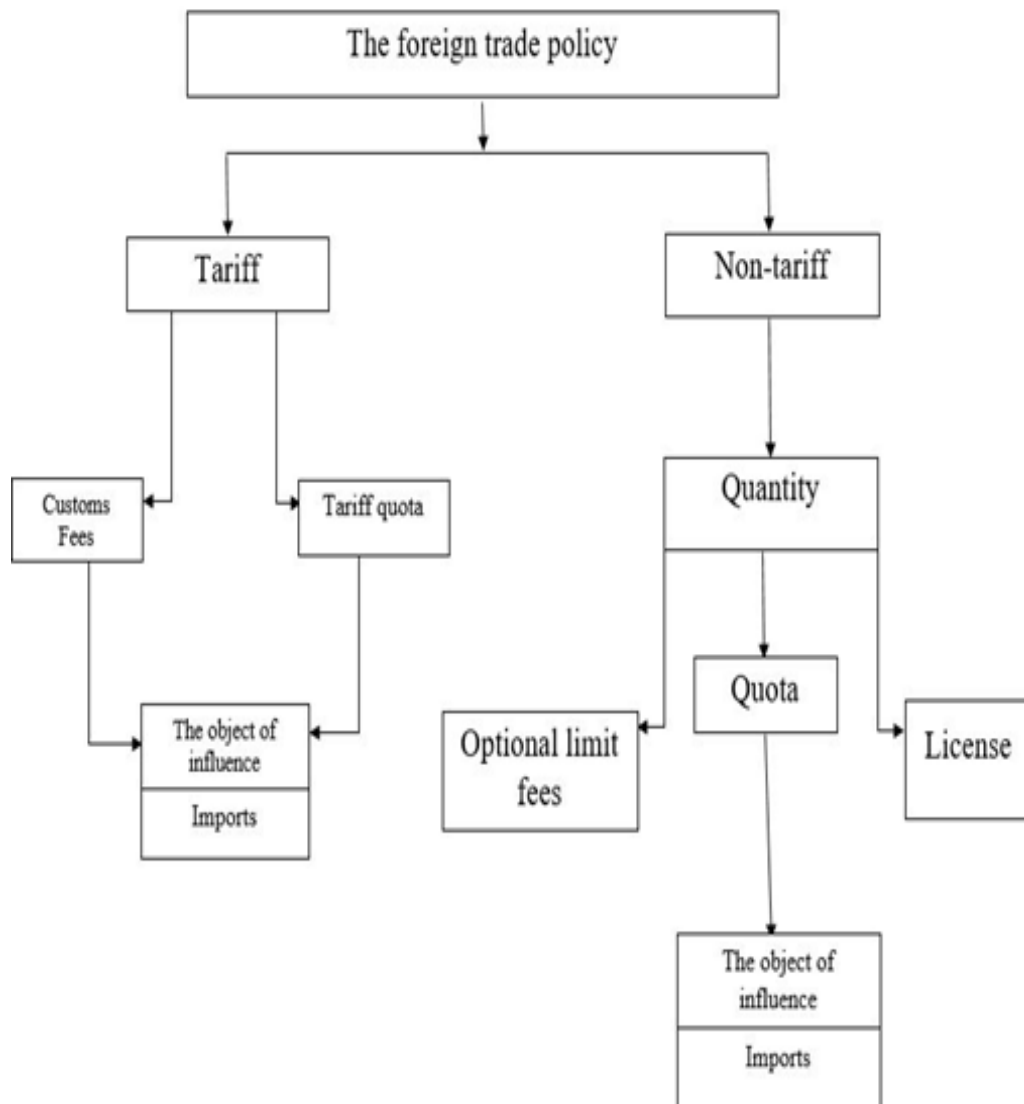
The improvement of protectionism trends gives opportunity to differ some types of protectionism:

- selective protectionism-in this case policy is directed against to different countries and goods;
- areal protectionism-in this case defined areas, firstly agriculture is defended within the agrarian protectionism;
- collective protectionism-is understood policy carried out by countries union against to the countries not included to the union;

Secret protectionism-is understood policy carried out by the methods of internal economic policy.

The tools of regulation foreign trade are divided into tariff and non-tariff tools according to its character. (Hasanov, 2009)

Table 1: Main tools of foreign trade policy



Source: A. S. Shakaraliyev, 2009

While carrying out foreign trade policy the main used tools are tariff tools that are reflected at different applying types of custom tariff. Depending on which part of the trade policy takes importance may be given different definitions of custom tariff complementing each other.

(Hasanov, 2009)

Custom tariff may be defined as following depending on the context:

- tool of trade policy and the regulation of internal market which is in mutual cooperation with world market;
- is a totality of grade of the custom duties applied to goods passed through custom and systematized according to the goods nomenclature of foreign economic operation;
- is a concrete grade of the custom duties paid during exporting any goods from custom area or importing to current area; Custom duty is a compulsory payment collected by customs authorities during importing and exporting of the goods and it is considered main term of the importing and exporting.

Custom duties carry on three main functions:

- ***Fiscal function***; this function concerns both import and export functions, because they act as one of the revenue article of the state budget.
- ***protectionist function***; this function concerns to import duties, because with their help state protects local manufacturers from foreign competition;
- ***balancing function***; this function concerns to export duties, because with their help the export of the goods is prevented which internal costs are lower than world costs depending on this or another factor;

Table 2: The classification of custom duties is noted at the types of customs duties

Classification signs		Species	
<i>According to the arrest</i>	Specific	Ad valorem	Combined
<i>According to the object</i>	Import	Export	Transit
<i>According to the nature</i>	Seasonal		Compensation
<i>According to the source</i>	Autonom	Convention	Preferential
<i>According to the type of degree</i>	Permanent	Changeable	-
<i>According to the method of calculation</i>	Nominal	Effective	-

Source: Kireev A. International Economics. - Moscow: International Relations, 1997, P.1.

Duties are divided into three parts according their collecting methods:

- Ad valorem duties- collected from the custom value of the goods with the percentage rate (for example 15% of custom value)
- specific duties- collected at the amount defined compared to one unit of the goods for example 20 dollar for 1 tone)
- Combined duties- collected by using both above mentioned methods (for example 15% of custom value not more than 20 dollars for 1 tone)

The advantage of the ad valorem duty is that, not depending on the wavering the cost of the goods they provide the same level of the internal market protection. In this case may be changing only at budget revenues such as revenues may increase or decrease. The weakness of the current duties is connected with the requirement of custom assessment value of the goods. As the cost of goods hesitated with the influence of the numerous economic and administrative factors, the applying of the ad valorem duties are connected with assessment, meantime may be allowed to abuse. (Hasanov, 2009)

Specific duties are usually applied in respect with standardized goods. They have got advantage that won't be debate subject, because administrative use of them is very simple and they don't give opportunity to abuse. Bu specific duties are strongly depending on the wavering the cost of the goods. But on the other hand, in the cases of economic crisis and decreasing of export costs specific duties are increasing protection level of the national manufacturers.

Duties are divided into three parts according their object:

- Import duties- is understood duties applied in respect with import goods; the type that majority of duties are belonging are used widely by countries for protection national manufacturers;
- export duties – is understood duties applied in respect with export goods; is applied by separate countries rarely, usually while has got great difference among internal costs and world costs and its goal is decreasing export and increasing revenue of budget;
- Transit duties – is understood duties applied in respect with goods passed through country area by transit; so rarely it is come across and understood as “trade war”.

Duties are divided into three types according their characters:

- Seasonal duties – these duties are used for operative regulation of international trade of seasonal characteristic products, firstly agricultural products; usually their operation period are not more that some months and during this period the operation of custom tariff is stopped for this goods.
- anti-dumping duties – these types of duties are applied while thus goods is bought to the country area with lower price than in export country and while such goods

damages local manufacturers of current goods or while don't give opportunity to the organization of its national production and widening;

- compensatory duties – is intended duties applied while importing of the goods which production process are used subsidies directly or indirectly and while this importing damages local manufacturers of current goods. (Hasanov, 2009)

Duties are divided into three parts according resources:

- autonomic duties – is understood duties applied according to the unilateral decision of the country authorities; usually decision about applying of the custom tariff is decided by country parliament, concrete grades of the custom duties are defined by current body and certified by government;
- Convention (contract) duties – duties are defined by bilateral and multilateral duties contracts are concerned to these duties;
- preferential duties – is intended the duties which are applied under current level to goods which origin is developing countries; such duties are defined according multilateral contracts and meantime the goal is supporting economic development of countries by widening exporting of countries.

Duties are divided into two parts according the type of the degrees:

- permanent duties – is intended the custom duties which degrees are defined by state bodies at the same time and unchangeable depending on the situation; the custom tariffs of world countries consist of permanent custom duties;
- Changeable duties – is intended the duties which degrees can be changed though they defined by state bodies; such type of duties are rarely found.

Duties are divided into two parts according the method of calculation:

- Nominal duties – is a duty degrees noted at custom tariff; such kind of duties give an impression about custom duties applied by country to its own import or export;
- Efficient duties – these duties express real level of custom duty for the last product; this level is calculated by taking into consideration duties applied to detail and semi-finished products used for the preparation current product; on the base of calculation efficient level of custom protection, important decisions are made at trade policy.

Though the tariff structure of some countries protects national manufacturers of finished product, it doesn't lay obstacles to the import of raw materials and semi-finished products. It is achieved by means of tariff escalation. Under tariff escalation is understood increasing of applied custom taxation with the increase of processing level of goods. How more the duty levels are being increased from raw materials to finished product the protection level of the finished product

manufacturers is getting higher. The tariff level could be so high that it may absolutely stop import and make import unprofitable for foreign manufacturers. (Hasanov, 2009)

Therefore, emerges the issue definition of optimal level of tariff. Under optimal of tariff is understood tariff level providing maximum level of national economic prosperity. Import tariff contains at itself internal contradictions. This contradiction expresses itself at the coincidence of interests of manufacturers and consumers. On the one hand manufacturers are interested in application of tariff. It could give the opportunity being protected from undesirable international competition. On the other hand, these manufacturers who are consumers during outside of work are not interested in import tariff.

Under tariff quota is understood the variety of changeable custom duties which levels depend on the volume of the import: during the carried out import within defined quantitative base tariff level is applied to it and on the contrary, if the quantitative of the import is more than defined one the higher tariff level is applied.

Non-tariff tools of foreign trade policy.

Besides the tariff methods of state regulation of international trade, government use also non-tariff methods-quantity, private and financial tools widely. As the measure of non-tariff methods is difficult in contrast to the tariffs from quantity point of view expressing them at statistic is very complicated issue. The most common type of the non-tariff methods is quantity restrictions. Under quantity restriction is understood non-tariff administrative form defining the nomenclature and quantity of goods which import and export are allowed. Quota, licensing and “voluntary” restriction of export is concerning to quantity restrictions. Under quota is understood quantity non-tariff tool restricting import or export of goods for a certain period of time within defined quantity or cost. According their operating profile quotes are divided into import and export quotes. *Export quotes* are applied by state governments either according to the international agreements defining the share of the country at general export on certain goods, or preventing exports of goods missing at internal market. *Import quotes* are applied are applied by national governments for supporting local manufacturers, achieve equilibrium of trade balance, regulating demand and supply at internal market, as answer to discrimination of other countries. According to their scope quotes are divided into global and individual quotes. *Global quotes* are applied for a certain period of time in respect of import and export of certain goods. *Individual quotes* as defined within global quota expresses the volume of quota on every importing and exporting country.

Other type of foreign economic activity is connected with licensing and quota. Under licensing is understood the regulation of foreign economic activity by permissions given by state bodies for a certain period of time and intending the importing and exporting of goods at defined quantity.

Licensing is used most of the world countries, especially by developing countries for state regulation purposes of import. And developed countries usually use licensing as document certifying quota. (Hasanov, 2009)

From 1970s of XX century as international economic organizations began fight against protectionism trend and its carrying out tools, had been shipped countries expanding tools of protectionism policy and using new tools, thus process named at literatures as neo-protectionism. Hereinafter considering tools of trade policy has occurred under neo-protectionism trend. Firstly, neo-protectionism expressed itself during the proceedings named “voluntarily” restriction of export. Usually “voluntarily” restriction of export is taking place by country by the political pressure of more great import country. Great country threatens export country that in the case of not “voluntarily” restriction by applying unilateral restriction proceedings and by this way made country apply “voluntarily” restriction.

Under “voluntarily” restriction of export is understood liability taking by one of the partners about restricting volume of export and at least not expanding according to the official or non-official agreement. Besides the quantity and private methods of international trade protecting internal market from import, the expanding methods of export are also widely used in international trade training. Financing of export must be differing from simple crediting and financing of export-import operations. As non-tariff finance method of foreign trade policy the export crediting intends financial stimulation of development of export national companies by state.

If the government considers necessary the export of national manufacturers, presents them subsidies from budget as this or another form. *Subsidy* is a money payment aimed on supporting national manufacturers and discrimination of import indirectly way. As financial non-tariff method of trade policy dumping intends supporting of goods at foreign markets by decreasing export prices lower than normal prices. Dumping may carry out both on the account of different companies trying to get foreign market and giving state subsidies to exporters. Both in the international level and by some antidumping laws dumping is forbidden. Most of the countries demand antidumping duties, if they notice dumping situation against them. Antidumping duty is defined as the difference of selling prices at internal and foreign markets and it is applied by import country eliminating negative results of unjust competition carried out according to dumping. (Hasanov, 2009)

Modern Development Level of International Trade, Main Trends Observed at Its Goods and Geography Structure.

International trade is realized by carrying out purchase and sale transactions of international trade. The main factor of the administrating international economic relations is international trade.

International economic relations are manifested as the exchange of material goods, goods exchange in the result of production-technical partnership among countries. The carrying out of foreign trade imposes such issue in front of the world countries that, any country gets involved with production of goods that may be product more much with the lowest price, not any goods that can be product. The international trade is established among world countries in such way that it may bring profit to country. I mean, international trade is used for socio-economic improvement of country.

Taking into consideration that goods and services act as object of international trade, we may divide two forms-international trade with goods and international trade with services. *International trade* with goods is a relations form formed on the basis of international labor division among goods manufacturers of different countries. International trade with services is a private type of world economic relations expressing exchange with services among buyers and sellers of different countries. Selling of goods and services at foreign markets gives opportunity to expanding production in country and increasing profit of country by this. (V.I. Trukhachev, 2012)

The main factors influencing to the improvement of international trade after Second World War are followings:

1. Internationalization of international labor division and world economy had been led to increasing of openness indicator of economic.
2. Scientific and technical progress caused to the structure changes at national economics in 1970s. This caused to acceleration of product obsolescence, dynamic renewal of fixed capital, establishing new industry areas, formation of new goods with previously unknown features. Approximately, 10% new goods inserted to world goods turnover. The modern range of necessary goods is so wide that, every country is not able to supply itself with all goods absolutely. And this causes the strengthening of international labor division and increasing of international trade.
3. The concentration of production and capital at national and foreign markets, caused activation of transnational companies at world markets. The share of transnational companies at international trade is nearly 40%. Their private weight at foreign trade of different countries is up to 70%. Just transnational companies commend new countries, regions, goods to international trade.
4. The increasing of capital export, especially scale of directly investments caused to strengthening of export potential of world and increasing of international goods turnover. I mean, capital export by stimulating goods export caused its increasing.
5. By the collapse of the colonial system, formulation of new countries putting their first steps to formulation of economics positively caused to international trade.

6. Strengthening liberalization process of international trade by international companies. As a result of activity international organizations the unification and decreasing of tariff and non-tariff tools, created the solution mechanism of international trade debates as all of them had a positive influence the improvement of international trade.
7. The intensification and strengthening of integration processes removing regional barriers in the result of establishment free trade zones, custom unions and etc associations. With certain unions carried out duty-free trade, mutual trade is getting stronger, and at the final result it expresses itself at the totality points of world trade.
8. Active intervention of states to foreign economic activity in order to create a favorable environment for import-export operations.
9. At the result of transition to market economy the increase in the openness of their economy.

All these factors stipulated dynamic of international trade with goods and services and changes taken place at goods and geographical structures, defined development trends of international trade. The dynamic of international trade is processed by higher development rates. The following table expresses increasing of world goods and services export and world (Aliyev, 2003)

Table 3: GDP growth rates (with %).

	2007	2008	2009	2010	2011	2012	2013	2014	2015
World GDP growth	4,32%	1,84%	-1,70%	4,37%	3,09%	2,44%	2,47%	2,69%	2,63%

Source: site of World Bank <http://data.worldbank.org/>

Geographical structure of international trade expresses division of goods or service flow among countries formalized according their area or organizational features or their groups. There are took place important changes at area flow of international trade. So that, the shares of Northern America, Latin America, Central and Eastern Europe, African countries decreased at world goods export. In contrast to it, the shares of Western Europe, Middle East and Asia at world export increased. The same trends are observed at import. (V.I. Trukhachev, 2012)

Developed countries are dominated at the division of the international trade on the world by services. At regional point of view main exporters of services are Europe union, USA, Japan, Chine and India. USA, Germany, Japan, Great Britain and France are included into first five.

According to the organizational features at world geographical structure the shares of industrial developed countries are 60-70%, the developing countries are 25-30%, the previous socialist countries are 5% at world export at last 30s. Developed countries are dominated both at export and import. But their shares at world export and import are in decreasing tendency. On the contrary the shares of developing and transition economics countries are getting increased. It indicates that, the foreign trade of developing countries is getting increased with higher rate than developed countries. (V.I. Trukhachev, 2012)

The three center of the world had a leading position at international trade. USA, Europe Union and Japan. The 60% of import and export are accounted into their shares. About half of the world goods turnover is accounted under the control “great seven” countries (USA, Canada, Japan, France, Great Britain, Germany, Italy) (V.I. Trukhachev, 2012).

There are observed certain changes at goods structure of international trade recently. Goods structure of international trade may be characterized by several trends. Firstly, goods flows involved in goods turnover are diversified. At present there is available Germany’s 180, USA, Great Britain and France’s 175, Japan’s 160 goods position at export nomenclature. It shows rapid renewal of products put on the world market. In every 5 years about 60% of products of automobile and instrumentation industry is renewed. (V.I. Trukhachev, 2012)

Interstates and legal regulation of international trade, international organizations and normative acts.

The development of international economic relations besides the national regulation of international trade also accompanied with establishment of different types of interstates mutual activities. Current tendency is conditioned by several reasons:

- The deepening of internationalization of economics life;
- widening of world goods, service, and production factors market;
- Development of transnational companies
- Establishment of numerous international organizations.

At the result, as regulation proceedings of one country influence to the economics of other countries, that current countries make response measures for protection their manufacturers and consumers. Thus reveals indispensability of carrying out current regulations at interstates level. (V.I. Trukhachev, 2012)

Interstates regulation of economic may be realized as following forms:

- Bilateral agreements;
- Regional characterized multilateral agreements signed within regional organizations;

- Global characterized multilateral conventions inserted into turnover by global organizations.

As trade relations established on bilateral base among states regulated with trade contracts and agreements, that they are signed by executive branch level and certified by legislative power (parliament). Such kind of contracts and agreements defining principles and regime of bilateral trade usually signed for 5-10 years and periodically reviewed and the periods are extended. (V.I. Trukhachev, 2012)

While speaking about carrying out interstates regulations into second base firstly must be noted custom unions. Custom union is an agreement signed by two or more countries on legal point of view. According to this agreement states realize unified tariff policy with respect to each other and third countries. In economical point of view custom unions intend the formalization of unified economic zone and this means elimination of custom borders within current zone.

We may divide companies dealing with regulation of international trade into two groups according their scales and profiles:

1. generally international companies dealing with different problems of international trade;
2. International companies dealing with regulation of trade with some connected goods and services.

GATT/WTO, UNCTAD, YUNISTRAL, International Chamber of Commerce are included to first group. (V.I. Trukhachev, 2012)

The leading role at regulation of international trade with goods, also services belongs to /World Trade Organization (WTO). Current organization took a long evolution way till formalization. The main result of Uruguay Round was establishment of WTO. WTO is established on the 1st January of 1995th Year. The headquarters of the organization is situated at Geneva capital of Switzerland. It is continuer of General Agreement on Tariffs and Trade (GATT) created in 1947. Currently 150 countries of world are the members of WTO. Besides 31 countries and some international organizations have observer status at WTO. About 97% of world trade accounts to share of WTO members. WTO realizes regulation of trade relations according to multilateral trade agreements. The main goal of WTO is maximum liberalization of international trade and creation of its strong basis and thereby economic development and especially increasing of people's living standards. (V.I. Trukhachev, 2012)

The main objective of WTO regulation of trade-economic regulations among member countries on the basis of Agreements Packet formalized at Uruguay Round (1986-1994). (V.I. Trukhachev, 2012)

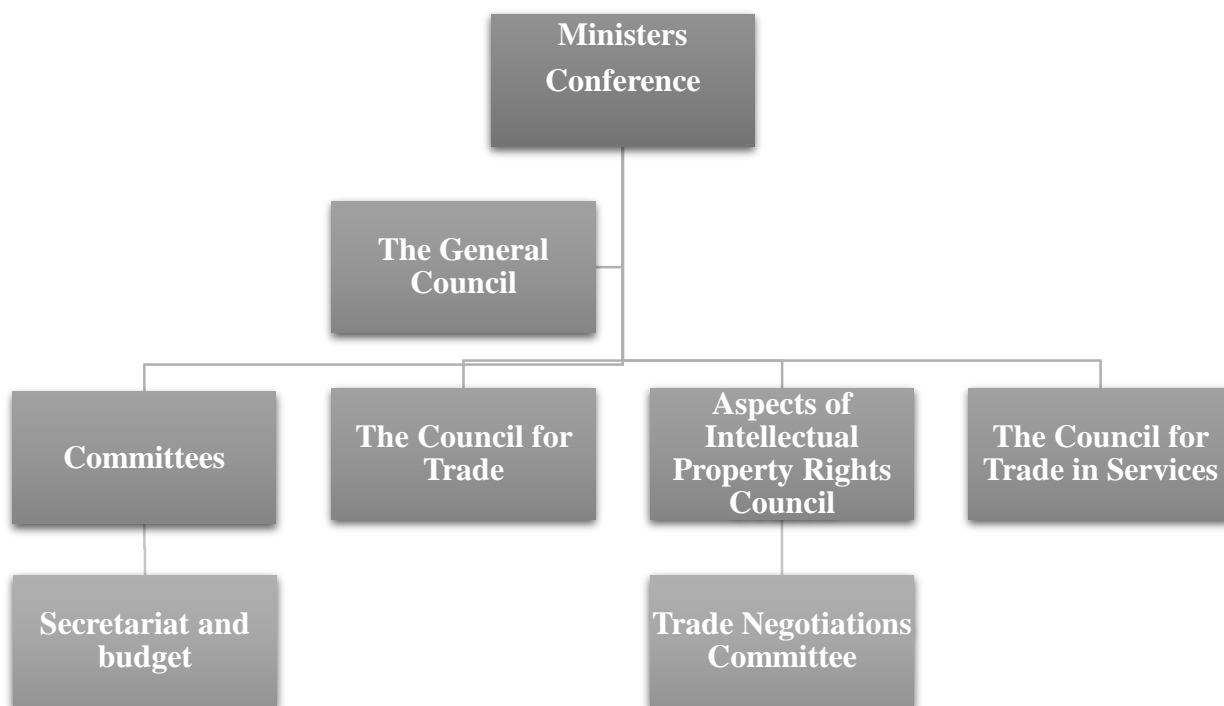
Principles of WTO:

- “the most favorable regime” principle (establishment of the same trade conditions for member countries);
- “national regime” principle (avoidance from discrimination between imported goods and services and local goods and services)
- Elimination of quantity restrictions at trade
- Clear and transparent trade policy
- Protection of internal markets with WTO rules
- Creation of favorable condition for free competition
- Solution of trade debates with negotiations

Functions of WTO:

- Realization of control on the adoption of multilateral trade agreements and implementation of adopted agreements;
- Organization of trade negotiations among member countries;
- Observation of trade policy realizing by member countries;
- Realization of partnership other international companies;
- Help to the solution of trade debates among member countries;
- Gaining, learning and presenting the information about international trade and trade policy.
- Organizational status of WTO is defined by IV Article of Agreement about establishment of WTO.

Table 4: Organizational status of WTO



Source: www.wto.org

Ministerial conference is considered higher authority of WTO. The ministerial conference where all members are represented takes place at least once every two years in order discussion of problems about Agreements of Uruguay Round and make decisions about principal issues. Ministerial conference has the authorities such as appointment of General Director of WTO, establishment of current committees, accepting new members to organization. (Bayramov, 2010)

General council which subjected to Ministerial conference is responsible for realization of current affairs. General council is called several times a year where all ambassadors and heads of delegations are represented at the headquarters situating at Geneva. The realization of multilateral trade agreements and decisions of Ministerial conference, solution of argumentations and realization of periodical review of trade policy are included to the functions of General council. (Bayramov, 2010)

Council on goods trade subjected to General council heads to the operation of 10 specialized committees (Access to market, Agriculture, Sanitary and phytosanitary measures, Technical barriers to trade, Subsidies, Antidumping, Customs Valuation, Origin country of goods, licensing of import) controlling adherence to principles of WTO and realization of GATT 1994 Agreement. (Bayramov, 2010)

Council on trade with services takes control on realization of GATS Agreement. Two committees are included to it. (Bayramov, 2010)

Council on trade aspects of intellectual property rights takes control on realization of TRIPS Agreement. (Bayramov, 2010)

Secretariat is considered executive branch of WTO. General Director leads to the secretariat appointed by Ministerial Conference. The main objectives of secretariat are providing technical assistance to Ministerial conference, several councils, committees, Developing Countries and realize analysis of world trade. (Bayramov, 2010)

Multilateral analysis of international trade with services is realized on the basis of “*General Agreement on trade with services*” (GATS) within WTO. GATS consist of 3 main blocks by defining main principles of analysis international trade with services. At the first block are defined mutual responsibilities of member countries on trade with services. The second and third blocks of agreements express themselves list of the first mutual concessions given for access to service markets and supplement about private status of several service sectors.

Organization of United Nations Conference on Trade and Development (UNCTAD) established on 1962 by the decision of Economical Council of UNO. As the initiators of establishment of organization acted some Developing countries highlighting the issue about the lack of attention to trade problems of third world countries, also socialist countries. (Bayramov, 2010)

Main objectives in front of UNCTAD:

1. supporting of trade development of world, providing of stable world and equal in rights mutual partnership;
2. elaboration of recommendations, principles, organizational-legal condition and mechanisms for favorable functioning of modern international trade;
3. take part at coordination of operations of organizations on economical sphere of UNO system; there are 6 committees at structure of UNCTAD that they are specialized in different profiles;
 - a. Committee on raw material goods;
 - b. Committee on finished and semi-finished products;
 - c. Committee on maritime transport;

- d. Committee on “invisible” articles (services) of trade;
- e. Committee on financing and crediting of international trade;
- f. Committee on commercial transfer of technologies.

Control to operation of international cooperation acts as special operation sphere of UNCTAD. (Aliyev, 2003)

UNCTAD classifies the countries according their social-economic and geographical features and creates its work principles on the basis of current classification. According to the classification of UNCTAD Eurasia countries are included to “A” group, industrial developed countries to “B” group, Latin America countries to “C” group, socialist countries “D” (located in Europe) group. The countries including to “A” and “C” groups, also some socialist countries created a group that became known as “77” in 1975. (Dadashov, 2003)

The greatest inevitably at the performance of UNCTAD was at the end of the 1960s and at the beginning of the 1970s. At that time new international rule conception forwarded by “77”s group was formalized. (Shakaraliyev, 2003)

As the most effective result of the UNCTAD operation could be presented acceptance of the “Integrated program for raw material goods”. At the result of current program, the trade condition on 18 raw material goods has been improved at foreign trade of developing countries.

There is has great role of UNCTAD at restoration of privilege regime for goods of developing countries at the markets of developed countries. At the 2nd session of UNCTAD took place at Delhi was accepted “General privilege system during importing of finished goods from developing countries”, that according to this system industrial developed countries present several privileges to developing countries. (Aliyev, 2003)

Currently UNCTAD doesn’t have a great role at the regulation of international trade as before 15-20 years but still protects its potential. (Aliyev, 2003)

International trade law commission of United Nations (UNISTRAL) was established in 1964 for the purpose of agreement and unification of international trade law. Marine freight Transportation Convention of UN (“Hamburg Rules”) Convention of UN about International Agreements on shopping of goods (Vienna Convention on shopping) and etc., are included to the actives of Commission. (Aliyev, 2003)

Generally, commission deals with international shopping of goods, international payments, international trade arbitration and international legislation spheres on marine freight transportation. (Aliyev, 2003)

International Chamber of Commerce (ICC) was established in 1922 as non-governmental international organization and generally expresses supporting function. It incorporates countries more than 100. General Staff of the Chamber situated in Paris. The main body is Congress. It prints

regulations on commercial terms (INCOTERMS), distributes rules, traditions and norms of international trade and realizes mediation mission among merchants and entrepreneurs, also establishment of trade-industry chamber of them. (Aliyev, 2003)

Specialized second group organizations on regulation of international trade several goods and services include:

- Organization of petrol exporting countries (OPEC);
- Association of iron ore exporting countries (APEF);
- Intergovernmental Council of Countries Exporters of Copper (CIPEC);
- Europe hard coal and steel organization;
- Cocoa Producers' Alliance;
- Union of banana exporting countries;
- International marine organization
- World Tourism Organization

Thereby, international community tries for providing higher improvement dynamic of international trade and works on maximization of getting revenue for all countries. (Aliyev, 2003)

4. Foreign trade strategies and features of Azerbaijan

4.1. Foreign Trade as main factor of integration of Azerbaijan Republic to the world economic system

Foreign trade policy of any country must be viewed as a constituent element of entirely economic security conception. Just a minor changing at structure of foreign trade may cause material welfare of country. Partnership with foreign countries may give very great advantages for providing comprehensive socio-economic improvement of national economy of Azerbaijan. The Republic of Azerbaijan attempt to widening of partnership with foreign countries at own socio-economic improvement and tries to get maximum benefit from advantages come through strengthening of labor division. (A. S. Shakaraliyev, 2009)

Achievement of political independence, transition to a market economy from administrative-command system, re-examine old foreign economic relations system that existed for a long time give ground for the creation of mutual efficient relations. The collapse of the USSR by changing the geopolitical condition for a large area, created perspectives for the improvement and intensification of international relations of Azerbaijan, using the advantages of international labor division for the interests of Republic. The foreign economic policy of Azerbaijan being the part of the general economic policy of country expresses all aspects and features of it. The realized foreign economic policy for the achievement of economic improvement of Azerbaijan covers: financial stability and creation of stable financial system; active structure policy for national exporters' getting radical position at world markets on many species of goods; providing strong state support for exporters; improvement of the business environment for the activation of foreign investment. Under foreign economic policy of Azerbaijan is expressed operation directed to realization of goals set by international economic relations. Foreign economic policy being the economical unit is part of economic policy and directly connected with socio-economic policy of country. Foreign trade policy expresses two approaches at foreign economic policy of Azerbaijan: depending on intervention of state to goods exchange sphere, free trade or protectionism. In the first years of independence of Azerbaijan free trade principles are dominated, gradually tried the using optimum ratio of both approaches. (A. S. Shakaraliyev, 2009)

Foreign economic policy takes places at four ways at socio-economic development program of Azerbaijan:

1. Foreign trade policy;
2. Payment balance policy;
3. Foreign investigation policy;
4. Foreign support policy.

Trade legislation formalization of Azerbaijan Republic gave opportunity to the extension of trade partnership. On the purpose regulation of interstates trade relations were accepted several law and normative-legal documents. Below some of them could be shown as example:

- No 1064, 20 June 1995 dated Law of the Azerbaijan Republic “About Customs Tariff”
- No 311-IQ, 10 June 1997 dated Law of the Azerbaijan Republic “The Customs Code of the Azerbaijan Republic”
- No 609, 24 June 1997 dated Decree of the President of the Republic of Azerbaijan “About more liberalization of foreign trade in Azerbaijan Republic”
- No 7, 12 January 1998 dated Decision the Cabinet of Ministers of the Republic of Azerbaijan “The Rules of applying of system of custom valuation of commodities delivered to, and exported from custom area of the Republic of Azerbaijan” of January 12th 1998;
- No 20, 19 January 2001 dated Decision of the Cabinet of Ministers of the Republic of Azerbaijan "On excise duties of excised products imported to the Republic of Azerbaijan";
- No80, 12 April 2001 dated Decision of the Cabinet of Ministers of the Republic of Azerbaijan "On custom duties and custom clearance fees in export-import operations of the Republic of Azerbaijan";
- No 772-IIQ, 26 October 2004 dated The law of the Republic of Azerbaijan “On Export control”
- No 11, 31 January 2005 dated Decision of the Cabinet of Ministers of the Republic of Azerbaijan “On the list of VAT free goods imported to the Azerbaijan Republic”;
- No190, 29 November 2007 dated Decision of the Cabinet of Ministers of the Republic of Azerbaijan "On approval of Rules of determination of countries of origin";
- No 791-IIIQ, 14 April 2009 dated The law of the Republic of Azerbaijan “On special economic zones”

6 December 2016 dated Decree of the President of Azerbaijan Republic Strategic Transport Map about improvement of logistic and trade in Azerbaijan Republic

(A. S. Shakaraliyev, 2009)

After getting independence the foreign trade policy of Azerbaijan Republic serves to creation and using of new financial sources. The main influence tool of this policy is the regulation of tariff and non-tariff. At satisfaction of the country economy and people to the daily needs tariff regulation of foreign trade takes a huge importance after getting independence. In real life states interfere to foreign trade by this or another way. Custom tariffs one of the most important tools for interfere to foreign trade. (A. S. Shakaraliyev, 2009)

Legal guarantee of foreign trade policy in Azerbaijan began formalization after the 1994 dated decree of the president “About increasing of foreign trade efficiency in Azerbaijan. The main goals at decree issue were increasing of using efficiency from export potential of the country at transition economy condition, regulation of calculation system and strengthening of protection of internal market. Restriction of the barter operations was intended the trade of the strategic goods only with the permission of president. The mentioned degree is directed to the elimination of defects observed foreign trade sphere with the beginning of the transition period to market economy. After the acceptance of Customs Code in Azerbaijan Republic on June 10th 1997 “The law of the Azerbaijan Republic about customs tariff” came into force accepted on June 20th 1995. Current law mainly, defines formalization and applying the main tool of state regulation of foreign trade custom tariff, also rule imposition of duty from the goods passing through custom border of Azerbaijan Republic by providing efficient relation of internal market with foreign market. (A. S. Shakaraliyev, 2009)

The goals of the custom tariff are the followings:

- providing favorable ratio of currency revenue and expenditure of importing and exporting of goods throughout the country;
- Efficient, control on importing and exporting of currency wealth throughout custom area of Azerbaijan;
- create condition for progressive changing of production and consumption structure of goods at country;
- Protect economy from negative influence of foreign trade and create condition its efficient integration with world economy.

Custom tariff is applied to the goods passing through custom borders of Azerbaijan Republic and it's the totality of the systematized custom duty ratios according to the goods nomenclature of the foreign trade. The rates of the import and export custom duties and also list of the countries efficient trade regime applied are defined by Council of Ministers. Rate of the import custom duties are increased twice to the goods of the counties not applied efficient trade regime and goods not defined origin of the country. (A. S. Shakaraliyev, 2009)

Following custom duties are being applied in Azerbaijan Republic:

1. Ad valorem- the custom duty calculating in percentage according custom value of the goods;
2. Specific duty- the custom duty calculating with value defined to the goods unit;
3. Combined duty- custom duty calculating by combining both types.

Following special type of duties could be applied to the goods imported for protecting economic interest of the Azerbaijan Republic:

Special duties, antidumping duties, compensation duties

The exported goods from Azerbaijan Republic, regardless of their type are not involved into custom export duty. The import duty for the imported commodities to the country is simplified. The custom value for the goods involved to the import duty is 15% regardless of their type. (A. S. Shakaraliyev, 2009)

Regardless of the property and organizational-legal type while legal persons of Azerbaijan Republic selling strategic products abroad from country following products are involved to the export tax: oil and oil products, high-pressure polyethylene, sulfates, caustic soda, primary aluminum, aluminum rolling-scrap, steel pipes, iron concentrate, bronze ware, cotton product, black caviar. Council of Ministers can make changes to this list by agreeing with the National Council. Exporters don't pay value-added tax, excise tax, custom duty, and divisions to state transport fund on strategic products while they sell them abroad its borders.

Non-tariff regulation is directed to liberalization of foreign trade and restriction of non-economic factors. Amendments and additions to the 6 August 1996 dated decree "About regulation of foreign trade in Azerbaijan Republic" with 24 September 1996 dated decree give opportunity to the systematized apply of the liberalization foreign trade. Administrative regulation of foreign trade by state significantly reduced, activity of subjects realized import-export operations set free, the number of strategic goods reduced from 17 to 4. Also the list of the goods which import and export was taken place by the order of Council of the Ministers and products that reference of the state bodies is required for current operations adapted to the international standards. (A. S. Shakaraliyev, 2009)

One of the important directions of the foreign trade is the stimulation of the export. Some stimulation methods of export are considered advisable in Azerbaijan:

1. Applying of the tax and custom concessions. For getting maximum effect form export for a short period of time concession could be applied both to income tax and indirect taxes (VAT and excise). At priority considered spheres for improvement of export, the applying of the concessions to the income tax may

be considered appropriate. Such kind of concession is suitable for the exportable policy realizing countries.

2. Regulation of mutual relations among monopolies and priority spheres of industry. For influencing such kind of mutual relations defined concessions (tariffs of railway transportation, communal services tariff and etc.,) may be given to the exporters.
3. Purposely investment programs creation and realization at spheres connected with foreign trade. Current programs may be financing by both state budget and on the account concessional loans of banks.
4. Leasing may be taking important role at stimulation of export. The world experience shows that, leasing is one the efficient ways of attracting “real” investments in the form of new technique, technology and etc., to the country economy. In the industrial developed countries 60-70% of exploited equipment and techniques are get by leasing. The industrial enterprises of Azerbaijan need technical and technological renewals. The using of the leasing will give opportunity to the modernization of production and create compatible production.
5. Apply of the organizational-technical support mechanism and efficient using for support to the national enterprises in mastering of foreign markets. It expresses:
 - a. making support at getting foreign orders and getting high qualified industrial equipment to exportable enterprises
 - b. Presentation of different commercial information
 - c. Representation of exporters’ interests at state and government bodies of foreign countries
6. Creation of strong credit organizations for realization crediting import-export operations. In this case, intended the insurance of the export credits and giving state credits to the exporters of foreign countries by the term that buying only Azerbaijan products, also creation of great bank structures realizing financing of the export production.
7. Creation of private exportable and scientific-technical zones as the one type of free economic zones at such zones investors may get private licenses for duty-free import of the materials and equipment by the term export a part of the product hereinafter.

One of the main directions of foreign policy of Azerbaijan Republic is payment balance policy. Periodical and comprehensive statistic information for evaluation right finance and foreign trade policy are expressed on payment balances. Balance of the payments is a document expressing the totality of operations realized by the population of the country for a period of time with the residents of the foreign countries. (A. S. Shakaraliyev, 2009)

Balance of the Payments in Azerbaijan is a document expressing following points according to the rule defined by International Currency Fund.

1. All operations realized among Azerbaijan and other countries on goods, service and incomes;
2. Liabilities of the country in front of foreign world countries, property and all other changing expressing financial requirements;
3. All unilateral transfer and commercial characterized notes for balancing operations and changing not connecting mutual payments to each other.

Balance of the payments began applying since 1995 in Azerbaijan according to the regulations issued by ICF. State regulation balance of the payments has three ways:

1. Regulation of imports by the method carried out in the form of direct control, custom and other collections, prohibition or restriction of the transfer profits on foreign investments and capitals of private persons, sharply reduction of the non-refundable aids, long and short-term capital export and etc.,
2. Using of deformation proceedings directed to the realization internal economic objectives, besides influencing payment balance condition;
3. Exchange rate changes. Proceedings for the payment shortage of payments balance may be divided into two parts.

Basis of foreign investment balance defined by 15 January 1992 dated Law of Azerbaijan Republic "About protection of foreign investment". Following privileges are intended for the foreign investors:

1. Income tax is designed 25% for the enterprises established in the territory of Azerbaijan and from charter fund, which foreign capital is more than 30% and at mountain areas 10%.
2. Foreign capital operating in the sphere of material production is free from income tax first two years, at village area first three years;
3. Income involved to tax is reduced till the amount directed to the improvement of income production, carrying out scientific research work, environmental protection measures, percentage payments on long-term credits;
4. Allocations to reserve fund of the enterprise are get free from tax.

Azerbaijan revealed realization of some measures in the sphere of involvement foreign investments. Firstly, general investment program fully expressing interests and goals of the government must be made and authorized state structure must be established for realization current program. Realization methods of this program must be cleared and must operate on investment direction at all spheres of economy. (A. S. Shakaraliyev, 2009)

Investment practices of foreign countries must be used by analyzing. Privatization process must be accelerated; stable investment atmosphere must be created.

Foreign economic policy of Azerbaijan Republic is completed by using foreign support policy. Foreign support policy of country covers proceeding getting supports from international organizations and states and using. It is a new foreign policy structuralized recently in international community. After getting independence as Azerbaijan Republic realized reforms on the transmission to market economy, supports by international organizations by aids for providing economic improvement, abolishment of payment balance shortages, providing stability of national currency and national defense.

Thereby, during realization of current foreign economic policy, the integration of country to the world economic system should be in priority, proceeding by current social division of labor, specialization and cooperating policy must be realized at higher technological level. (A. S. Shakaraliyev, 2009)

4.2. Complex research and optimization ways of structure of foreign trade relations of Azerbaijan Republic

The effective integration of country economy to world economic system is one of the main directions of socio-economic development of countries, including Azerbaijan, which restored its independence in recent years to ensure development of foreign economic relations. Azerbaijan is rapidly integrating into the world community. Today Azerbaijan is accepted as an equal partner in the international arena and it is building a system of long-term cooperation. In such circumstances, the strengthening of trust and confidence can be based on several principles, it is especially important to the country. One of these principles is membership in the World Trade Organization. (Bayramov, 2010)

Azerbaijan is working towards integration international trade and being member of the World Trade Organization accession to international standards of legislation affecting foreign trade in the country. (Bayramov, 2010)

In 1997, the Azerbaijan Republic has decided to apply to become a member of the World Trade Organization. Azerbaijan currently has observer status in this organization and is working hard to be accepted to WTO. Azerbaijan's Coordination group, this group carries the whole

negotiation process on WTO. Trade rules of the WTO accession process are the most useful advantage of requirements for improvement. Regardless of the decision to WTO membership is one advantage to have a transparent and effective law. The Uruguay round of trade is good for the whole country, regardless of any discretion of the principles and norms. They reduce operating costs and increase competition in the ability of commerce of the country. (Bayramov, 2010)

WTO accession procedure is as follows:

1. Presentation the application to the Secretariat of WTO expressing the desire of being member of WTO;
2. Establishment Group of workers at Secretariat of WTO; on country wishing to become member;
3. Presentation of Memorandum to the Secretariat of WTO about foreign trade regime of the country wishing to become member;
4. Presentation of questions by member countries about Memorandum;
5. Presentation of answer of the questions about Memorandum to the Secretariat of WTO;
6. Holding a meeting of the Group of workers on the country wishing become member;
7. Presentation of documents and tables defined by WTO Agreements to the Secretariat of the WTO by the country wishing become member;
8. Holding on bilateral negotiations among country wishing become member of WTO and member countries;
9. Holding on periodical meetings of Group of Workers on the country wishing become member;
10. Making of final report by Group of Workers on the country wishing become member;
11. Acceptance of Protocol of Accession by General Council according final report;
12. Certification of Acceptance Protocol by Conference of Ministers;
13. Ratification of Acceptance Protocol by the parliament of the country wishing become member.

(Vugar Bayramov, Baku, 2010)

Table 5: Azerbaijan's WTO accession procedure

1	Acceptance of the application	30 June 1997
2	Working on the WTO Secretariat group	16 July 1997
3	Memorandum on the Foreign Trade Regime was submitted to WTO	9 April 1999
4	Working group meetings	7 June 2002- 24 February 2014
5	Tactical plan	5 June 2002 - 21 August 2013
6	The Working Group's report	3 December 2013

Resource: Internet site of the World Trade Organization-www.wto.org

Main goals for being member of WTO are follows:

- To accelerate the process of integration into the world economic system;
- Take advantage of the benefits issued by WTO member countries to each other;
- Realization of trade operations most of the countries of the world according to the general rules accepted by WTO;
- Achieve support of the international organizations and countries to economic reforms taken place in country;
- Involve more foreign investments after applying WTO rules;
- Get opportunity to use mechanism of WTO for solution debates.

In the adoption of Azerbaijan to the WTO on favorable terms, what status is valued WTO member countries are divided on the basis of development in 3: Developed, developing and least developed countries. (Bayramov, 2010)

During WTO accession talks of agriculture, the agricultural sector is the presence of a favorable climate for the development of this sector, more than half the population in rural areas should be emphasized the fact of the existence of the leading sectors of the economy that good traditions, agro reserve. As you know, in the framework of the WTO accession into the WTO talks held during the ongoing trade negotiations in the field of agriculture is considered the most controversial, but also in general in both. This once again confirms the Ministerial Conference in Hong Kong, as well as Cancun and the experience of member countries, which recently.

The answers are given to questions by WTO members submitted by the foreign trade regime of Azerbaijan, has created a greater understanding. Proof that every question submitted can be a reduction in the number of questions in the collection. (Bayramov, 2010)

Many different cases, orders, decisions and rules established by legislation and to control their country is a general term for a conglomerate of "trading regime" produced during the trade

to regulate. This control or regulate the import and export of goods and services by foreign suppliers and the offer is revealed by requiring types of activities. Foreign trade legislation of the Republic of Azerbaijan in connection with the export of goods from the country aims to regulate and first began in 1992. Trade in the next stage began in 1994. At this stage, the government was trying to provide more detailed rules covering all issues related to foreign trade.

The formation of the legal framework that meets modern requirements is one of the important advantages of the accession of Azerbaijan to the WTO. (Bayramov, 2010)

The first method to serve - is serving WTO member countries through the territory of other member countries of the WTO.

The second method - is to go to WTO member countries where this or that service is serving for consumer them.

The third method – is "commercial participation" of legal or individual person of WTO member countries in other WTO member countries for serving.

The fourth method – is a physical person who is citizen of WTO member country going to other WTO member states to serve there. This method as well as is called "the movement of physical persons".

WTO member countries guarantee with the Most Favorable Regime in all service spheres and take responsibilities of them. This means that all members of the WTO and to not allow discrimination of any country to use the same trade regime. During the accession process of Azerbaijan to the WTO, main tactical objective is to achieve the current level of development of the service sector liberalization of services necessary for services the traditional and still not sufficiently developed in connection with the obligations linked. (Bayramov, 2010)

There are tasked two goals in preparation process of proposals in front of Azerbaijan:

The first purpose-national services market in a normal competitive environment, and services to create favorable conditions for attracting foreign investments. (Bayramov, 2010)

The second purpose deals with services which are still very weak in comparison with foreign rivals and at the same time ensure the necessary protection of related services in the future development point of view. (Bayramov, 2010)

WTO members interested in a number of specific services, including banking and insurance, telecommunications and distribution services to special interest in the services market of Azerbaijan. Foreign banks and their branches in Azerbaijan provides necessary conditions for the provision of banking services in the field of banking services existing national regime today. Azerbaijani insurance services aimed at further liberalization of the services market commitments, which wants to take over the national. But despite this, the insurance market of Azerbaijan for elimination of all existing restrictions on foreigners today is unacceptable.

The improvement of legislation is one of the most relevant issues. Here the main issue for Azerbaijan in terms (the Plan, approved by the Decree of the President of AR on August 2, 2006) of national legislation in line with WTO obligations, is in order. The Azerbaijani side has already submitted to the WTO Secretariat documents that contain these obligations. The delay in the work carried out in the direction of improvement of legislation related to multilateral negotiations currently concern of the member countries. Member countries want to accelerate the process of adoption of new legislation in Azerbaijan.

Strengthening the position of Azerbaijan in the international arena and increasing the export potential of our country, strengthening and protection of interests of our country, the establishment of trade relations with foreign partners the same terms, the creation of additional incentive for the development of national production in international trade, improving the structure of export to the world market of goods and services to ensure the smooth withdrawal of Azerbaijani origin, the image of a healthy. In a competitive environment for the adoption of Azerbaijan to the WTO is important in terms of improving the quality of products manufactured in the country.

Economic life of Azerbaijan in difficult conditions in all areas of integration with the modern world, and sometimes the threat has created new opportunities and new challenges. The effective use of these opportunities, current problems and threats were timely study of the issue is important for Azerbaijan today. (Bayramov, 2010)

5. Role and perspectives of foreign trade in Azerbaijan economy

5.1. Foreign trade dynamic of Azerbaijan, features of import-export structure

Foreign economic relations of international integration are one of the main pledges of accelerating economic development of the national economy in various countries. In this way, the production efficiency of the overall socio-economic well-being of the population and the result is trying to increase its production capacity connecting the flow of economic integration of the two countries. The advantage of the maximum use of all forms without a radical change in the development of the economy of the country is impossible to conduct intensive expansion of foreign economic relations of international division of labor, without. None of the world countries develop in isolation from other countries to ensure that their international and regional level they try to establish economic relations. In modern times, covering more and more areas, along with existing regional groups is characterized by a number of features of the geography of foreign trade. Complex research of dynamics of development of foreign trade and the tendency of countries-geographical is important to study the structure of export-import operations. Foreign trade, especially export geography of the priorities in the foreign trade relations can be talked about. (Doc. Karimov A.I 2006)

The following table provides information about the dynamics of foreign trade in Azerbaijan in the period of independence and schedule. After the Republic of Azerbaijan gained independence, foreign trade turnover 10 times, exports - 8 times, the volume of imports increased by more than 12 times. The surplus also significantly increased. The highest surplus of about \$ 40,5 billion recorded in 2008. Export crude oil prices on the world market, the main reason for this was that high level.

- In 2012, the foreign trade turnover of Azerbaijan amounted to \$ 43813.5 million. The volume of export of goods amounted to \$ 34160.6 million and import - 9652.9 million. Positive balance in foreign trade turnover amounted to \$ 24507.7 million.
- In 2013, the foreign trade turnover of Azerbaijan amounted to \$ 43554.1 million. The volume of export of goods amounted to \$ 32841.6 million and import - 10712.5 million. Positive balance in foreign trade turnover amounted to \$ 22129.1 million.
- In 2014, the foreign trade turnover of Azerbaijan amounted to \$ 39407.5 million. The volume of export of goods amounted to \$ 30219.8 million and import - 9187.7 million. Positive balance in foreign trade turnover amounted to \$ 21032.1 million.

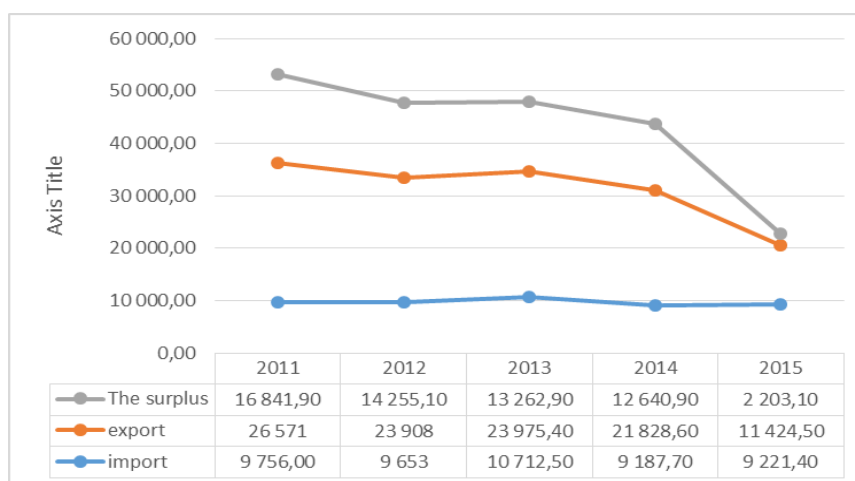
- In 2015, the foreign trade turnover of Azerbaijan amounted to \$ 25781 million. The volume of export of goods amounted to \$ 16559.6 million and import - 9221.4 million. Positive balance in foreign trade turnover amounted to \$ 7338.2 million.

Table 6: The dynamics of foreign trade relations in the years of 1991-2015

Years	In million US dollars			
	turnover	imports	exports	balans
2003	5 216,6	2 626,2	2 590,4	-35,8
2004	7 131,4	3 515,9	3 615,5	99,6
2005	8 558,4	4 211,2	4 347,2	136,0
2006	11 638,9	5 266,7	6 372,2	1 105,5
2007	11 771,7	5 713,5	6 058,2	344,7
2008	54 926,0	7 170,0	47 756,0	40 586,0
2009	20 824,5	6 123,1	14 701,4	8 578,3
2010 ¹	33 160,7	6 600,6	26 560,1	19 959,5
2010 ²	27 960,8	6 600,6	21 360,2	14 759,6
2011 ¹	44 161,7	9 756,0	34 405,7	24 649,7
2011 ²	36 326,9	9 756,0	26 570,9	16 814,9
2012 ¹	43 813,5	9 652,9	34 160,6	24 507,7
2012 ²	33 560,9	9 652,9	23 908,0	14 255,1
2013 ¹	43 554,1	10 712,5	32 841,6	22 129,1
2013 ²	34 687,9	10 712,5	23 975,4	13 262,9
2014 ¹	39 407,5	9 187,7	30 219,8	21 032,1
2014 ²	31 016,3	9 187,7	21 828,6	12 640,9
2015 ¹	25 781,0	9 221,4	16 559,6	7 338,2
2015 ²	20 645,9	9 221,4	11 424,5	2 203,1

Source: State Statistics Committee website: www.azstat.org

Diagram 1: Export and import growth rates in the years 2011-2015



Source: State Statistics Committee website: www.azstat.org

Table 7: The share of foreign trade turnover in 2015 (in thousands of US dollars)

Countries	Commercial turnover	Share in%
Total	20 645 880,1	
Italy	2 842 098	13,7%
Germany	1 914 044,4	9,2%
Russian Federation	1 854 672,1	8,98%
Turkey	1 475 683,8	7,15%
USA	1 185 093,8	5,74%
France	1 076 406,4	5,21%
Israel	826 405,1	4,00%
Czech Republic	607 892,9	2,94%
China	565 099,4	2,74%
Great Britain	563 991,6	2,73%
Japan	558 969	2,71%
Austria	525 793,2	2,55%
Indonesia	497 733,5	2,41%
Georgia	433 947,2	2,10%
Portugal	395 078,9	1,91%
Spain	377 618,5	1,83%
Ukraine	333 128,4	1,61%
India	305 032,4	1,48%
Tunisia	292 204,2	1,42%
Thailand	282 989,8	1,37%
Other countries	5 993 497,70	29,03%

Source: State Statistics Committee website: www.azstat.org

Azerbaijan's largest trade partner is Italy, the same in recent years. The main reason for this is the output of Azerbaijani oil to the world market in Italy. From neighboring countries - Russia and Turkey have trade relations with the larger share

Table 8: The share of imports from other countries in 2015(in thousands US dollars)

Countries	Import 2015	Share in%
Total	9 221 402,8	
Russian Federation	1 437 901,3	14,05%
Turkey	1 171 385,4	13,66%
USA	847 389,4	12,45%
Germany	690 082,4	7,68%
Italy	587 767,5	5,50%
Japan	558 097,7	5,29%
Great Britain	553 325,5	3,97%
China	511 904,6	3,51%
Ukraine	309 651,9	3,47%
France	212 250,6	2,86%
Norway	144 275,0	2,69%
Korean Republic	133 946,4	2,33%
Brazil	119 710,0	2,14%
Austria	118 444,8	1,94%
Singapore	103 489,5	1,69%
Netherlands	102 826,5	1,49%
Switzerland	99 204,7	1,23%
Kazakhstan	98 925,6	0,89%
Poland	90 732,7	0,83%
Republic of Iran	90 455,4	0,83%
Other countries	1 239 635,90	11,49%

Source: State Statistics Committee website: www.azstat.org

Russia occupies the first place on the goods imported to Azerbaijan. The next step in Turkey and Great Britain and settled. As one can see from the table imported products are the main place among the most developed countries.

Table 9: The share of imports from other countries in 2015(in thousands US dollars)

Countries	Export 2015	Share in%
Total	11 424 477,3	
Italy	2 254 330,5	24,98%
Germany	1 223 962	11,56%
France	864 155,8	6,95%
Israel	801 533,4	5,66%
Czech Republic	549 516,3	5,26%
Indonesia	477 818,9	4,72%
Russian Federation	416 770,8	4,58%
Austria	407 348,4	4,50%
Portugal	368 874,4	4,13%
Georgia	365 954,6	3,38%
USA	337 704,4	2,19%
Spain	316 057,4	2,19%
Turkey	304 298,4	2,17%
Tunisia	291 730,1	2,02%
India	270 235,1	1,95%
Thailand	259 115,7	1,67%
Canada	223 722,6	1,48%
Afghanistan	208 426,6	1,26%
Croatia	199 208,6	1,15%
Iraq	187 480,5	0,90%
Other countries	4 574 525,30	7,31%

Source: State Statistics Committee website: www.azstat.org

As mentioned, among the highest in the world market for exports, and it takes the first place for oil, and place the main goods exported from Azerbaijan to Italy which the Italian. Azerbaijani products exported from this country are exported to about one-fourth part. The following places are ranked Indonesia and Thailand.

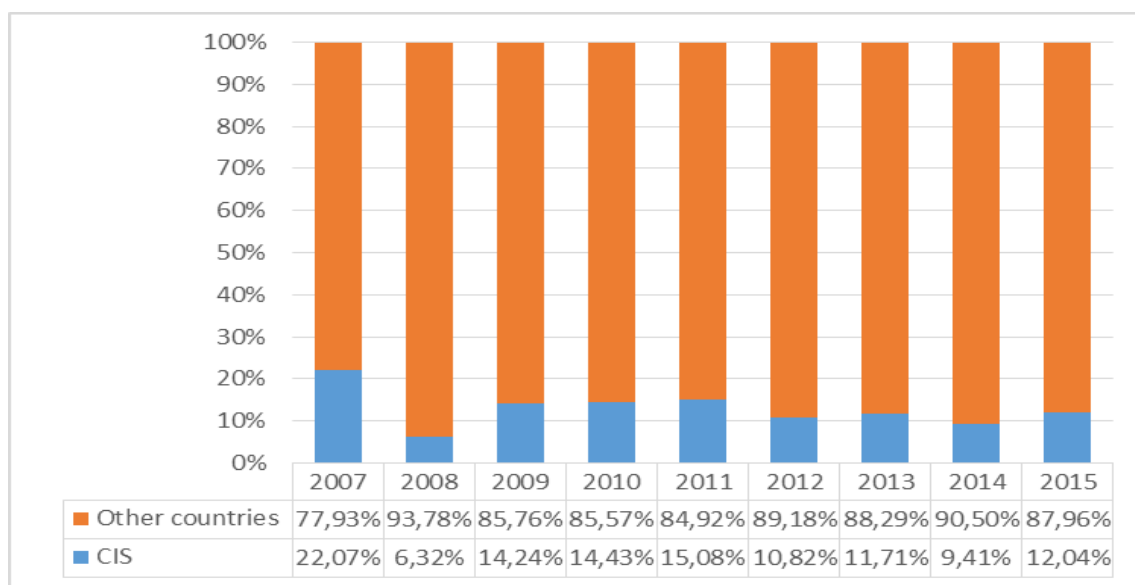
In recent years the import and export operations in preference to other foreign countries gradually from the CIS countries have developed. Economic entities are inclined to countries outside the CIS. This can be seen below in the table 10 and diagram 2.

Table 10: In the years 2007-2015, the dynamic foreign trade turnover (million US \$)

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015
CIS	2598,32	3417,80	2964,57	4034,98	5477,90	3630,01	4062,88	2921,25	2486,45
Other countries	9173,43	51508,22	17859,90	23925,84	30848,97	29930,85	30625,04	28095,06	18159,43
Total	11771,75	54926,02	20824,47	27960,82	36326,87	33560,85	34687,92	31016,31	20645,88

Source: State Statistics Committee website: www.azstat.org

Diagram 2: The dynamics of foreign trade relations in the years 2007-2015 (in %)



Source: State Statistics Committee website: www.azstat.org

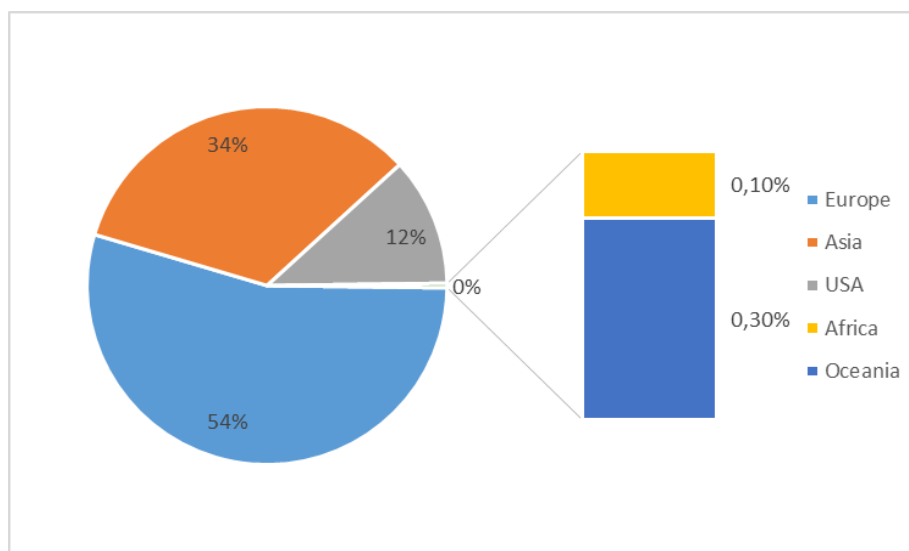
Russia and Georgia are among the CIS countries in exports were dominated by imports from Russia, Kazakhstan, Ukraine has a great advantage. Looking at the growth of trade relations with foreign countries, the trend has been observed for years.

Table 11: The geographical structure of imports for the year 2015 (thousands of US \$)

Geographic regions	Import 2015
Total	9 221 402,8
Europe	5 019 169,1
Asia	3 096 945,5
USA	1 065 332,5
Africa	13 285,1
Oceania	26 670,6

Source: State Statistics Committee website: www.azstat.org

Diagram 3: The geographical structure of imports for the year 2015 (in %)



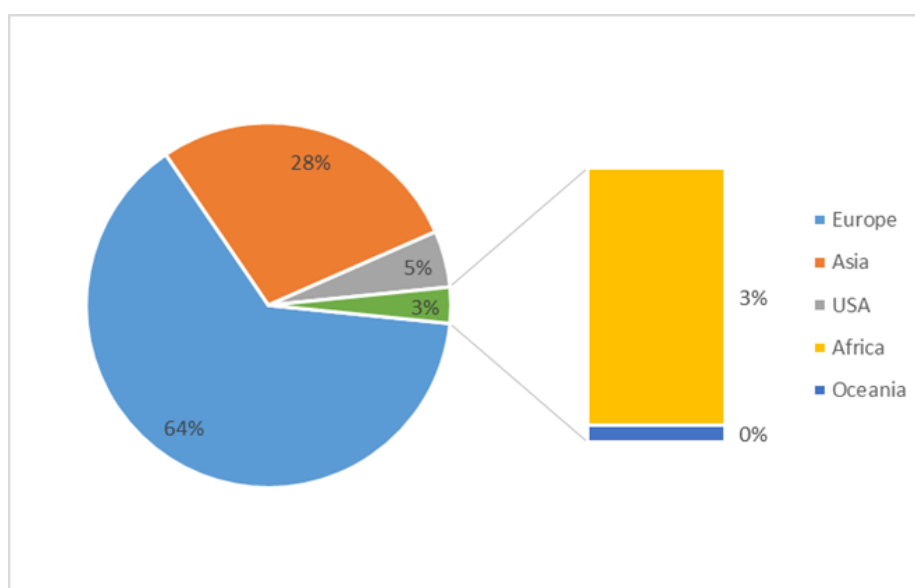
Source: State Statistics Committee website: www.azstat.org

Table 12: The geographical structure of exports for the year 2015 (thousands of US \$)

Geographic regions	Export 2015
Total	11 424 477,3
Europe	7 384 017
Asia	3 184 053
USA	561 912,9
Africa	293 872,5
Oceania	621,9

Source: State Statistics Committee website: www.azstat.org

Diagram 4: The geographical structure of exports for the year 2015 (in %)



Source: State Statistics Committee website: www.azstat.org

Foreign trade policy of geographical structure above (8 And 9 and from (3 the diagram and 4)

As seen in terms of exports and imports have adequate structures. Both exports and imports of goods and services for more than 50% of the shares and the European countries ranked first. This mainly related to the geographical location of the country, political, social, economic and other relations. The next places are taken respectively, by Asia, America, Africa and Oceania.

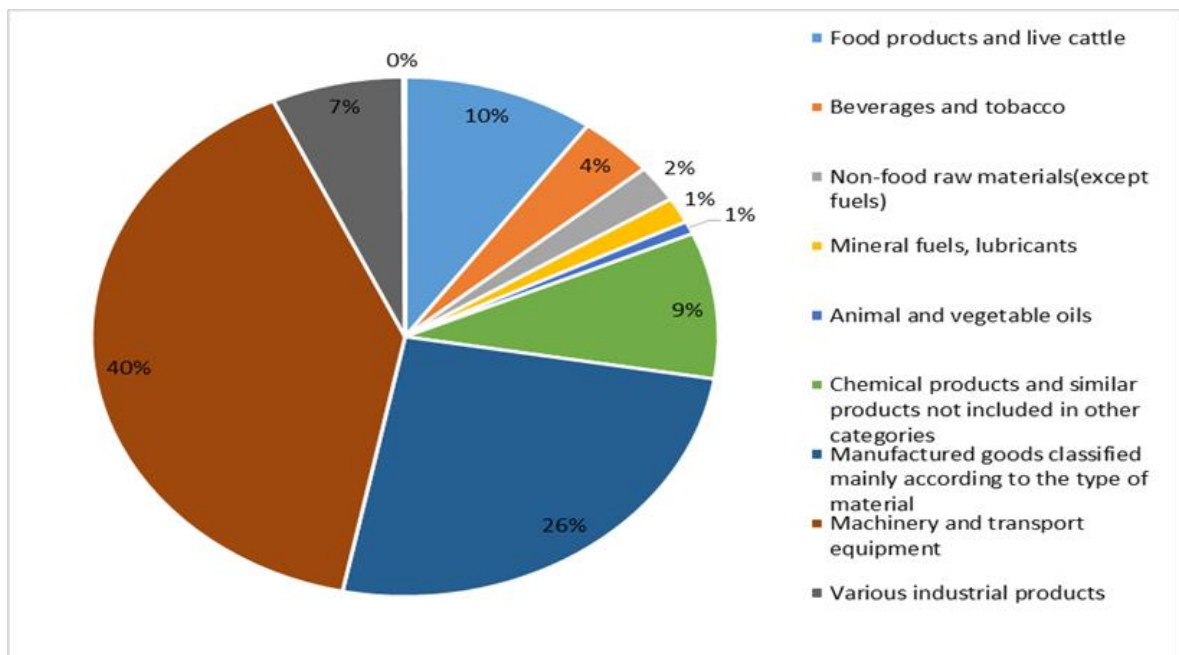
As shown in Table 13 and Diagram 5 from the list of products imported from the Republic of Azerbaijan in the first place with a share of approximately 76% of machines and transport equipment manufactured goods, food and live catching up animal products. It depends on the low level of production of these products and living condition of people. The structure of imports on the Standard International Trade Classification (thousands of US \$)

Table 13: The structure of imports to the Standard International Trade Classification (thousands of US \$)

Product divisions	Import 2015
Total	9 221 402,8
Food products and live cattle	910 511,5
Beverages and tobacco	359 992,6
Non-food raw materials (except fuels)	211 924,8
Mineral fuels, lubricants	150 094,9
Animal and vegetable oils	71 644,9
Chemical products and similar products not included in other categories	838 290,4
Manufactured goods classified mainly according to the type of material	2 362 385
Machinery and transport equipment	3 682 198,5
Various industrial products	631 337,9
Goods not included in other categories	3 022,3

Source: State Statistics Committee website: www.azstat.org

Diagram 5: Standard International Trade Classification of import structure (in %)



As seen from Table 14 and Diagram 6 in 2015. Among the products exported from the Republic of Azerbaijan with a share of first place in the 86% Mineral fuels, lubricants, material, in other words, takes oil and oil products. Lack of diversification of export structure today as one of the key issues to be resolved in the country's economy is one of the major risk factors.

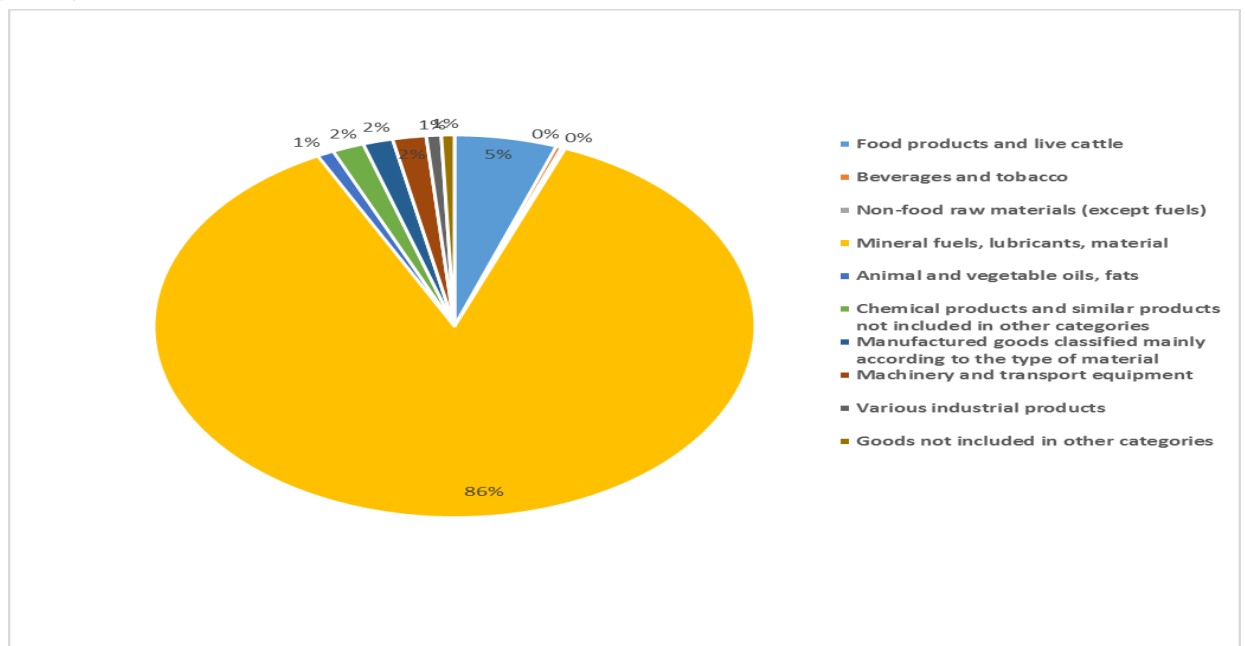
Table 14: The structure of exports to the Standard International Trade Classification (thousands of US \$)

Product divisions	Export 2015
Total	11 424 477,3
Food products and live cattle	625 092,9
Beverages and tobacco	35 356,7
Non-food raw materials (except fuels)	25 627,3
Mineral fuels, lubricants	9 881 849,5
Animal and vegetable oils	105 488,8
Chemical products and similar products not included in other categories	190 245,4
Manufactured goods classified mainly according to the type of material	179 988,4
Machinery and transport equipment	209 004
Various industrial products	88 979,5
Goods not included in other categories	82 844,8

Source: State Statistics Committee website: www.azstat.org

Diagram 6: The structure of exports to the Standard International Trade Classification

(In %)



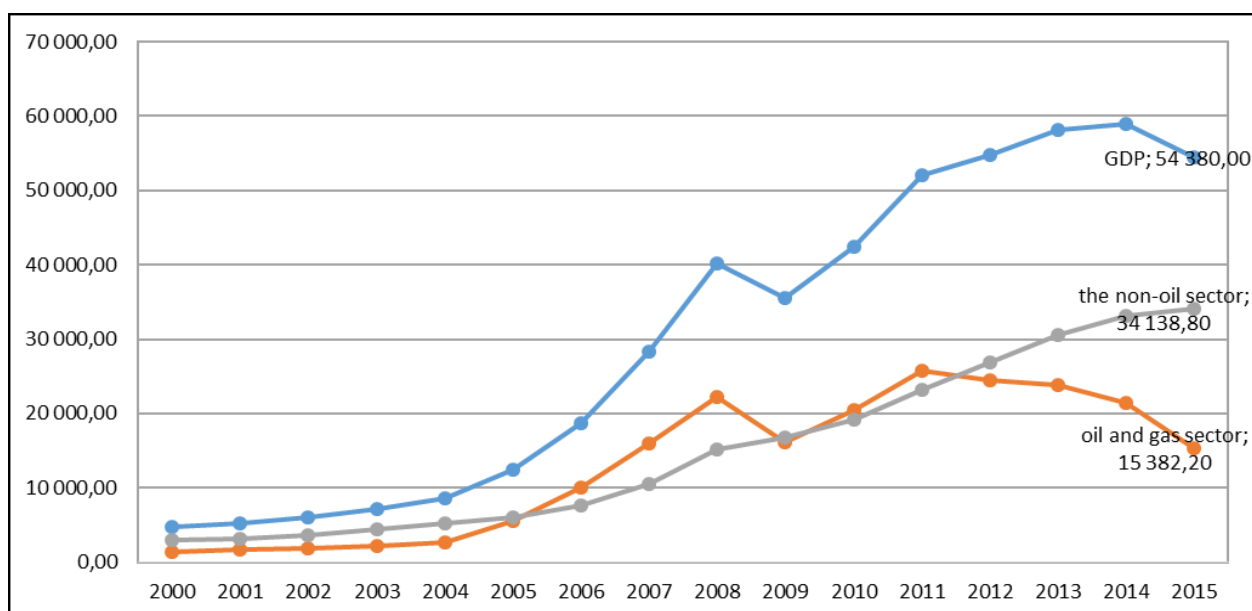
5.2. Comparative analysis of foreign trade and socio-economic development indicators and prospects

The role of the socio-economic development of foreign trade to measure the comparative performance of the major socio-economic and foreign trade to reconcile, and the result is needed. Therefore, the following diagram and tables are reflected in the data on these indicators.

The main socio-economic indicators will be taken for analysis:

- GDP and its dynamics – employment population
- Income of population and growth dynamic
- Level of poverty and etc.

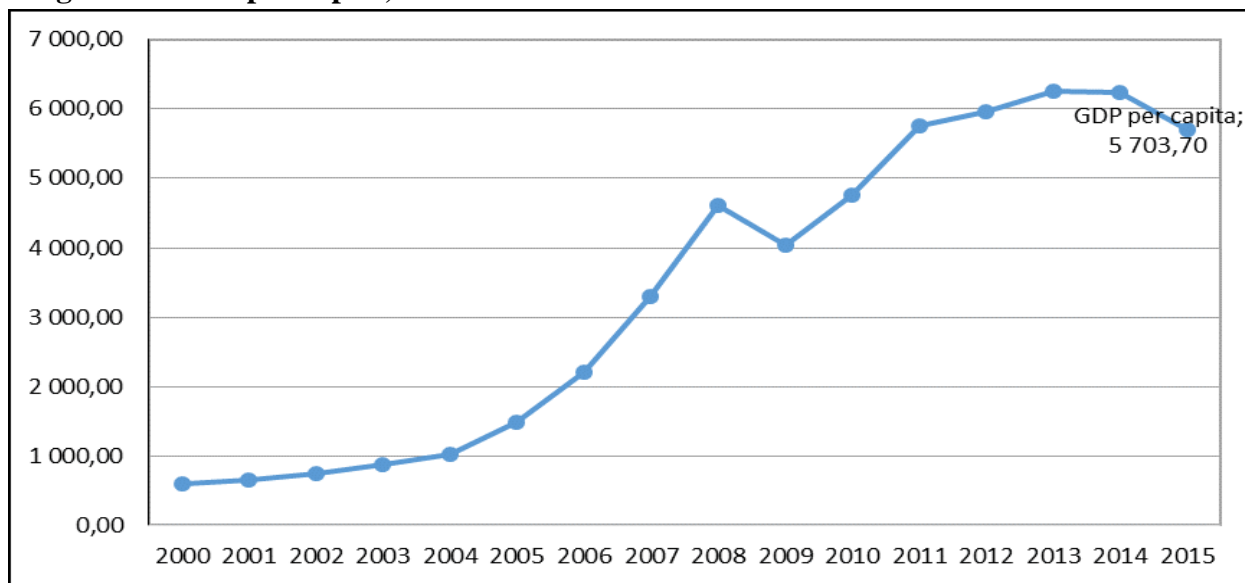
Diagram 7: The volume of gross domestic product, at current prices, in million AZN



Source: State Statistics Committee website: www.azstat.org

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP	4 718,10	5 315,60	6 062,50	7 146,50	8 530,20	12 522,50	18 746,20	28 360,50	40 137,20	35 601,50	42 465,00	52 082,00	54 743,70	58 182,00	59 014,10	54 380,00
oil and gas sector	1 371,00	1 668,20	1 882,30	2 149,10	2 672,00	5 520,90	10 091,80	15 914,20	22 251,30	16 065,50	20 409,50	25 829,90	24 487,30	23 778,10	21 405,20	15 382,20
the non-oil sector	3 055,90	3 229,00	3 693,90	4 447,60	5 242,50	6 055,10	7 630,00	10 576,10	15 197,30	16 726,00	19 179,00	23 196,10	26 864,40	30 525,90	33 195,90	34 138,80

Diagram 8: GDP per capita, AZN



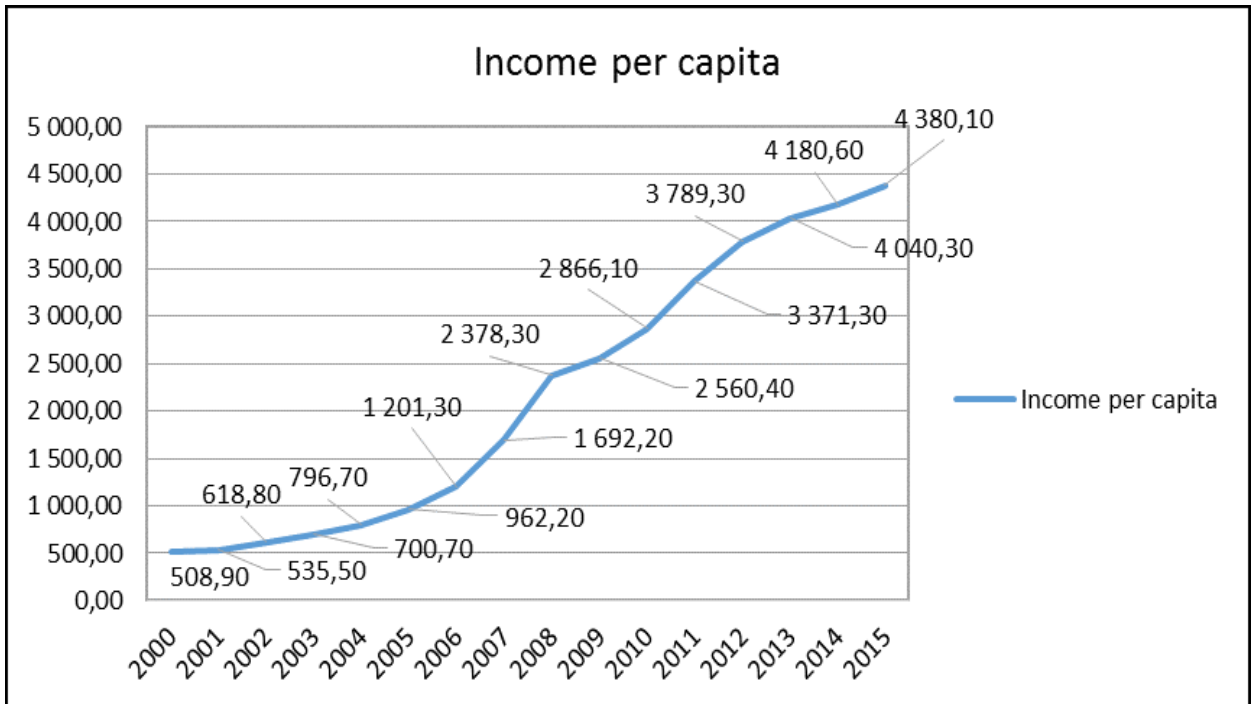
Source: State Statistics Committee website: www.azstat.org

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP per capita	593,20	661,70	747,50	872,70	1030,40	1494,30	2208,20	3296,60	4603,70	4033,20	4753,00	5752,90	5966,10	6258,30	6241,10	5703,70

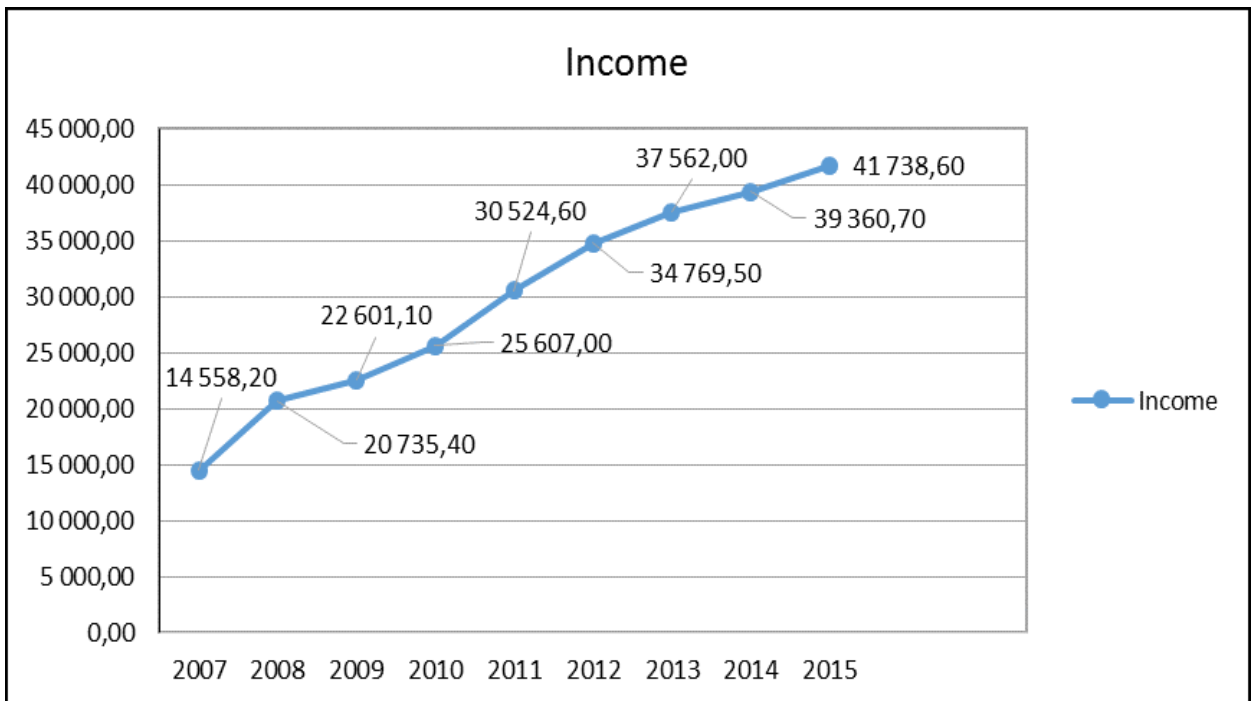
As seen Diagram 7 and 8 of the GDP growth rate in recent years has been quite high. So, 12 times the GDP of the country in the years of 2000-2015, while GDP per capita has increased by nearly 10 times. In addition, the GDP growth rate in the non-oil sector raises a positive trend. In 2015, the GDP of the Republic of Azerbaijan 54380.0 million AZN, GDP per capita amounted to 5703.7 AZN.

As seen from Diagram 9 and 10 the main indicators of socio-economic development of the economic active population in 2015 to 41738.6 million AZN income, income per capita in 2015 4380,1 AZN.

Diagram 9: Income per capita



Source: State Statistics Committee website: www.azstat.org Diagram 10: Income



Source: State Statistics Committee website: www.azstat.org

5.3. Socio-economic development.

According to the Azerbaijani State Statistics Committee, GDP real growth rate in 2015 was 1.7% and was 55 billion pounds at current prices. GDP per capita amounted to 5703.7.

The oil and gas sector in 2015 remained at the level of 2014. The share of this sector in GDP made up 39.0%. In 2015, the overall dynamics of the development of non-oil sectors of the industry has resulted in an increase in real terms by 8.4%.

In 2015, the economic and social development in the country 159570mln AZN was invested from all sources. 72.3% of the funds invested in fixed capital investments, 27.7% of the foreign investments. In 2015, total investments in fixed capital 7660.3 million AZN (66.1%) of the non-oil sector, 7660.3 million AZN (33.9%) and has been used in the oil sector.

December 1, 2015, the volume of credit investments to the economy by the banks on December 1 last year, compared to 2014 increased by 3.5% to 18744.3 million. AZN.

In the first 11 months of 2015 the average monthly salary of hired workers in the country in 2014, an increase of 5.4% compared with the same period amounted to 442.1. In 2015, per capita income increased by 3.5% and reached 4380.1. 11 ayında the end of 2015 the foreign trade turnover of 23.5 billion US dollars, including exports of \$ 15.4 billion, while imports amounted to US \$ 7.2 billion, including US \$ 8.2 billion in trade balance was positive. In 2015, the average exchange rate of the AZN to 1 US dollar was 0.7844 AZN.

The positive effects of social and economic development of foreign trade in a more visual way to see the final graph to see an increase in the basic socio-economic and foreign trade indicators are needed. The following diagram and table summarizing the key performance indicators to compare the results of research work and allows you to observe in a more visual way.

During the period 2000-2015, as seen from the chart the growth or change foreign trade turnover of Azerbaijan Republic, as well as in response to socio-economic development indicators increased or changed. This gives grounds to say that the country's socio-economic development is directly linked to the activities of its foreign trade.

6. Conclusion and Suggestions

As a result of this research is important to note that Azerbaijan's socio-economic development and foreign trade, reflecting the dynamics of the development of a number of indicators to form a positive correlation. Foreign trade, exports, imports, GDP and GDP per capita, population, income, employment, education, health, social security, environment, etc. As seen the socio-economic development indicators, the growth rate is developed with tables and diagrams.

Maintenance of macroeconomic stability, socio-economic development, improvement of the information provided in the study, depends on the dynamics of country's foreign trade as a result of tables and diagrams. Azerbaijan's foreign trade turnover, however, the economy is in large part dependent on the oil sector, ensuring long-term socio-economic development is a certain risk. Therefore, in the following period of socio-economic development strategy will be more dependent on foreign trade. "Azerbaijan 2020: Looking into the future" Development on the basis of the Concept of export-oriented economic model based on exports of non-oil products export in order to further simplify procedures and expand in the medium term, a foreign policy priority given to the results of the research that comes from a celebrated the following proposals were implemented in the country, as:

- the further liberalization of foreign trade and the export potential of the country's national economic interests to ensure the maximum level of utilization of ensuring the continuation of the accession process to the World Trade Organization;
- to improve the quality standards of the products are exported and export potential in this direction and to promote international standards and national brands supporting the creation of businesses that manufacture products;
- The role of the regions in the development and processing of agricultural products access to their target markets to investigate and take appropriate measures to improve;
- Unhindered export of Azerbaijani goods to foreign markets order for the continuation of the works in the direction of improvement of legislation;
- Generalized System of Preferences within the maximum level of benefits in order to provide appropriate measures;
- Trade facilitation, including trade during the clearance work and the related costs reduce the continuation of the work on reducing the time of;
- Foreign commerce for the development and further improve the work aimed at improving infrastructure provision;

- Tariffs, non-tariff barriers and increase domestic production will support the economic security of the country, reduction of import policy will ensure the application of optimization of the country;
- Anti-dumping legislation improvement and implementation of appropriate measures if necessary;
- Azerbaijani origin introduced discriminatory measures to investigate and if necessary, appropriate measures for the implementation of agricultural products in foreign markets;
- A comparative advantage having access to world markets to increase the opportunities for participation in international exhibitions and fairs to stimulate of Azerbaijani goods exporter enterprises;
- In accordance with the corresponding work directed to the continuation of bilateral and multilateral agreements in the field of trade connected to the national interests of Azerbaijan; Foreign trade and scientific methods to the study of international experience in the field of foreign trade policy, based on the national interests of our country, further improvement of methods of application of modern trade policy;
- The widespread use of e-commerce in the implementation of the relevant activities in the direction of the research and development of export opportunities;
- Study of the mechanism for the provision of financial support for the implementation of the relevant activities aimed at the development of export credit by banks for exporters, government support for exporters in order to expand exports.

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[http:// www.wto.org/](http://www.wto.org/)

