The Importance of Study of the Experience of Turkey in the Formation of Special Economic Zones in Azerbaijan Republic

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Abstract

The economic processes in Azerbaijan Republic after the disintegration of the USSR are investigated in the article in the context of enforcement of the integration processes to the world economics system by dint of use of the new economic instruments, including free (special) economic zones. To that end the processes of economic reforms in Azerbaijan are analyzed, the main factors, models of the economic development of the country and the problems of competitive ability on the world markets are also shown.

There is given the data about the dynamic development of the country and there are shown the capacities and potential of the non-oil sector in Azerbaijan. Alongside with it, the necessity of acceleration of use of the new economic instruments with the innovation elements is marked.

The expedience of use of the new economic instruments of the innovation orientation on the instance of free (special) economic zones on enforcement of integration processes, foreign investments supply in Azerbaijan, the solution of social-economic problems, employment, descent of the unemployment and poverty level in the context of the experience of Turkey.

The cumulative experience of Turkey in formation and functioning of special economic zones is analyzed in details.

There are also shown the held arrangements, the work on formation of legislation and other normative acts in formation and management of such kind of zones in the size of special economic zones in Azerbaijan. Besides it, the necessity of acceleration of the special economic zones formation in Azerbaijan in conditions of financial (economic) crisis and drop in prices for oil by way of diversification of the economics and profitable part of budget in the country is considered in the given article.

I. Introduction

In the history of state formation and formation of each sovereign country there are specific, and at the same time national elements of creation and constitution in these processes. Azerbaijan is one of the ancient states with ancient traditions, which is situated on the junction of Europe and Asia, on the main part of the Great Silk Way. However, the revolutionary reformations and the industrial development of the
country is connected with its main and invaluable wealth – natural resources and first of all with oil.

In the 2nd part of 19th century on the present territory of Azerbaijan, in the bay of Baku and surrounding areas, small trade settings, plants, manufacturing, shops, cartels and etc. began to be formed. That is the formation of oil industry began and in connexion with its development there were formed other sectors of industry and revising productions. In the beginning of 20th century in Azerbaijan the reinforcement of the enterprise jet set and improvement of the industrialization form, including oil production, had already begun.

Nevertheless, the revolutionary processes took place in all parts of royal Russian Empire, and naturally Baku Bay and the whole Caspian Zone were not beyond these events. I can proudly note that during these processes exactly in Baku bays the first democratic country – Azerbaijan Democratic Republic was formed in May, 1918. In connexion with formation of the democratic republic state elements began to be formed, and also their beneficiation with national colour began. Unfortunately, as it is known, the first sovereign democratic republic in the East did not live long. In 1920 bolshevism and its murderous terror made a bag of the young non-strong democracy in Azerbaijan, and resisted it on the socialistic camp, where quite new rules, functions and aims reigned.

II. Azerbaijan As A Part Of The Former USSR

Azerbaijan being one of the republics of the USSR passed a long discordant way from collectivism in country-side to the heavy industrialization. Its main wealth – oil – is attenuated by the maximum and is mainly used as a raw material. In spite of this, Azerbaijan among the republics of the former USSR was considered as a republic with positive economics.

Otherwise, Azerbaijan not only manufactured the national gross product for revetment of its demands, but together with this transferred the main part of these resources to the Center – to the confederate assignment. Altogether, during the existence of the USSR these resources were served out and all the wealth and financial investments for the capital building were fetched out by Moscow. At the same time all republics bar none, including Azerbaijan had no right for independent participation in the integration processes in other world territories and naturally it was impossible to usy new economic instruments, including formation and functioning of special economic zones (the results of investigation of which I decided to share with you). Moreover, Azerbaijan did not took part in the International Division of Labour as a separate subject and had no chance to study the experience of other countries of the world on formation and functioning of special economic zones.
II.1. The Period of Industry Modernization and Enforcement of Economics of Azerbaijan

It is worth specifying that due to the great son of Azerbaijani nation and National Leader of all Azerbaijani of the world – Heydar Aliyev, his titanic pains during the period of being he head of Azerbaijan Republic while it was a part of the USSR, and the highest political leadership in Politburo of the Soviet Union, in Azerbaijan in 1970-80ies the modernization and renovation of the extractive branches (oil and gas) was organized, and at the same time the competitive branches of the non-oil sector (electric power industry, chemistry and oil-chemistry, oil-and-gas engineering, metallurgy, instrument making, agriculture, agrosectors and etc.) were formed.

III. The Years Of Independence Of Azerbaijan

After the disintegration of the USSR everything changed, and also with the collapse of the administrative-command system and economic branches all territory of the former USSR and, naturally, Azerbaijan too, incurred disruption, impoverishment, chaos and etc.

For the short time the production began to fall, the work of large concerns stopped, the economic and cooperation connections discontinued, and the economics of the Republic was on the verge of disintegration in conditions of market relationship.

It is worth specifying that exactly in these conditions Azerbaijan tried to form its national strategy of the state development and the model of economic development in the beginning of 1990ies. These processes accelerated only with realization of the oil strategy, which began to be realized in Azerbaijan with the help of brotherly Turkey from 1994. The aim of the realization of the oil strategy is to use the natural richness of the country ably due to these competitive prerogative factors, especially due to assurance by energy carriers; to accelerate the renovation and reconstruction of all sectors of economics in the country and to accelerate its entrance to the world economics system.

As it was mentioned before, Azerbaijan is situated on the junction of Europe and Asia, and profiting by the beneficial geographical seat Azerbaijan became an originator of the large regional and transit projects. As it is known, the projects of pipeline Baku – Tbilisi – Jeyhan and gas-main Baku – Tbilisi – Erzerum were realized. In spite of the economic decrease, taking place in the world and increase of the consequences of the financial crisis, the work on successful realization of the railway project Baku – Tbilisi – Kars (Turkey) is going on. The realization of this project will provide the delivery of the traffic of the European countries and also to a number of Asian countries alongside with the northern railway of Azerbaijan.
(through Russia) and will have the strategy importance for many other countries in the region, especially for Asian countries.

Around the bend of the processes of economic development of Modern Azerbaijan the present situation in the country and its strategy aims on acceleration of integration processes to the world economics system, reinforcement of its economic power and competitiveness, provision of enforcement of economic reforms and transition to the innovation economics is of great importance. Only during 2003-2008 the GNP volume increased 2.6 times, industrial production - 2.5 times, investments to the capital building increased threefold, the foreign trade turnover – 10.5 times, the profitable parts of the budget – 9.1 times and etc. For this period more than 54 billion USA Dollars were invested into the economics of Azerbaijan. 8.4 billion USA Dollars of this amount were invested into the retarding regions of the country. The volume of the foreign trade turnover of the country overpassed 50 billion USA Dollars, and monetary reserves increased up to 20 billion USA Dollars. If the oil production (including gas condensate) composed 14.0 million tones in 2000, 15.4 million tones in 2003 and 41.7 million tone in 2007, in 2008 it composed the record percentage in the history of oil production in Azerbaijan – 44.5 million tones [1].

IV. The Problems In Economic Processes

However, in accordance with the results of investigation of the economic development processes in Azerbaijan in the context of the world financial crisis, there is a necessity of diversification of the profit mainsprings of the country, the industrial sectors of economics, the structure of the foreign trade turnover and etc. In Azerbaijan the real sectors of economics had not been still able to disclose the potential and to become more competitive on the world commodity-markets. Moreover the scale projects on the use of the scientific-technical innovations, elements of innovation economics, modernization and reconstruction of the industrial powers have not been realized yet, and altogether, the cluster development of the main branches of the non-oil sectors in present conditions is not provided. To the opinion of many famous experts and marked scientists, one of which is Joseph Stiglitz, the Nobel laureate, Azerbaijan has take action on negotiation of the symptom of the ‘Dutch Syndrome’ and to accelerate the hold complex measures for descent of dependence of the economics of the country on the oil sector. The diversification of the assortment of the hi-tech and competitive production of the country for the revetment of the inner demands and increase of the export potential of the country is needed.
V. New Approaches And Contradictions In The Formation Of Special Economic Zones

Absolutely, the necessity of use of new economic instruments, especially economic zones, which are named differently in the world (free, special and etc.), is retraced for carriage of the strategy aims, preceding Azerbaijan. After Azerbaijan had become independent, naturally Azerbaijan had no experience in formation and functioning of such kind of zones. Nevertheless the processes of formation of these zones enlarged constantly and they were considered in the middle of 1990ies and there was undertaken a number of efforts for formation of special economic zones, in which many investors from many countries (predominatingly from Turkey), many international organizations, financial institutes, including the structures of United Nations participated actively. Unfortunately, these processes stopped on the halfway of the development and the formation of free economic zones in Azerbaijan was not executed. Besides it, in this period in Azerbaijan the coincident basis of legislation on formation and functioning of such kind of zones stayed out and there was no national conception on formation of these zones. Besides it, there were no sufficient financial means for realization of these intentions and the active levers on the use of new economic instruments were absent, the main functions of the innovation economics were not defined; and also the obscurity of the world experience, the absence of the complex practice measures on preparation of the legislation basis and, the determination of priority branches, collocation of such zones (retarded territories) played its role. The situation changed only after the edict of President of Azerbaijan Republic ‘About the Formation of Special Economic Zones in Azerbaijan Republic’, issued on March 6, 2007. Amenably the edict there is supposed the formation and functioning of such zones in the enforcement of the solution of social-economic problems, the use of progress of the scientific-technical innovations, the active use of special economic zones, as new economic instruments on solution of problems of the regions (territories) and different branches [2]. In Milli Mejlis (Parliament) the discussion of the Law Project had already taken place in the 3rd reading and the signing of this law is expected in the near future.

V.1. The World Experience and the Turkish Vector

It is worth specifying that in the processes of elaboration of this law the mistakes made in the world countries, especially in the countries with transitive economics, including the post-soviet republics, were considered. The analyses of the main articles of the law afford ground for assumption that a number of countries (Turkey, UAE, China, Korea), which had definite success in the processes of functioning of such zones, is preferred by far.
It is worth specifying that among the mentioned above countries, which Azerbaijan contemplates to advert to for usage of the experience on formation and functioning of these zones, Turkey has a special status for Azerbaijan in regional, strategy and geographical context. Turkey as pride, inspiration, support and brotherly country of all countries, first of all of Azerbaijan, comes into strategically important position on the junction of the Balkan countries, Middle East, Central East and Transcaucasia. There is brotherhood and strategic partnership between Azerbaijan and Turkey, and all the large regional projects are realized in common with the abidance by the national interests of the both countries. Turkey participates in the world economics integration processes actively and it is a real candidate for the entrance to the European Union (EU). Alongside with the concentration of Turkey on the processes of integration to the EU, in accordance with economic, financial and civil criteria, it continues the active integration processes with the post-soviet republics. As it was mentioned Turkey stands in the center among a number of a large regional projects, including oil-and-gas projects with the CIS countries, first of all with Azerbaijan. One of the most liberal investment schedules among the countries of the Economic Collaboration and Development Organization is established in Turkey. Almost all the spheres, which are opened for activity of the domestic capital, are fully opened for foreign business too [3].

Besides it, Turkey is a member of WTO, IMF, World Bank and such organizations as MIGA of the World Bank. The legislation, which controls the position of the foreign capital, provides it with the advantageous environs.

VI. The Economic Communications Between Azerbaijan And Turkey

It's worth specifying, that between Azerbaijan and Turkey the large capacities for development of the trade – economic attitudes exist. For the period of 1995-2008 the Turkish companies invested nearly 1 billion USA Dollars to the development of non-oil sector of Azerbaijan. More than 400 companies with Turkish capital function in Azerbaijan. 5 thousand citizens of Turkey and 50 thousand citizens of Azerbaijan work in these companies. 20 intergovernmental documents in the sphere of trade-economic cooperation were signed commodity circulation between countries composed 1.1 billion USA Dollars in 2008, and the export of Turkey composed 590 million USA Dollars and the export of Azerbaijan composed 552 million USA Dollars [4].

VII. The Results And Perspectives Of Cooperation In Formation Of Free Zones
As you know, the aim of our investigation is to show the capability of formation and functioning of free economic zones in Azerbaijan graphically in the context of experience of Turkey.

The law about the free zones in Turkey was accepted in 1985. The aim of creation of such zones is increase of investments and production, which is oriented on export; acceleration of inpayments of the foreign capital and technologies; regular supply of the cheap departure material for the demands of economics and more effective use of the foreign capital and capacities of trade in the country. The first free economic zones were opened in 1987 in Mevsin and Antalya, and in 2008 the number of such kind of zones in Turkey composed 20. More 50 thousand people work in these zones and approximately 3200 local and 650 foreign firms and companies function in them. On the average, the annual turnover in the free economic zones came by 25 billion USA Dollars last years. The industrial production in the structure of the trade turnover composes %90. Altogether, the general trade turnover in the free economic zones of Turkey during 1988-2008 is evaluated on the level of approximately 200 billion USA Dollars.

I have to mention, that in present the formation and functioning of such zones by way of special economic zones is considered in Azerbaijan. As it can be seen, Azerbaijan has to study the experience of Turkey in formation and functioning of such zones, formation of conditions for enterprise in these zones and realization of building of the infrastructure objects and other fabrications on the territories, fetched out for zones by adjunct of taxing and revenue schedules, facilities and other normative acts and documents.

Besides it, in present conditions Turkey improves the existent legislation and other normative acts for their increase to world and EU standards, what is too important for Azerbaijan on the way of integration to EU and other world structures.

The experience of Turkish special economic zones showed that the advantage of the geographic position can be used to the limit and also the ministration in enforcement of export set of investments and production is capable.

The investigations afford ground suppose, that under the capable use of experience of Turkey on formation and functioning of such zones Azerbaijan will pan out to bring under the new economic instruments with innovation orientation on the way of integration to the world economics system and reinforcement in it among highly developed competitive countries of the world.

References:

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