

The World Experience Factor in the Formation of Special Economic Zones in Azerbaijan Republic

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Abstract

In the given article the wide range of questions connected with the organization and the solution of the problem of Special Economic Zones (SEZ) are given as a new economic instrument in the international trade-economic affairs in the conditions of globalization and liberalization. The analyses of the development history of SEZ are also shown. There are given examples of problems in the period of development of the given economic method in the system of the world economy especially in the USA, Poland, China, Turkey and etc.

There is also shown the experience of several countries of the world on organization and development of SEZ. Special attention is paid to the capacity of formation and function of such kind of zones in the Azerbaijan Republic in the context of the world experience.

Key words: special economic zones, innovations, economics

JEL Classification: E20, E22, O10, O11, O31, R11

I. Introduction

After the disintegration of the USSR Azerbaijan began to form its economic model of development. The dynamic development of the majority sectors of economics on the country, especially non-oil sectors of economics was provided due to the successful realization of the oil strategy. Nevertheless, alongside with the traditional spheres of economics of the country the use of new and modern economic instruments, innovation, and formation of innovation zones, technoparks, and also special economic zones was required. It is worth specifying, that prerequisites for formation and functioning of special economic zones in Azerbaijan were quiet perspective in the context of accelerated entrance of the country into the world economics integration processes.

II. Body of Paper

Azerbaijan, being the leading country of Transcaucasia, mainly differs by its industrial potential and natural resources. After the disintegration of the former USSR the acceleration of the formation processes of the economic development model in newly formed independent Azerbaijan Republic, the investigation in the sphere and the annexation of the country to the world economy system make a fuss. In the period beginning from the 1994 the realization of the most important dominant of the country – ‘oil strategy’ began to be organized. The basis of the large projects was established and the largest of them were realized in the region including the oil-and-gas and their conveyance projects.

As the result of prosperous strategy projects in the field of oil production, Azerbaijan could take the first stages among the countries with transitive economics according to the

level of its economic development during 2005-2008. The industrial manufacturing of the country increased 2.7 times during 2003-2008 and the budget of the country increased about thirteen fold and amounted 15 billion USA Dollars. Also the number of organized arrangements on the descent of unemployment and indigence level of the country cut a figure. Thus, if the indigence level in Azerbaijan composed %49 in the beginning of the 2004, nowadays this number composes %16. 750 thousand new work-places were opened in the country during 2003-2008. In 2008 the oil production reached its record – 45 million tons and the record in gas production was also registered, it composes 15 billion cube meters. At an early date the annual amount of oil production is expected to be 60-65 million tons. In present Azerbaijan has trade-economic affairs with 135 countries of the world, and the annul requisition of the oversea trade composed more than 50 billion USA Dollars.

Alongside with it, because of the world financial crisis, the very important role plays the acceleration of the integration of Azerbaijan, which became the leading country of the region according to the economic development rate, to the world economy system and the problems of use of the new economic instruments in this process. From this point of view on the stage of the economic development of the world countries the role of Special Economic Zones (SEZ) is worthy of estimation in the acceleration of the integration processes in provision of impetuous development of economic zones and keeping pace economic branches as new economically effective instruments which justified themselves in the world practice. These zones have for their aim the provision of economic development. Alongside with playing the role of new economic instruments for the countries which survey the economic investigations they also have a capacity of rendering of strong influence on the extension of international economic integration and on profound development of detached economic sectors.

From the 60-70-ies of 20 century some countries actuated the most active economic instruments for revenue of the large capital. Just with this aim in these countries the processes of deriving the benefit from SEZ mostly increased. The investigations show that at an early date the %30-35 of the world economic requisition will fall on the fraction of economic and trade subjects proceeding in such types of zones. The creation and development of SEZ in the industrial branch both of highly- developed countries (the USA, Germany, England, Italy, the South Korea and etc.) and of the number of souse developing countries (China, Turkey, Poland, Hungary, Malaysia and etc.) especially cut a figure. Taking into the consideration the existence of the potential of the non-oil sector in Azerbaijan Republic, the necessity of estimation of the importance of SEZ for the intensification of the role of the different branches of the given sector in the process of economic development of the country makes a fuss and the necessity of formation of such kind of zones is explained by the following factors:

- The increment of marketing requisition, the acceleration of the trade process, the provision of commercial adherents' interests;
- The clearance on the border and the revenue bureaucracy control and the embargo of interference of the State Agency;
- The intensification of the inducement for the investments and capital;
- The promotion of the export production and the rampart of the interests of the adherents of the oversea trade;
- The promotion of manufacturing consumer commodities, the deficiency of which is poignantly perceived on the consumer market of the country;
- The intensification of unemployment, the opening of new operator's positions, the training of skilled workers;
- The enlarging of the material-technical basis of the infrastructure, the realization of new projects and etc.;

The experience of the world countries shows, that in the economic development of one of the most developed countries of the world – the USA, and also in other countries of America the factor of SEZ is going on displaying itself. Only in the USA functionate three main types of the improved form of such kind of zones: the oversea trade zone, possession zone and technoparks.

Taking into the consideration the distinctive features and the essence of oversea trade zones of the USA, the last ones are divided on trended and special ones. Trended zones, being beyond the revenue control, are formed in ports and airports. In 2000-2008 the annual requisition of goods amounted on average 160-190 billion USA Dollars and the number is going on growing year after year. In the world the technoparks created in the country are distinguished by their quality of being huge. Only on the fraction of the famous technopark 'Silicone valley' falls more than %20 of produced computers and computer technology in the world.

It could be mentioned that in the European countries for the last 20 years of 20-ies century the arrangements organized for the rational use of free zones cut a figure. This is directly connected first of all with the increasing of the number of countries on the given continent in this period, with the interchange of the State Structure system, the collapse of the socialistic regime, the formation of new states and appropriation of the market economy attributes and also with the economic policy of the countries, which want to enter the world economy system or to strengthen their position in it. As it is already known, Poland kindles special interest as one of the first countries yen estrange from socialistic system and its principals. In this country "Melets Europark" was formed in 1995 as the first free zone. The zone has been existing for 20 years and for the period of entrance of Poland to the EC, the investment amounting 450 million USA Dollars have been put up in this zone till 2001 and the number of opened new permanent operator's positions were more than 8000. Generally, the volume of investments for the period of first 6 years into nearly 20 special zones in this country amounted 3 billion USA Dollars and the number of organized new operator's positions got at 36 thousand. As an example we can reveal the formation process of the special zones in one of the former socialistic countries – in Hungary. The government of the country provided the active economic policy on SEZ formation in the sphere of the rational integration abode and in 1997 in 112 industrial parks the 1000 productions had been already functioned. In these productions 100 thousand people were provided by work and the annual volume of the manufacture amounted 6 billion USA Dollars, put on by the investment more than 1.5 billion USA Dollars.

The factor of SEZ in the development of countries in Asia and the Near East may be marked as a point kindling special interest in the investigation process. 14 cities of China where other countries invest in volume nearly 40-60 billion USA Dollars per annum, are advertised open for special marketing and the analyses show that %20-25 of the operations of the oversea trade which have been taking place in China in the different periods during last 20 years fell on fraction of free trade zones. The number of registered productions in these zones got at nearly 50 thousand and approximately %20 of investment resources put up into the country was centered just here. One of the specific features of the special (free) zones in Turkey, which is in close strategy collaboration with Azerbaijan, is the specialization and improvement of each of it in accordance with the particular frame of reference. Now in the free zones of Turkey take action nearly 3500 firms and productions and thief fraction in the general trade requisition of the country comes by on average %15 per annum. To the zones which have the requisition of 1-5 billion USA Dollars in the general trade requisition may be relegate "Istanbul Leather", "Istanbul - Alil", "Mersin", "Aegean", "Bursa" and "Istanbul – Trakya". The %95 of the trade requisition in these zones falls on fraction of conversion industry. Taking into consideration this factor, the perspectives of utilization the experience

got by conversion industry in Turkey (the strategy partner) in the sphere of directed (manufacturing industry) special zones, in modernization and development of non-oil sectors, especially conversion industry in Azerbaijan make a fuss. The SEZ in one of the countries which cut a figure of Azerbaijan last years, - in the United Arab Emirates could justify themselves as the rational and effective economic instruments. In the country exist more than 10 such zones and they are organized in each emirate. One of the largest, profitable and drawing attention zones in the world – Cebel Ali Free – is situated in Dubai. The number of firms and companies organized in this free zone composes approximately 2500 and they represent more than 100 countries.

Among the analyses the necessity of free or special zones in the process of integration to the world economy system of the countries with transitive economy, which differs by direct proximity to the processes of economic development of Azerbaijan also could be mentioned. The states formed after the disintegration of USSR began to join different processes of integration and to have an outlet on the world market on the stages of transition to the market economy. The formation of free trade zones (within the framework of CIS countries) always remained on the agenda and because of this on 15 April 1994 in Moscow (Russia) was signed an agreement ‘About the formation of Free Trade Zones’. As many other agreements accepted within the framework of the given agency, the realization of this agreement also was not provided and in the declaration signed in September 2003 in Yalta (the Ukraine) by the heads of the states, which were the members of CIS, the formation of free trade zones was chalked out on 2010.

It is necessary to mark that the organization of SEZ in Azerbaijan Republic, the problems of realization and legislation and also the role of these zones in the process of economic development of the country are of great importance. Last years the impetuous development of the national economy of Azerbaijan, the improvement of the investment sphere, the formation of new productive and conversion branches, the provision dexterous social-economic policy on the stages of transition to the market economy, taking of the serious steps in the integration of the country towards the world economy proclaim the impetuous entrance of Azerbaijan into the integration to the world economy system. Alongside with it, in spite of permanent and dynamic development of macroeconomic indicators and indicators of social-economic life of the country last years, the dependence of economics of the country on oil-and-gas sector in conditions of the present day world financial crisis is kept and the given factor brings importance to the existence of new rational and progressive forms of integration in the development of other economic sectors. The potential of SEZ, which distinguish from the given above integration forms upon the level of practical use in the world experience and which are fetched out by the rationality, to become the additional stimulus for acceleration of processes, of economic development of Azerbaijan especially makes a fuss. The investigations show that the formation of SEZ and the way of their working are hard processes. Alongside with it under the decree of the president of the Republic about the organization of these zones the formation of SEZ was considered to be advisable. Also there were given commissions in this direction with the aim of the realization of state policy. The problems needed the preparation of the project ‘The Law about Special Economic Zones’, the priority directions of these zones, the statute projects, preference and customs regime, the realization of suggestion on the adjustment of the currency and also the projects of customs control in the boundaries of the SEZ, the work of regulations customs posts, the documentation of the wares, the project of simplified regulations of the transport and people permit. The proper law about SEZ is still considered in the parliament of the country and its acceptance is expected to be realized at an early date.

It is necessary to point out that for organization of SEZ in Azerbaijan and the acceleration of application and processes on improvement of the world experience it is necessary to accept the following important measures:

- The working out and the acceptance of the unit conception, which determine the priority directions, the ways of working and organization of SEZ;
- The preparation of the existent legislation basis and the acceptance of the proper law with the aim of rationality and the real participation of SEZ in the processes of the economic development, the maintenance of the effectiveness and attractiveness of these zones as new economic instruments taking into consideration the structure problems, tax and customs concessions and the principles of economic policy on the basis of synthesis of the world experience;
- The role of SEZ realization, and the determination of their optimal model in drawing the investment recourses into the SEZ with the aim of increasing of the international activity, the carriage of the international tender on determining the optional model of these zones and formation of the international concilium with the participation of firms and companies which have real experience in this sphere and etc.

As a result, because of the present world financial crisis, I want to point out the necessity of application of the new economic methods, including SEZ for the reducing of the influence of this crisis in Azerbaijan. To the opinion of international experts, on the early stages the crisis had not a great influence on the financial system of the country and the economic processes because of the bank system of the country mainly does not depend on the inner capital. However, the dependence of the main income of the country on oil and the abatement of its price threefold during the last several months will gradually influence on the processes of economic development of Azerbaijan and on the realization of large projects. Just from this point of view, the enforcement of the development of the non-oil sector in the country is of great importance and also of the new economic methods, for instance, application of SEZ in these processes will become an additional stimulus for intensification of Azerbaijan in the world economic system.

III. Conclusion

It should be stressed that Azerbaijan already has a presidential decree on the adoption of the law on special economic zones. Regulatory documents and legislative basis of the country are provided in conformance to implement this decree. The national conception on priority directions of formation and functioning of special economic zones is worked out. Moreover, the experience of different countries is fundamentally studied, and the special preference is given to innovation of the alleged special economic zones in Azerbaijan. The analyses give reason to assume that if in the next few years, Azerbaijan can realize the expansion of innovation, and use of the elements of new economic instruments, the creation and functioning of special economic zones will be a real in the nearest perspectives. The functioning of such kind effective economic zones will become a real stimulus for acceleration of the integration process, expansion of the trade-economic relations, increase of the export oriented production, and will help to provide the diversification of all economics of the country.

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