



Uluslararası Turizm, İşletme, Ekonomi Dergisi  
International Journal of Tourism, Economic and Business Sciences  
E-ISSN: 2602-4411 2(2):13-17, 2018

## AZERBAJCANDA SANAYİLEŞME SÜRECİNİN ETKİN GELİŞİM YÖNLERİ

Mehriban IMANOVA

“Nakhchivan” University, Faculty of Economics, Nakhchivan, Azerbaijan

Corresponding author:

E-mail: marketinq05@mail.ru

### Özet

Çalışmanın amacı, Azerbaycan sanayisinin özelliklerini ve arazi yapısını araştırmakla onu nasıl geliştirmenin mümkün yollarını tespit etmektir. Çalışmada, Azerbaycan sanayisinin mevcut durumu ve eğilimleri araştırılıp analiz edilmiştir. Sanayinin gelişimi tarihsel olarak öğrenilmiş, sektörün saha yapısı, ayrı – ayrı alanların mevcut durumu incelenmiş, karşılaşılan sorunların çözümü için belirli öneriler yapılmış ve bu yönde devlet tarafından uygulanan hedef programlar değerlendirilmiştir. Araştırmada genellikle istatistiksel kaynaklar kullanılmıştır. Sanayi alanında tek taraflı gelişme, diğer ekonomik bölgelerin endüstriyel üretiminin hızlanmasını kolaylaştırmıştır. Endüstriyel üretim alanında petrol ve gaz hasılatının payının arttığı tespit edilmiştir. Son dönemler yakıt ve enerji konusunda ortaya çıkan gelişimler ülkenin dış ticaret ilişkilerini teşvik etmiştir. Bölgesel dengeli kalkınma politikasının uygulanması ile devletin sanayinin gelişmesinde önemli ilerlemeler gerçekleştirmesine rağmen, ülkemiz tükenmez doğal kaynakları ile muazzamdır ve bu fırsatların kesintisiz olarak kullanılması çok önemlidir. Azerbaycanın ekonomik gelişimini hızlandırmak için en önemli konu petrol dışı sektörün dinamik gelişimini sağlamaktır. Bu amaçla, ekonomik açıdan uygun olan sanayi işletmelerinin yeniden yapılandırılması, modernizasyon, yatırım teşviki, modern teknolojilere dayalı sanayi işletmelerinde uluslararası standartlara geçiş ve yenilikçi ürünlerin üretimi, personel eğitim süreci hızlandırılmalı, rekabetçi ürünlerin tasarımı için devlet tarafından uyarıcı önlemler sürdürülmeli, serbest rekabet ortamı ve geleneksel ulusal girişimcilik geliştirilmelidir. Sanayi işletmelerinin gelişim sorunlarından biri, bu işletmelerde pazarlama faaliyetlerinin zayıf olmasıdır. Bu işin dikkate alınması sanayi işletmelerinde üretimin artmasına neden olacaktır. Azerbaycanda sanayinin iyi gelişimi ülkenin ekonomik güvenliğinin oluşturulmasına, devlet bütçesi gelirlerinin artırılmasına, istihdam düzeyinin yükseltilmesine ve ticaret dengesinin istikrara kavuşmasına güçlü bir hız kazandıracaktır.

**Anahtar kelimeler:** Azerbaycan sanayisi, petrol dışı sektör, sanayi kuruluşları, bölgesel ekonomi, politika

## EFFECTIVE PROGRESSION TRENDS OF INDUSTRIALIZATION PROSESS IN AZERBAIJAN

### Abstract

The paper aims to investigate the specific features and areas of Azerbaijani industry, to learn possible ways of how to develop it. The up-to-date situation and growing inclinations of Azerbaijan industry have been studied in this research work. It has learned historical development of industry, examined current situation of separate fieldsto investigate the whole structure of industry, proposed suggestions to solve any problem and evaluated the guaranty of intentional state programs implemented by the government. The single-sided development of the industry of the country necessitatedacceleration of industrial productionof other economic regions. There is confirmed that the share of oil and gas extraction has been increased in the structure of industrial production in the article. Recent development trends in fuel and energy sectors have contributed to the boost of foreign trade relations. Even though there has been a big progress in industry as a result of regional steady development policy, our country has a lot of potential opportunities with interminable natural resources and these opportunities should be turned to reality continually. In order to advance the economic development of Azerbaijan, the most substantial issue is to achieve active progress of the non-oil sector. Therefore industrial companies should be activated which` s reconstruction is considered economically advisable, modernization, promotion of investments, transition to international norms, production of innovation-oriented outputs, and personnel training processes should be accelerated, measures to

encourage creating competitive products by the government should be continued, free competition environment and conventional ownership must be evolved. Having a strong effect on the country's economic security, the development of Azerbaijan industry will scale up the state budget incomes, promote employment and stabilize trade balance.

**Keywords:** Azerbaijan industry, non-oil sector, industrial enterprises, regional economic policy

## INTRODUCTION

The industry has great importance as it ensures all the sectors of a country economy with products, and it is considered the locomotive of the economy. Industrial development solves social problems, raises employment levels, triggers human and natural resources. It leads to an optimal supply of consumer goods in industrial areas, hinders the currency outflow by reducing imports and ensures economic security. In this regard, industrially developed countries are always strong countries. The combination of science, technology, and production which resulted with efficient industry creates favorable conditions for increased productivity. The countries with weak industry are dependent on other countries. Agriculture and industry are the main areas of life. Although agricultural development creates favorable conditions for developing the economy, the solution of social and economic issues of the country is impossible without industry (Aliyev, Shakaraliyev and Dadashov, 2003: 224). From the historical point of view, industry occurred as an area of the economy afterwards, but it has a great potential for development, and these opportunities are very diverse. In developed countries, the main part of added value and the world trade falls the share of industry and it is explained by the fact that industry is the leading field (Lomaktin, 2013: 192).

The solution of the world's global problems is primarily dependent on the speed of the industrial development because scientific-technical, technological ideas find their fields of application in industry. This field is an active client of scientific-research and project-experimental works. As a result of funding for scientific researches and project-experimental works by the state, industrial complexes and universities, the fields are provided with new ideas, highly-skilled personnel and the latest product samples.

As it is obvious, industrialization processes are constantly accelerating as a result of industrial upheaval in the world over the last three centuries. During the First Revolution, the discovery of water and steam enabled mechanization of labor, the second industrial revolution led to the growth of mass production through the generation of electricity, and the third industrial revolution which was based on electronics and information technology has resulted in automation of production (Gasimli, 2014: 20). At present, there is a next industrial revolution based on automated and robotic means of manufacture and management in the world.

Industry has a significant share in the GDP of the world countries. Large investments are put in this area and the share of developing countries in the world's industrial manufacture is increasing gradually. Approximately one quarter of the workforce in the world are working in industry (Rzayev, 2018: 5).

### Historical development of Azerbaijani industry

As in many countries of the world, industrialization is one of the priorities of economic policy of Azerbaijan, and our country has rich traditions in this field. Our country has experienced industrial revolutions in its development history and for the first time in the world the industrialization process started in 1848 by producing oil with industrial method in Baku. The world's first oil refinery and oil tanker was put into use in Azerbaijan, in 1900 our country was the first for the capacity of oil production, and our country provided more than 70% of USSR's oil and oil refining products during the Second World War (Mustafayev, 2015). Azerbaijan is named "Oil Academy" because of the outstanding role in the improvement of oil extraction methods in many parts of the world, the application of new techniques and preparation of petroleum specialists. In 1945-1969 industrialization was rapidly

developing in the regions of Azerbaijan, ore grafting in Dashkasan, aluminum in Ganja and Sumgayit, and cement production enterprises in Garadagh were put into operation. At the beginning of the 1980s, the share of industry in petrochemical, chemical, light and food, metallurgy, mechanical engineering, instrumentation, electronics and furniture manufacturing increased to 75%, and the Azerbaijan SSR became one of industrially developed republics. In this period, 72% of industrial production consisted of production facilities (Mehdiyev, 2015: 39). The crisis in the country during the first years of independence, the occupation of the Azerbaijani territories by Armenia led to a decline in industry, as well as in other sectors of the economy, the capacity and range of industrial production decreased. The revival of industry began in 1994 with the signing of the "Contract of the Century" (<https://president.az/azerbaijan/contract>).

### **The current state of the Azerbaijan industry**

Azerbaijan is a country rich in underground and over ground resources. Although Azerbaijan is known for its oil and gas from the ancient time, natural resources such as iron, magnesium, titanium, chromium, copper, barite, alunite, polyethylene, cobalt, arsenic, molybdenum, mountain crystal, quartz, sulfur arthritis, sulfur, bitumen, rock salt, etc, are prevailing here. There are ten types of mineral springs with chemical composition (Safarov, 2012: 69-115).

After the years of independence, Azerbaijan has become an exporter of natural gas and electricity and also a reliable partner of Europe in ensuring energy security. It is known that the conversion of raw materials into ready-made products depends on the availability of energy sources, ie the high energy production is the main indication of the industry's advanced development. Thanks to the new electric stations a steady increase in power supplies has created enormous conditions for the development of industry in our country.

The establishment of five industrial parks and four industrial districts in order to increase competitive industrial manufacture based on innovative and high technologies and develop industrialized scientific fields plays an important role in reducing relevant imports from abroad. Organization of military industry, space and alternative energy fields as new industries, the launch of Azerspace and Azerski satellites are among the achieved successes (Mustafayev, 2015).

The industrial development programs and strategic targets adopted by the state have played an important role in earning these achievements. The State Program for the Development of Industry in the Republic of Azerbaijan for 2015-2020, as well as the three major State Programs on the socio-economic development of the regions of the Republic of Azerbaijan, specific targets in these direction are reflected in the "Azerbaijan 2020: Vision of the future" Development Concept. Three major State Programs on socio-economic development of the regions of the Republic of Azerbaijan have specific targets in these areas. Currently, the industry occupies the first place with 40.1 percent of GDP. The main part of the increase in the processing industrial production was due to the manufacture of food products such as beverages and tobacco and oil products. Attracting foreign investments into oil production in our country has led to the increase in production.

In 2017, capital investments in the oil sector accounted for 86%, and the volume of production in the mining industry increased almost 2.5 times. As a result, the share of the oil and gas sectors in the structure of industrial products has boosted. On average, export of crude oil products accounted for 80.06 %, natural gas 5.02 % and oil products 4.05 % of Azerbaijan's total exports (<https://www.stat.gov.az/>, 16.03.2017). In such circumstances, the development of the non-oil sector is of crucial importance.

### **Factors influencing the development of the non-oil sector**

As a result of the occupation of 20% lands of the Azerbaijan Republic, such as Nagorno-Karabakh and its 7 adjacent regions in 1988-93 by Armenians, five gold, seven mercury, two copper, a lead and zinc, a coal, eleven mineral water including various construction materials, in total 163 mineral deposits are illegally exploited by them (<http://eco.gov.az/az/111-iscal-olunmus-erazilerin-ekoloji-veziyyeti>). These resources, which were of great importance to the economic potential of the country, are plundered

by Armenians for many years and it is great damage to the industrialization process and the development of the non-oil sector in the country.

Efficient placement of industrial enterprises across the country is one of the key aspects of the territorial arrangement of productive forces and also is one of the most important economic events that can ensure the development of the national economy and social progress. Efficient placement of industrial production improves the use of natural resources and employment level, increases productivity based on labor productivity and economical use of resources, and ensures optimally socio-economic development of economic regions. Efficient placement on the area plays a positive role in the development of both society and the country. It is clear from the studies that despite the strong potential of each region of our republic, the level of placement of industrial enterprises does not correspond to the availability of these potential opportunities. While the volume of industrial production is rapidly growing in all economic regions, but most of it is produced in Baku and most of our revenues fall to the share of Baku city (Nuriyev, 2017: 40). As a result of the implementation of State Programs on the balanced development of regions, positive results have been achieved in recent years. If we look at the list of cities and regions that can not stand on their own feet, we can see that these regions are mainly agriculture oriented.

One of the problems of industrial enterprises in the regions is the lack of professional personnel in this field. Differences between the average monthly salary in the industry of different regions of the country have led to concentration of productive forces in the center. In 2017, 52.7% of industry employees were working in processing, 17.4 % in mining industry. Compared with 1998, the number of those who prefer industry and construction sites in higher education institutions has dropped by 10 %, and the interest in economic and legal fields has increased (<https://www.stat.gov.az/source/trade/>). The analysis shows that the high-level specialists and workers of regions have concentrated in large cities, so many industrial enterprises have lost production and technological knowledge of long years, which has transformed the professional personnel problem into a crucial factor in the manufacture restoration work. Labor productivity in industrial enterprises has dropped, as the people of regions have low level industrial-oriented professional background.

As it is known one of the main factors influencing the current and prospective development of industrial manufacture depends on the investment in the enterprise. Having gained independence, Azerbaijan involved large amounts of foreign investment to the oil and gas sector, which contributed to the revitalization of other industries. Most of these investments fall on the share of the state.

Industrial product is more science-oriented. In all countries and especially in developed ones in addition to fundamental researches, applied researches are also carried out. The analysis shows that while fundamental researches are carried out by separate institutions, the major part of applied researches is conducted in the field of industry. Today main countries that are leading the world market with their own industrial products increase the amount of resources directed to high tech production and scientific research work. Although the amount of funds allocated for the development of science from the state budget in recent years has increased in Azerbaijan, its share in GDP is lower than the same index of developed countries. This has a negative impact on the development of industrial manufacturing enterprises (<http://www.maliyye.gov.az/sites/default/files/2017-law.pdf> State Budget Bill, 01.01.2017).

## **CONCLUSIONS AND SUGGESTIONS**

The level of development of entrepreneurial activity is of special importance in achieving industrial growth in the regions. Thus, the fact is that most of the existing industrial enterprises in the country's regions have not operated for a long time and require their reconstruction. Taking into account the necessity of ensuring employment of local people, it is desirable for the light industry to develop sewing, knitting and carpet weaving areas in economic regions. It should be noted that, in the past a considerable part of the light industry products produced in the country was in the regions. The sewing area is a field of industry which requires a lot of labor and relatively low stock. Relatively little investment is needed to create such kind of business.

Close links between raw material sources and industrial enterprises are important for productivity. The transport system plays a major role in the bringing manufactured goods consistently to domestic and foreign markets. In general, the important transport system in the development of the industry is the sea and the railroad. Therefore, in all industrialized countries, factories have gathered around the port towns, which are mostly linked to domestic markets by means of railways. The extension of the Baku-Tbilisi-Kars railway to Nakhchivan is considered a favorable project for the elimination of the transport blockade in the region and exporting the products produced in our country to the world market.

The fact is that many of the economic regions which are rich with mineral water and construction materials can be further enhanced by increasing the sales volume and further improving the construction materials industry by implementing proper marketing policies in bottling establishments.

As most of the mining industry is located in the territory of Dashkasan district and so they form the basis of the region's economy. The extraction and processing of the most important polymetallic sources, as well as the arrangement of the construction of new manufacturing sites for the production of copper and other metals, ore purification and the establishment of large-scale chemical and metallurgical complex on its basis can be useful for the efficient use of labor force in the surrounding districts of Shaki-Zagatala.

In general, the development of traditional areas by eliminating high morale and physical abrasion of the manufacturing equipment, promoting the creation of brands, strengthening relationships between research institutions and production facilities, increasing investment and innovation in the industry, acceleration of transition to the application of international standards in industrial enterprises based on modern technologies, expansion of state support measures, improvement of the state regulation system in the industrial complex are factors that stimulate the development of the non-oil sector.

## REFERENCE

1. Əliyev A., Şəkəreliev A, Dadaşov İ. Dünya iqtisadiyyatı: müasir dövrün problemləri . (Monoqrafiya). Bakı, "Bakı Universiteti" nəşriyyatı, 2003.- 455 səh
2. Nuriyev Ə.X. Davamlı və tarazlı regional inkişaf. Bakı: Avropa, 2017, 242 s.
3. Mehdiyev X.O. Azərbaycanın sosial-iqtisadi inkişafına retrospektiv baxış: müqayisəli təhlil. Bakı 2015, 111 s.
4. Məmmədov R.H., Bəhərçi T., Mehdiyeva V.Z., Quliyev T.S. Dünyanın iqtisadi və sosial coğrafiyası. Bakı, 2006 464 s.
5. Səfərov E.İ Kiçik Qafqazın faydalı qazıntı yataqları. "Apostrof" Çap Evi. Bakı, 2012. 120 səhifə.
6. Lomakin Viktor Kuzmiç. Dünya iqtisadiyyatı, Rus dilindən tərcümə. Bakı: "İqtisad Universiteti Nəşriyyatı", 2013.- 625 s.
7. Rzayev M.A. Sənaye müəssisələrində istehsalın diversifikasiya siyasəti. Azərbaycan Neft təsərrüfatı jurnalı, №5, 2018
8. Qasımlı V. İqtisadi modernizasiya. 2014, 311 s.
9. Mustafayev Ş. Azərbaycan sənayesi: tarixi yolun uğurlu davamı. Azərbaycan qəzeti, 2015, 7 yanvar, s. 2
10. <https://www.stat.gov.az/> The official website of the State Statistical Committee of the Republic of Azerbaijan.
11. <https://www.stat.gov.az/source/trade/>
12. <http://eco.gov.az/az/111-igal-olunmus-erazilerin-ekoloji-veziyyeti> Ministry of Natural Resources of the Republic of Azerbaijan
13. <http://www.maliyye.gov.az/sites/default/files/2017-law.pdf> State Budget Bill 01.01.2017
14. <https://president.az/articles/27793/print>
15. <https://president.az/azerbaijan/contract>