

Fig. 6. Commodity Structure of Azerbaijan's Import (2006), %

Outcomes of socio-economic reforms carried out in the republic of course will reflect themselves in future development of the country's foreign economic contacts.

According to the government's predictions, the republic's foreign trade turnover will make \$ 21,9 bln. This indicator will increase by 88,3 % compared to that in 2006. Attention will be focused mainly on the growth of export in foreign trade. If the export capacity was \$ 6,5 bln in 2007, this figure will be \$ 16,2 bln in 2008 and 17,48 in 2009.

The import capacity will decrease instead. If import was \$ 5,7 bln in 2007, this indicator will drop down to \$ 3,9 bln in 2009. These changes will entitle positive balance in the republic's foreign goods turnover.

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### THE FORMATION OF TRADE-ECONOMIC RELATIONS BETWEEN AZERBAIJAN REPUBLIC & ISLAMIC REPUBLIC OF IRAN AND COMPLEX ANALYSIS OF ITS DEVELOPMENT

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**Ключевые слова:** страны Каспийского моря, комплексный анализ, экспортно-импортное сходство, экономический протокол, региональная торговля, внешняя торговля.

**Key words:** Caspian Sea countries, complex analysis, export – import similarity, economical protocol, regional trade, foreign trade.

**Abstract.** At this article we discuss about international trade theories from classic and neo – classic view points until modern foreign trade theories. The foreign trade is an important matter of international relations between two countries, for example among Iran and Azerbaijan Republic. This paper try to describe the condition of commercial – economical

environment in regional commerce and shows suitable alternatives for effective cooperation based on registered memorandums.

**Introduction.** International trade is formed in the world countries, so it brings them benefit. Foreign trade is used for the social-economic development of the countries. The transition of some countries to the market economy system opens perspectives for the development of the international trade. So the formation and development of national economy of young countries is not only on their internal relations and foreign factors, especially depend on using international trade relations efficiently.

**Discussion.** One of the initial theories of the among countries was the theory of mercantilists. On the base of this theory supervisions and controls of the countries play an important role in the limitation of import. Their strategy is tariff classification, export encouragement, service price raising, etc.

We must say about the analyses that not all the countries can achieve positive trade balance at the same time and amount of gold must be stable in each country. Because the growth of trade balance is not stable in each country. However the growth of trade balance is not stable in each country. Because this matter may cause to lessen export by increasing the requirement, and the amount of money and to rise prices leaders, Quesney can't accept the interference of country to the economic activities and look for the source of this wealth in the nature and agriculture [3, p. 21–32].

We must note that, mercantilists pay attention to the one side of the foreign trade and consider the amount of gold the development factor of the country. Famous economic scientist A. Smith has absolute advantage theory. He showed free trade to each country on the base of international division of labour. Due to this theory, not each country can provide its requirements by its own resources. But it is necessary to provide its needs from foreign countries.

Another economist D. Ricardo showed shortcomings of Smith's opinions put forward comparative advantage theory. He showed in his theory that the reason of international trade is its comparative superiority in the production of only one product. But the absolute superiority is not main here. Generally, recent authors of foreign trade theories make some additions to the classic theories apply their conceptions on the practices. We can show "mutual dependence of nations" conception, development "directed abroad" conception, "foreign impulse" and others.

Generally, while we are speaking about foreign trade we base on international trade theories. So there are many international trade theories completing concrete and superlative theories. From this point of view Pol Crugman explains the existence of the trade between the countries which have the same production factors in his "scale effective theory". We know that the Azerbaijan Republic gained independence in 18 October in 1991. After international trade which is the main of foreign economic policy play an important role in the formation of economic relations and international regional trade attitudes.

- Trustily, the formation of corporation attitudes with the UGC.
- Mutual corporations with Turkey, Iran and countries members of economic Corporation Organization.
- Mainly the corporation with the countries of Council of Europe.
- To erase the deficiency of the foreign trade balance.
- Protection of foreign rivalry.
- Economic development.
- To erase the monopolist.
- The liberalization of economy.
- To achieve social incomes [2, p. 24–37].

One of the main directions of the foreign trade theories is neoclassic theories. We can show "The theory of production factors (J. Sey)", "The theory of correlation of production factors (E. Hekscher, B. Ohlin)", "The theory of equalization of prices of production (Hekscher-Ohlin-Samuelson)", "The dissemination of comparative superlative theories mainly to the countries and commodity (P. Samuelson)", "The theory of Broadax (V. Leontiyev)", "The theory of circulation of product (R. Vernon)", "The superiority of technology

(M. Pozner)”, “The theory of international rivalry capacity (M. Porter)”, “The theory of central environment (G. Mirdal)”, “The theory of trade division in central and other countries (S.Emin)”, “The theory of vertical trade (D. Santos)”, “The theory of value of industry suggestion exported abroad (A. Kravis)” [8, p. 261–267].

Theories about the international trade have developed into 3 directions:

- 1) enrichment and development of principles of classic theories recently;
- 2) to search new problems of international trade from the classical point of view;
- 3) corporation and trade with USA and to create the area of special free trade.

Facts show that, after gaining independence Islamic Republic of Iran and Turkey were the 1<sup>st</sup> republics which cooperated with Azerbaijan Republic in the trade-economic section. But now we must broad these relations, Iran Islam Republic has same interests with of geographical atmosphere, regional economy and trade.

We know, the main exporting goods of Azerbaijan are, oil-gas, electric, iron-ore, chemical and oil-chemical materials, paper, paper-mill building materials, food produce agricultural produce and others.

Importing goods are ores, chemical materials, building materials, electric-industry materials, paper materials and others in Azerbaijan there is no currency limitation for importing in trade. In other word import is free import happen by 2 sides contracts. But there must be license [5, p. 11–14].

The exporting goods of Iran Islam Republic are oil-gas, agricultural products (fruits, pistachio, currants, roe, bowels, caraway, cotton and others) industry materials shoe, carpets, skin materials, textile, chemical products (soap, washing powder), chemical materials, cement, surface stones, building materials, stone-tile, transport means, copper, steel papers, iron, carbohydrate and so on. Importing products of this country are animals, food-stuffs (milk products, egg, sweet, honey, grainy vegetables, cacao, fruits, drinks, cigarette, oil, unsalted fresh butter, spice) raw material caoutchouc, fertilizer, mineral products, fuel, chemical materials, medicine products plastic materials and others. From the trade point of view import and export are implementing by getting license in law.

Table 1\*

**The portion of participation of Caspian countries in trade sector**

Caspian countries/year	1997	1998	1999	2000
The Azerbaijan Republic	25	28,7	21,9	16,9
The Iran Islam Republic	7,9	5,6	6,4	9,1
The Kazakhstan Republic	41,5	35,5	28,3	32,2
The Turkmenistan Republic	28,7	27,2	20,2	40
The Russian Federation	4,3	3,7	3,0	4,1

\*Source: CD / Rom. PC / TAS, ITC, 2002.

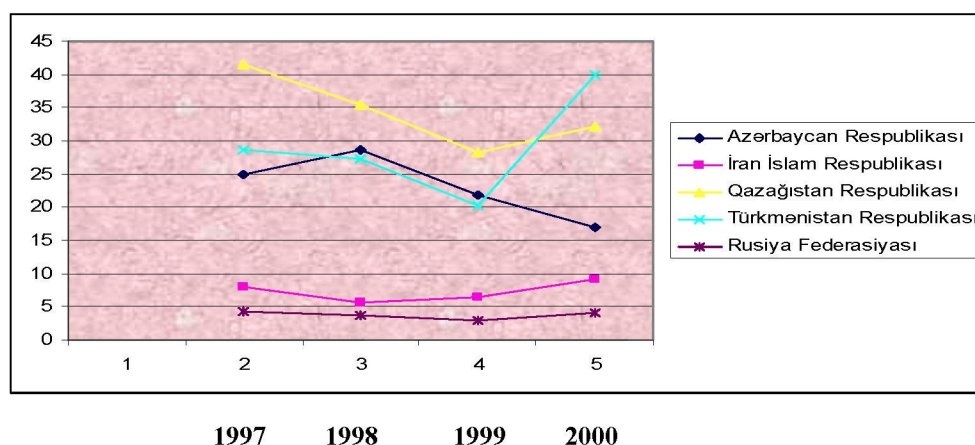


Fig. 1. The portion of participation of Caspian countries in trade sector

The structure of exchange of commodities of Caspian countries within the shows that these countries have got high achievements in internal trade. Thus Turkmenistan (40 %), Kazakhstan (32,2 %), Azerbaijan (16,9 %) though Russian and Iranian republics are butter for economic group were below 10 %.

It is necessary to note that the amount of goods counted in the trade system of these countries are unstable and changes and development are based on relative priority in Caspian countries.

Table 2\*

**The similarity of export and import of Caspian countries (1997–2007)**

Countries	Partner countries in trade	Similarity degree	The share of general import of trade partner
Azerbaijan	Kazakhstan	24	0,34
	Turkmenistan	18,6	1,68
	Russian	16	0,43
	Iranian	10,9	0,56
Iranian	Kazakhstan	20,4	0,21
	Azerbaijan	16,4	3,6
	Turkmenistan	15	2,6
	Russian	12,5	0,1

\*Source: www.intracen.org.

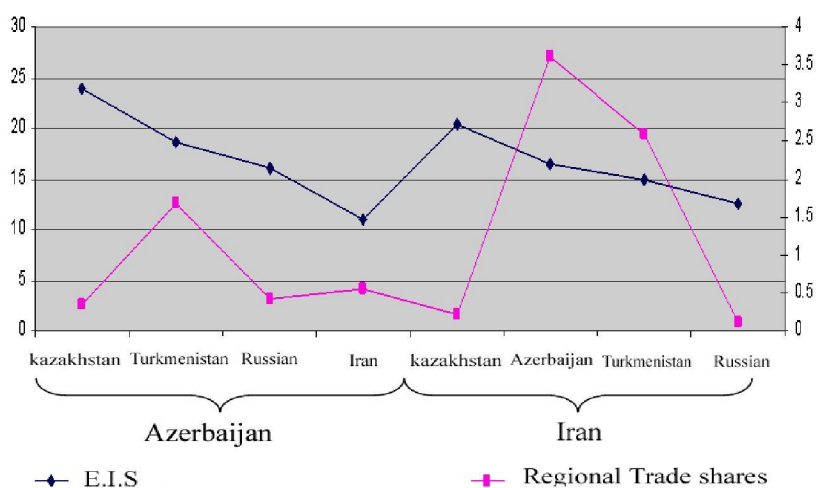


Fig. 2. The similarity of export and import of Caspian countries (1997–2007)

We may come to such a conclusion that the indicators of exporting and importing of these countries are uncompleted, they have limited products in rivalry and there are many difficulties in the trade of these countries.

Due to the 2<sup>nd</sup> table the exporting structure of Iranian Islamic Republic has little similarity with the structure of importing of other 4 Caspian countries. So, the indicators of similarity of Iran was 20,4 % with Kazakhstan, 16,4 % with Azerbaijan, 13 % with Turkmenistan, 3,61 % in Azerbaijan, 2,6 % in Turkmenistan, 0,1 % in Russia. It that the participation of the Iran Islam Republic is very weak in the market of Caspian countries. The similarity of the Azerbaijan indicators is least than the indication of import and export of Caspian Sea countries [4, p. 307].

Due to the investigation of International Trade searching centre Caspian Sea countries have some priorities in some sectors and also have some priorities in the exporting of mineral products. Their main products are industry and textile, food-stuffs, building materials which are based labor force, from this point of view these countries de-

pend on other countries for importing of main products. Iran Islam Republic has superiority in mineral resources and textile Turkmenistan in mineral resources, textile, food stuffs, Azerbaijan Republic has superiority in mineral resources, Kazakhstan in industry, mineral resources, new foodstuffs, Russia has superiority in the main industry products, mineral resources and in timber. It is necessary to note that seashore countries have no any superiority in the production and exporting of some goods. At the same time non-electric equipment, transport equipment, chemical products, food stuffs and electric provision.

So we can say that all of these countries have superiority in the production and exporting a mineral resources, but have no superiority in the production and exporting of transport provision and non-electric supplies. So if we analyses it, we can say that these countries have relative superiority the production and export in of mineral resources but have no superiority in the production and exporting of non electric supply and transport equipment [9, p. 151–164].

The total amount of export of Iran was 423 billion dollar. 59 % of this product was exported to Azerbaijan, 21 % was exported to Turkmenistan, 12 % was exported to Russia, and 8 % was exported to Kazakhstan. At the same time Iran imported 1180 billion dollar products. 74 % of this product was imported from Russia, 22 % was imported from Kazakhstan, more 2 % imported from Azerbaijan and less than 2 % from Turkmenistan.

Historical chronology of signed contracts between the Azerbaijan Republic and Iran Islam Republic. More than 110 economical memorandums and protocols were signed between these 2 countries. Those samples for example are followings.

- “Advertisement about the principles of corporation in the political, scientific and cultural area”, 03.12.1991, Baku. It consists of preamble and 20 articles and it is about the corporation in the trade, science, culture, techniques and industry area between 2 countries.
- “The memorandum about the corporation in the trade area”, 01.06.1991, Baku. It consists preamble and 4 articles and about the corporation in trade, industry, culture, amusement, centers, agriculture and tourism area.
- “The memorandum about he corporation in the power articles area” 11.06.1991, Baku. It consists of preamble and 23 articles and about the corporation in energy, gas area between the 2 countries.
- “The memorandum about the corporation in transportation area”, 18.04.1992, Tehran. It consists of preamble and 5 articles.
- “The understanding memorandum about the using of hydro energetic potential of Araz River between the Azerbaijan and Iran Islam Republics”, 26.01.2005, Tehran.
- “The memorandum about the corporation between the Ministry of Finance and economy of Iran Republic and the Ministry of Finance of the Azerbaijan Republic”, 26.01.2005, Tehran.
- “The memorandum of mutual understanding between the railway stations of the Azerbaijan and Iran Islam Republics”, 26.01.2005, Tehran.
- “The memorandum of understanding about the developing of corporation in the sphere of aviation between the Azerbaijan and Iran Islam Republics”, 26.01.2005, Tehran.
- “The protocol was signed for the exporting of Azerbaijan gas to the Iran Islam Republic”, 20.12.2005, Nakchivan [1, p. 355–368]. Etc.

It is necessary to note that Mahmud Ahmadinejed, the president of Iran Islam Republic signed different corporation contracts with Ilham Aliyev, the president of the Azerbaijan Republic in his visit to Azerbaijan in September of 2007 year. The main matter is that the trade share between the 2 countries has been gone up from 550 mln dollars to the bln dollars. After his visit in 2007 year in October the presidents negotiations about the economy and trade took place and they hoped it would give them many opportunities.

Geographical features of Iran create opportunities for suitable transit between the world markets and central Asia Countries. Iran has great experience for producing and refining oil and gas. If we take these potentials into account we can say that the development of corporation in different areas can strengthen economic relations. At the same time very suitable and short exit for world energy markets is Iran transit for these republics. Beside this to construct trade buildings and economic zones in its borders is to broaden trade economic relations for these republics [10, p. 493–500].

To develop foreign trade relations and efficiency of economy are one of the factors of its interesting to the international economic cooperation. Investigation proofs that in order to achieve the increasing of goods achieve in the foreign trade relations it is necessary to result railways roads, international trade ports and must reform laws and in the sphere of developing Khazar ship Committee. Through some measures have been taken into account in these 2 countries but they are not enough.

International trade activities are dividing into 2 part by its essence: a) main; b) additional activities. The implementing trade activities by mutual payment among the participations of these activities belong to the main activities. Trade activities connected with the customers and salesman belong to the additional activities [6, p. 120].

So we can refer not only material and service activities to the foreign trade, but also other types of trade-economic activities realized by international trade methods. International trade economic attitudes must be used effectively. For this firstly you must have high knowledge, you must use have effectively nation attitudes and foreign trade activities: secondly, you pay attention to the main and additional activities, you must relate all the details of this trade work: thirdly, you use effective scientific-technical relations and last you must apply effectively international trade methods on different goods and services [11, p. 25].

Referring to these trade activities we can say that the main and the additional trade activities of Azerbaijan and the Iran Islam Republics can bring profits both 2 countries because of the same economic, social, ethnic, social market economy. For example, recently the leader of "Sada-Sima" of Iran signed (2007, Baku) a contract to create joint films and cinemas with the Azerbaijan Republic.

**Conclusion.** As a result it is necessary to look through the fooling matters about the creating of suitable and profitable international trade-economic relations.

1. New methods and from s trade among countries.
2. The techniques of trade activities, at the same time preparations to the signing of contracts, their content and implementing.
3. The functions of trade relations, their role in the world market and the content of contracts signed by role of trade-relaters.
4. International joint trade, international auctions, joints and exhibitions the organization of trade activities and their techniques.
5. The organization of international trade on scientific-technique knowledge and other services.
6. The organization of international produce-technical relations of the foreign firms.
7. The main forms and methods of regulating of monopolists.
8. Aid methods to the development of international trade relations.

Due to the information Azerbaijan Republic had some economic, trade relations with 55 foreign countries, that these relations have been increased and have activities economic profit recently. In 1996 year the main importing countries of Azerbaijan were Turkey (19,8 %), United Arabian countries (15,3 %), German (9,8 %), Iran Islam Republic (6,7 %) and exporting countries were Australia (1,2 %) [7, p. 30].

The development of foreign trade relations of the Azerbaijan and Iran Republics, their formation and complex analyzing have countries create opportunities in order to use these objective laws effectively, to erase short comings, to develop and to increase foreign trade relations. It is necessary to show that foreign trade relations in the world are based on objective laws factors, international labor division, natural resources, invests, labor resources and development of transport and infrastructure. It is known that foreign trade relations of the Azerbaijan are not perfect. Among the exporting goods oil takes place high place (85 %). Other goods take place low place. But Iran tries to produce and export non-oil products. So there comparative superiority theory can suggest the increasing trade relations of 2 countries.

As a result the interests of the foreign trade relations are not only to get incomes. But to develop country form the economic point of view, to protect the interests of local producers and consumers and to use effectively know materials, labor resources.

If we analyses foreign trade relations of the Azerbaijan Republic which is the subject of modern global world and its trade-economic relations with the Iran Islam Republic, we

may come to some methodological conclusions and can give practical suggestions to raise foreign trade relations. Nowadays Iran and Azerbaijan build their own trade relations on the base of market economy. From this point of view many reformations are implemented for the formation of market economy and many laws are adopted to liberalize foreign trade relations.

Azerbaijan corporate with many countries of the world in all spheres of the foreign trade relations. Recently the partners of the foreign trade of the republic have reached to 120 many invests have been put on the oil sector of the Azerbaijan. But Iran plays an important role in the non-oil sector. To construct main trade relations with Iran and other neighbor countries are one of directions the Azerbaijan. Mutual visits of 2 presidents of 2 countries and signed contracts help to form economic relations and their development of both countries. In this area we must emphasize the activity of joint commission of Iran and Azerbaijan. So within this commission the development directions of mutual relations are discussed and many decisions are made.

Economical relations between Azerbaijan and Iran are formed initial years of independence. The reason of this is that two countries close from the ethnic, religious and cultural point of view. Today Azerbaijan corporate with Iran in all spheres and Iran plays an important role in the foreign trade relation of the Azerbaijan Republic. Because of being neighbor makes it necessary to corporate each other in the implementing of some projects. The exchanges of electric are raising day by day between the 2 countries. Azerbaijan is situated in the centre of international transport lives. It gives Azerbaijan some opportunities to take part in the projects with Iran. This corporation has many perceptivities in the sphere of transport, fuel-energetic between the 2 countries. There are many opportunities to corporate in the sphere of agriculture. We know that Iran has developed in this sphere. Iran gives many credits to farmers for the development of agriculture. Azerbaijan can use the experience of this country and many send types can be brought to Azerbaijan from Iran.

We main importing goods of Azerbaijan are food-stuffs. But this station must be changes in perspectives, because there are many potentials in Azerbaijan for producing these products. Because government creates more opportunities for the development of ownership.

The corporation between two countries are very profitable for two countries, especially in the sphere of oil land machine-building sphere. It is certain that to bring installations from Azerbaijan is very cheap and profitable for 2 countries. As a result both countries have achieved many perspectives.

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