



*International Economy*

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**REGIONS OF THE COUNTRY  
IN THE MECHANISM  
FOR THE IMPLEMENTATION  
OF NATIONAL ECONOMIC INTERESTS**

**Abstract**

The analysis of the regions as the most important elements of the national economic reproduction is conducted. The criteria of the regions' formation are separated as well as perspectives of their cluster development in the process of market transformation. A special attention is paid to the experience of the regional economic development in Azerbaijan. Regions are evaluated as important means of the economic diversification, formation of integral economic system and implementation of the national economic interests.

**Key words:**

National economic interests, principle of factor (resource) advantages, territorial division of labour, international control, institutional form of organization, economic system.

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National economic interests irrespective of internal nature of macroeconomic integrality are realized by means of interrelations between its different components, the main of which are spatial (regional) reproduced structures. The most acceptable research context for the regional economic structures is considered as the interrelation between categories «general – special». Considering the category «special», which expresses «general», we can direct the properties of the integral economic organism into his regional specificities. From this point of view, economic region can be denoted as both a part or as a level of national economic entire of the country. They are closely connected with each other but simultaneously depict the different arrangement of multi-disciplinary emphasis in the regions studying. In the first economic and geographical approach, the characteristic of the region as a part of the country is distinguished in the process of territorial division of labour, connected with the availability of natural and climate and specialization of production. It means that the region acts as «a part of the territory with more or less homogeneous natural conditions, specific economic demographical historical conditions, where the certain complex of productive branches, productive and social infrastructure is functioned» [9: 13]. However, it is insufficient to express completely the economic content of this notion. The last is connected with the reproductive characteristic of the region and what is especially important its macroreproductive community in the process of implementation of national economic interests of the country. The separation of the mentioned above is necessary from the point of view of definition of criteria of the regional economic conditionality, which is dictated by the feasibility of the level of regional generalization of production. Taking into consideration the mentioned above, we cannot but accept the opinion of R. I. Shniper, who explains the notion of «region» as: «The complete cycles of the reproduction of population and labour resources, fixed-capital assets, working assets, parts of national welfare, money circulation, relations, concerning production, distribution, exchange and product consumption» [11: 17]. The similar conclusions do not emerge the economic and social characteristics of the generally national generalization of production. The regional levels are the links of production which are not able to be oriented on the complete cycles of reproduction, moreover, in such spheres as reproduction of population or fixed capital assets. The system approach to the regions studying on the base of the concretization of their structural and functional role is methodologically significant. It means that regions, having a special place in the system of social (territorial) division of labour, differ by the economic orientation in the system of national economy and are combined according to the belonging to the macroeconomic system of the country. They coursed the complex, concerning certain productive conditions, which in the close cooperation with the whole national reproductive system provide the implementation of the national economic interests. It means that regions characteristic as a structural unit of the national economy is closely connected with the exercising of the

main function – production of outputs of the region specialization towards the development of the whole national economy.

Actually, region as an institutional form of the economic system organization, using the principle of factor (resource) advantages performs the complex development, closely connected with the targets of national economic interests. In this meaning, regional economic interests, concerning the rise of the production level and creation of cleared conditions of the sustainment on the defined area are in the midway of the implementation of national economic interests. Specialization of the region's economy is connected with its complex development, which leads to the effective creation of the structural subsystem functions. These functions course the reproductive regional scale to solve economic and social tasks in the system of the nationwide division of labour and effectiveness in the reaching of the goals of macroeconomic growth by means of representation of regions as define centers of the mentioned growth. From this point of view, the regional process of reproduction should exhibit the products of specialized and more productive labour at the national market and at the same time meet the requirements of such products. Regional analysis of that part of national economy, which is separated but do not have the integral reproduced characteristic is peculiar for the economy of unitary small country. We should pay attention to the criteria of regions separation: in France – geographical criteria (highlands and rural natural area) as well as the level of urbanization; in Germany – provision with the regional infrastructure; in Portugal – «level of accessibility» of every region; in Sweden – climate, farness from the market, size of the local labour market and population concentration; in Great Britain the population concentration [11]. In Azerbaijan the important factor of economic region is a unique combination on a relatively small territory of the country 9 of 11 Earth climatic zones, as well as different mineral resources provision. Exceptional preconditions are created for the diversification of productive activity and provision of variety of finished product output, mostly unique and competitive on the world markets. Taking this into account, we can not overestimate the importance of the President I. H. Aliiev propositions, as well s State Program of social and economic development of the Azerbaijan regions for the period 2004–2008 end 2009–2013, which is extensively introduced at its second stage. Actually, the Program can be defined as a principal method of solution of the oldest contradiction, concerning placement of productive forces and stimulation of industrial direction of Azerbaijan economic development on the base of utilization of raw material and labour resources on the whole territory of the country. If we look at the regional indicators of Azerbaijan economic rates of development in the period of 2004–2009, we observe that the Absheron region, which is situated around the capital (30 610 new individual working places are created, 849 enterprises are opened) is not a leader, Aran zone is a leader, where 149 216 new individual working places are created as well as 1 500 enterprises. In Ganja-Qazakh Economic Region 56 261 individual working places and 808 enterprises were opened. 31 537 new individual working places and 352 enterprises were opened in the well-known centre of tourism Quba-Khachmaz Economic Region. Nakhichevan, by virtue of Armenian aggression, was deprived of above-ground

transport connections with the other part of Azerbaijan. 24 812 of individual working places and 958 new enterprises were created in this city. The economy is slowly works out for the best even in Karabakh zone, which is regularly fired on by the Armenian militaries. 12 198 new individual working places and 330 new enterprises are created here. In Nagorno-Shirvan economic region 15 158 new individual working places and 209 new enterprises are created; in Shaki-Zaqatala Economic Region – 26 426 individual working places; in Lankaran Economic Region – 49 519 individual working places and 602 new enterprises were created [1]. All these events coursed the discontinuation of the population flows from the regions, in some regions the return migration is observed, obtaining the landholding, job and all conditions, needed for the entrepreneurial activity.

From the very beginning, as it was expected, forces of small and medium business, objective preferential credits, and tax advantages are used to develop the regions. All these provided the inflow of investments with the amount of 7,6 billions of Azerbaijan manats only into the main productive assets [2, p. 365]. State credits, directed on the entrepreneurship development at the local level played an important role in the creation of new enterprises and extension of already operated regional productive structures. In 2004–2008 6118 of entrepreneurs were granted credits amounting to 323,4 mln of Azerbaijan manats, at that 70,4 % of them were granted for the regions of the country. Their supplementation with the state benefits for farmers as well as investments of infrastructural and social designation and orders for the local producers on stationary prices, possibilities for cooperation with the foreign investors under profitable useful conditions enables the creation of completely new economic impulses in Azerbaijan regional growth. The last ones enable the essential growth of nomenclature of the offered domestic goods in the country and abroad, as well as growth of the volumes and structural variety of national market. As a consequence, the national regional market is gradually formed, which is connected with the deepening of the territorial division of labour and forms the necessary links of the integral and generalized national commodity-money production, which plays a decisive role in the formation of the fields of the national economy competitive advantages. Regional generalization of natural, climatic, productive and entrepreneurial possibilities of the country is a principal base of the economic development model, which prefers regional «productive growing centers». Development strategies, defining that that economic growth is purposefully oriented according to the most effective branch and regional development trends, are applied in the different countries with different level of development and different generalized systems. Although those strategies differ one from another, we pay attention to the theory of centers or poles of growth. The theory is based on the conception of the industrial centers formation (innovations, technologies, etc), and influences on the development of other regions and contiguous branches on the whole economic space of the country. The main precondition for using of the mentioned conception is concentration of limited resources within the frameworks of the individual territories, where those resources can provide the maximal lasting economic effect as a consequence of the start of mechanism of rela-

tive reproductive separation of those territories on the base of creation of favorable conditions for the usage of local raw materials, work-force formation, solution of social and ecological problems. In the given case, the process of concentrated diversification of national economy is carried out. For the first time, the so called «growing points» were mentioned in the works of F. Perroux. He noticed that economic development does not emerge everywhere and simultaneously, it appears only in some segments of economy with different intensity, spreading through the various channels, and having dissimilar final effects for the whole economy.

He explains growing points as dynamic elements inasmuch as they enable to realize national economic interests from the different spatial positions. As a consequence, the deepening of the territorial division of labour and specialization of production, which leads to the usual cooperation relations on the whole national, economic, social, cultural and institutional dimensions, links the regional economic centers to the integral reproductive process. F. Perroux gave the simple explanation of the notion «growing point» – «this is the object that can cause the growth of other object». It includes three main components: 1) the leading branch, which has the high potential of growth and ability to innovations; 2) branches of local significance, connected with it by means of the system «input-output; 3) special agglomeration of production, which provides the enterprises with getting of the economy of scale. In such a way, a wide range of interrelated effects emerges, which in course of favorable conditions can change the economic space of the regions and the country at all. The excellent feature of F. Perroux conception is that the question about between regional diffusion of the innovation achievements of growing centers is highlighted [5: 64–65].

Optimization of the forms of relations between regional growing centers is one of the most actual aspects of their successful development. It is known that only growing centers, which are connected against each other, can create new territorial and agglomerated productive force. At that, both the process of growing centers formation and creation of effective mechanism of their interaction are very important. The first of the mentioned aspects of the problem is successfully carried out in Azerbaijan in the prolong State Program of Regional Development, which together with the «Contract of the Century» assists in realizing Azerbaijan national economic interests. If Contract, concerning attraction of foreign investment into the oil sector (1994) provided the rise of the traditional economic branch, allowed providing the financial independence and put the strong basis for the future steady economic growth, the regional development entitled this growth with the effect of concentrated diversification. The similar disbalance concerned national, economic, social, demographic and ecological interests of Azerbaijan. This is precisely why it is important to realize and solve the tasks of the regional development of economy. We should underline that national economic interests are flexible, concerning subjects, but always defined, concerning territory. It means that they should embrace the whole national economic space, providing the integrated and well-balanced growth in order for all regions to confirm their economic positions and social situation by virtue of GDP reproduction.

But in transitive period, we should consider that fact, that the regional development is closely connected with the state support, creation of the so called budget and financial «regime of the maximum promotion». This moment is loudly observed on Azerbaijan, where in state investment expenses, the costs for the realization of the regional projects were increased sixfold in 2008 in comparison with 2004 and were 3,9 mln. of Azerbaijan manats or 83 % of the general investments. As a consequence, in the most regions of the country, the economy increased twofold. If we take into consideration (as President Aliiev notices) the fact that there is no oil in our regions, this growth occurred thanks to the non-oil sector – as a consequence of the conducted performs, granted credits, appropriated funds, enterprise development [10]. Azerbaijan realities are consolidated by the range of regularities, which are defined simultaneously with the regional development and changes in the sphere of the transition of the state economy on the postindustrial trends.

Polish scientist A. Kuklinski supposes that problems, concerning regional development, which were considered from the material point of view, transit into the new stage of non-material approach, when the conception of the regional development is oriented on knowledge and innovations. [6, p. 90]. The last ones begin to dominate on practice, by means of usage of the new technologies and intellectual potential within the frameworks of industrial clusters. The notion clusters have different interpretations [7], is oriented on M. Porter explanation. He defines cluster as a group of interdependent companies (suppliers, producers, consumers) and organizations, connected with them (educational establishments, bodies of state administration, infrastructural networks). They act in certain (regional) sphere and supplement each other [8, 196].

In other words, clusters are the reproductive relations between firms; moreover, the clusters should effectually use their regional resources. One of the meanings of the word cluster is «that, who hangs down as a grape». Towards regional economy, cluster «grape» includes the provision with natural resources supplemented structure of the productive objects specialization in the reproductive chain, indicators of their technological level and work force qualification. At that, it is not compulsory that the choice of the objects of primary (agriculture and mineral industry), secondary (manufacturing industry), tertiary (transport, communications), quaternary (trade, financing, insurance, education, science, and management, health care) spheres was closed in the specific territorial frameworks. Cluster mechanism includes both regional and between regional reproductive relations, aimed to provide the comprehensive regional development as well as obtainment of quality of effective functional links of national economy. For example, agriculture and regions with mineral industry are designed to supply the raw materials for the manufacturing industry at the local level with the consideration of transactional expenses and effectiveness of the productive capacity distribution both in the regions and in the whole territory of the country. In the regions it should be both big, small and medium enterprises, which build the conglomerate of productions, represented the interests of capitals, acting at that and beyond the borders of the regions. In any case, the de-

veloping business creates new individual working places, and country (in the given case Azerbaijan) invests the building of schools, medical centers with the quality new degree of service as well as sport objects and infrastructure. In such a way there is a need in specialists for servicing objects of productive and non-productive designation. As a consequence, the unemployment is reduced, the people's incomes increase as well as image of qualified specialists. In the developing regions of the country notably decreased the outflow of population. It is obvious that in Azerbaijan, the tendency to the formation of specialized industrial towns (Khirdalan, Aliat) that can be considered as the uprising of original cluster strategy. Besides industrial enterprises, the representatives of government institutions, local administration, commercial, medical institutions, training centers, business-incubators will work here.

The implementation of the simplified procedures of enterprises registration, creation of qualitative communication and transport infrastructure is envisaged. We should redefine that granting of tax and other benefits are not envisaged. Nowadays, we may say that in Azerbaijan, clusters, built on the principles of activization of economic life in the regions on the base of the specialization and provision of economy by means of the effect of scale. But we may say about the formation of preconditions for the transition to the economic clusters, which are based on the system of interrelations between firms and organizations. A classic example of technological clusters is Silicon Valley in the USA or shoe cluster in Italy. The main task of the country in development of the similar clusters is the improvement of infrastructure and concentration of efforts on the disposal of limitations, concerning innovation development. In the given aspect, it is very important to pay attention to those big infrastructural projects within the frameworks of the State Program of Regions in Azerbaijan. Transportation management is one of the most important fields in the economy of the country, 20,7 % of the aggregate investments are directed into the fixed-capital assets. For the four years of operating of the First Program of regional development, the country managed to attract investments and realize some major programs of modernization of road connections. The main road directions are from the south to the north and from Baku to the border with Georgia. The new roads to the farthest populated areas were paved. Thanks to the building of the new terminals in the regional centers of Azerbaijan, the air freight activity is developed successfully within the borders of the country. In 2008 only budget revenues on transport infrastructure were 1279,5 mln. of Azerbaijan manats. In general, the transport sector of the economy of Azerbaijan increased to 13,5 %. If we take into consideration the high rates of development and qualitative renovation of the energy supply system, communications, information technologies, we can make a conclusion that the space of the country is closely connected with the unique infrastructural network, which courses the formation of the cluster nodes of national reproduction. The mentioned cluster nodes can be divided into the following economic regions: Absheron, Ganja-Qazakh, Shaki-Zaqatala, Aran, Karabakh, Lankaran, Quba-Khachmaz, Kalbajar-Lachin, Shirvan, Nakhichevan economic regions. All they have cluster potential, which is intensified while their development as a functional sub-systems of national economy. They become more at-

tractive for the producers of different scale, specialization and form of property. The quite important trend in the development of Azerbaijan economy is connected with the emergence of alternative industrial clusters of fuel and energy specialization.

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