

Full Length Research Paper

Trade development trend between Islamic republic of Iran and Azerbaijan republic

H. Alipour^{1*}, A. Norieva² and Moosa Rezvani³

¹Ph.D, Department of Management, Islamic Azad University Rasht Branch, Iran,

²Professor in Economy, AZ, MEA,

³Islamic Azad University Astara Branch, Iran

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International trade theory had been evolved by Ricardo and Hecksher, Ohlin and Sam Delson, gradually and regularly. According to relative superiority Act, trade between two countries can suitable mutually and this state is even true when one of these two countries is less efficiency in total productions of goods and services. According to this theory, country which has less efficiency must specialize in exporting and production of goods and services which its lack of relative excellence about them is less and instead it must import the other goods and services. In fact, one country frequently exports products and services which its production largely depends to relatively abundant and less expensive product factors (labor, capital, technology skill) available in that country. This theory also state that as proving to be true entirely suppositions, International trade causes to desirable and optimize distribution of income and labor price and capital among countries will tend to equality.

Key words: Azerbaijan, exports, imports, international trade, Iran, non-oil goods.

INTRODUCTION

Today, there is no country in the world which its people live in closed economical system and its economy may not move or less relate to the economy of the other countries. Industry, trade, technology and level of income, standard of living and the other economical affairs of a nation are related to the other national economy through complex substations of products and services exchange and financial and monetary relations. Awareness of people about this connection in adopting a commercial and economical rational policy by that country policy – makers is Dery effective. While international trade of goods and services based on method are logical and correct, each country participated in mentioned trade using division of work and international specialization can create suitable environment and condition for progress of national economy and in turn in level of income and public welfare.

Deliverance of monoculture economy and acquisition of it is required to exchange income funding and this exchange income will make unavoidable the development

and expansion of non- petroleum goods expert. Increasing non-petroleum exports are required to funding the contioentions and provisions provide the required background for exports and long term exported schedules are managed to influence and continues present in international markets.

Sovereignty of common wealth unions including Azerbaijan is viewed as one of the major consequences of the soviet union collapse and have been created major transformations in economical – political and trade geography of the region and therefore it have been provide some suitable opportunities for widespread cooperation of developed and developing countries including Islamic Republic of Iran with mentioned countries. Therefore after the soviet union collapse and acquired the independence of Azerbaijan Republic oil had been considered as the most important and determinant development after and economical fixing of this country and practically, oil issue become as a pivot connection of this republic with abroad. Islamic republic of Iran, due to strategic situation and cultural commons, religions and historical situation with this country, had been making many of economical and commercial cooperation unavoidable.

In recent year, despite of mutual visits and much intents

*Corresponding author. E-mail: alipour@iaurasht.ac.ir.

Table 1. Economical index of Azerbaijan Republic.

Description	1993	1994	1995	1996	1997
Gross domestic product To market price (milliard manat)	157.1	1873.4	10668.2	13732	15352
Net domestic output (milliard dollar)	1.7	1.6	2.4	3.2	3.8
Actual growth of gross domestic product (%)	-23.1	-19.7	-12	1.3	50
The average index growth of consumer (%)	1292.5	17868	84.6	19.9	3.7
Raw petroleum production (thousands barrels a day)	208	192	185	183	185
Population (million person)	7.4	7.4	7.5	7.6	7.6
Export (million dollar)	725	637	574	631	798
Import (million dollar \$)	629	778	1010	1354	935
Currency reserves (except gold) (million dollar \$)	1	2	119	214	420
Foreign debt (million dollar)	0	0.1	0.3	0.4	0.6
Paying foreign debt (%)	0	0	1.3	13/0	14.7
Par of exchange (average Manat)	92.6	1149.3	4413.9	4319.9	4002.2

intents and emphasis of presidents and parliament of these two countries on development, there are some top and down situation on economical and commercial relations and relations growth trend between them do not reach on an optimize level which is expected to these two countries, but despite of this statistics and figures in Table 1 indicate that trade exchange growth trend of Iran with common wealth (of nations) especially with Azerbaijan Republic had remarkably accelerate.

Target setting

Soviet Union was one of the main trade partner of Iran in the world before collapse and after the collapse of its independent union especially Azerbaijan, it become one of the most important markets for Iranian goods. Therefore establishing economical and commercial relation of Azerbaijan Republic for Iran enjoy of certain place. So inform of its commercial and economical potential capacities, especially in transitional condition from economical concentrated system to market economical system are very important for authorities and economical planner.

This paper had been taken some major efforts in various aspects by studying the whole situation of different economical parts and developmental trend of Iran commercial exchange with Azerbaijan republic and combining the export to import of that country during long years. And also some recommendations had been designed in order to accelerate Iran economical and

commercial relation developments using available rational benefits with Azerbaijan and removal obstacles and present problem and difficulties.

Geography, demography, historical and political situation

Azerbaijan republic has an area around 86/6 1000 km² and million people. Autonomous state republic of Nakhjavan and Ghara Bagh have 515 and 4/4 1000 km² and more than 400 and 200 thousands people are residing in Azerbaijan republic, respectively.

This republic is neighboring by the North with autonomous state of Daghestan, Russia, by the Northernwest with Georgia and by the south with IR Iran and by the Southernwest with Armenia and Turkey. Gillan, Ardabil, Eastern/Western Azerbaijan from throughout the west with the length up to 600 km and Turkey with the length up to 12 km through Nakhjavan have common boundaries with this country. 90% of people of this republic state are Azarian and population relative density had been 92 per kilometer in 1994. Around 60% of people are living in cities. Before the sovereignty, the average life expectancy of people in this country had been around the 71 years. The current Azerbaijan territory had been residential since stone age and since the last of 8th century before continuously defeat of Ghagar king FathAli from Tezarian Russia in 1810 and 1828 and according to Gholestan and Turkmanchie treaties it became separated from Iran and

Table 2. Economical index of Azerbaijan Republic.

Description	1998	1999	2000	2001
The number of population at the end of year (1000 one)	7949.3	8016.2	8081.0	8141.4
Population below the employment age	2693.2	2642.7	2585.3	2513.3
The number of economical worker (1000 one)	3701.5	3702.7	3704.5	3715.0
The number of recorded Formal unemployment (1000 one)	42.345	43.7	48.4	
Unemployment rate of active population	1.1	1.2	1.2	1.3
Average month income of worker (dollar)	571	583	665	715
Natural increasing of population (per 1000 person)	77.7	71.2	70.3	65.1
Gross domestic product (millions)	4447	4584	5273	5717
Gross product of industry sector	987	1249	1899	2032
Gross product of agricultural sector	799	843	848	896
Gross product of building sector	576	499	344	350
Gross product of transporting & communications	533	491	634	702
Trading , financial and assurance services	261	325	352	384
Public affairs product 75	90	107	116	
Health services product	88	101	97	105
gross product of training sector	307	276	260	281
Product of the other economical activities	670	507	437	441
Per capita of gross domestic product (dollar)	571	583	665	715
Average growth of gross domestic product	110.0	107.4	111.1	109.9
Forming gross capital (million dollar)	1484	1215	1090	1197
Exporting product and services (million dollar)	1009	1282	2118	2426
Importing product and services (million dollar)	2425	1919	2024	2148
Foreign debt (million dollar)	-81.3	-111.6	-55.1	
Par of exchange	3868.8	4118.0	4474.2	4656.4

Reference: statistical year book of south Caucasus / 2002/ TAC/s/lzadatel' stove "SADA".

Table 3. Livestock production of Azerbaijan in 1997 - 2001 (thousand/ton).

Type of output	1997	1998	1999	2000	2001
Meat (carcass weight)	159	99.1	104.6	108.7	114.1
Milk	881.0	946.5	993.4	1031.1	1073.4
Egg(million)	492	509.0	526.3	542.6	554.0
Wool	10	10.3	10.5	10.9	11.2

Reference: statistical year book of south Caucasus, 2002, TAC/s/ / zdatel'stvo "SADA

in the mentioned year, Arras river was determined as the boundary between Iran and Russia. Therefore there are deep connections between history of this country to history of Iran, and in turn have been emerged as one of the most important element and for improvement of economical and commercial relations between them.

This country was established in 1920 and took its autonomy from Russia in 1991 and became the membership of United Nations organization (UNO), international monetary fund, ECO (Economic cooperation organization), Islamic conference organization (ICA),

International Bank for Reconstruction and development .

Azerbaijan economical situation

Because of having suitable geographical/ natural situation and enjoying of full natural reserves, Azerbaijan states have numerous opportunities in various fields for economical development. But, because of superpower imperialism policies, after finishing the World War 1 and after the downfall of Russia imperial and starting the

Table 4. The number of livestock in Azerbaijan republic in 1997 – 2002 (1000 head).

Type of animal	1998	1999	2000	2001	2002
Big livestock	1483.5	1913.2	1961.4	2021.6	2097.9
Caw and buffalo	862.9	89510	925.8	958.9	1001.7
Sheep and goat	5267.0	5511.9	5773.8	6085.6	6558.9
Pig	21.0	26.0	19.7	18.6	16.9
Horse	53	55.8	60.8	63.7	65.6
Hen (million piece)	13.2	13.9	14.6	14.7	14.8

Reference: statistical yearbook of south Caucasus, 2002/
TAcis/ zdatel'stvo "SADA".

Table 5. Per capita production of food in Azerbaijan in 1997 – 2001 (kg/year).

Type of out put	1997	1998	1999	2000	2001
Meat	12	13	13	13	14
Milk	113	129	124	128	132
Egg (number)	63	64	66	67	68
Cereal	138	117	135	187	243
Green vegetable	63	63	84	97	113
Melon	7	10	26	32	36
Potato	28	39	49	58	75
Fruit & berry	42	49	55	59	61
Grape	19	18	14	10	8

Reference: statistical year book of south Caucasus,
2002, TAcis, lzdatel'stvo "SADA".

Bolsheviks, its short- term independence destroyed in 1918 – 20, therefore it created many limitations in the viable of state economy.

Social and policy

Because of lacking political independence, Azerbaijan was lacking single system of National economy structures. The republic stare economy seemingly had properties of Democratic Management. But, practically, the socialistic imperiously properties had important role in management of the state economical affairs.

Azerbaijan republic economy had one-sided development. Formally economical structure had called "people economical series". But neither in economical technology nor in locating of economical activities, there was not all-sided prospect. Consequently, Azerbaijan had turned to producer region of soviet non-expensive raw material. There were so little fields about productivity and user. So, people living standard and service activities areas were not developed.

In this state, it created some unemployment group and hidden unemployment who frequently was local people.

Until 1950, Azerbaijan in former Soviet Union was the major region of oil industries. Along time, around 80 – 90% of production oil was produced in Azerbaijan. Neither in economical crisis nor in Second World War period has oil industries continued to its development.

In Azerbaijan economical structure after World War II, remarkably advance had been accrued in many years. In the same period in the context of related industries- soft industries, food industries, fuel, oil production and some other industries, as creating move development, new industries context in parlor chemical, electronic, colored metal meeting and such industries, had been advanced. In 1880 decade of 20th century in Azerbaijan, electronic industries, machinery making and force extensive industries and initial material consumer, had been created. This industries context still have major role in country economical structure.

As a whole, before 1990, Azerbaijan economical structure had been changed remarkably and was different with quality production contexts. In the last decades, Azerbaijan, while have 40% out of total area and 2.3% of former soviet populations, would produce around 7/3% of oil products and its investment and 18% of artificial alcohol of total Soviet Union (former). But

Table 6. Per capita food in Azerbaijan in 1997 – 2000 (kg/year).

Type of product	1997	1998	1999	2000
Meat & its product	15	19	22	22
Milk & its product	142	145	152	154
Egg (number)	76	77	110	112
Fish & its product	1/6	3/1	2/7	2/7
Sugar	17/2	18/2	18/4	18/5
Vegetable oil	2/3	1/7	2/7	3/1
Potato	27	31	38	47
Green vegetable & melon	73	76	109	129
Fruit & berry (except for wine)	60	68	64	60
Bread & its products	143	143	150	158

Reference: statistical yearbook of south Caucasus, 2002, TACIS, IZda tel "stvo "SADA".

public purchasing price of production material had been in very low level. Because of production area limitation, total product phases did not enter this Republic. Therefore, in national production increasing area, there were various obstacles.

Azerbaijan Republic is the greatest and richest union in the Caucasus region. After collapsing of the former Soviet Union and acquiring independence, petroleum is the most important factor determining foreign policy and development and economical reshuffle of this country. With regard to the resources which it has, this Republic could set a positive business level with the federation republic of Russia, in the last decades by structure changing from rural industries to modern production and from intensive dependence on oil in order to create variety. Now, Azerbaijan's economical situation is as follows, briefly.

Economical structural situation

Azerbaijan's gross national product, which in 1996 as compared with 1995 increased around 1/3%, encountered with growing equal to 5/8% in 1997 as compared to 1996. Private sector share in gross national product reached to 46% while agricultural and industry sector share in 1997 had been reduced. Building sector share in gross national product, transporting, trading, net taxes and services and other activities had increased 13/8, 11/2, 5/5, 9/0, 15/5%, respectively.

Economical growth had been reached from 2/7% in 1996 to 6% in 1997. According to information of statistics public committee of Azerbaijan, gross domestic product had been increased 8/5% compared to the year before

and in the first 4 months of 1998 it reached to 442/6 m. Manat. Sharing of industrial factories, building sector, transporting, communicating, business and services had been reached to 28/8, 16/8, 23/6, 7/5%, respectively, in the same period.

Azerbaijan Republic with 31m/ha pasture for animal breeding is very suitable. With regard to suitable climate conditions, animal breeding and agriculture in this country have special development. Also 1/2 of the area of this country consists of forest which mainly had been located in proximity of the northern border of the Islamic Republic of Iran. Also sericulture and fish culture have special development in this country. In the point of caviar production, after Russia, Azerbaijan was the most second country which is producer of caviar in former Soviet.

Fishery industries, fishing, fish can, are the most important activities of this country. Annual cotton production had reached from 290 thousand/ton in 1961 - 65 to 582 thousand/ton in 1989. While in the same time, there was no longer increase in potato production. Fruit production had been strikingly increased and had been reached from 65 thousand/ton at the initial investigating period to 477 thousand/ton in 1989.

Industry

Because of intense dependence on the other republics and mainly Russia, Azerbaijan industry associated with the other problems and difficulties due to Soviet Union collapse, war with Armenia, closed road / rail communication ways with Nakhjavan and lacking rail communication ways with Nakhjavan and lacking rail communication probabilities with Iran, had been recessed.

Lacking direct access to free water and eventually lacking enough possibilities for oil production and impossibilities of its issue to out of the country and very requirements to modern technology, this industry had been encountered with many problems.

Azerbaijan Republic oil products were around 15 million/ton in 1991/ while in 1986/ before independence, this figure had been around 22 million/ton. In the same year, Azerbaijan Republic had been produced 11/6 milliard m³ natural gas, although it is not sufficient for total consuming of the Republic and so this country had imported gas from Iran and Turkmenistan.

The main center of this Republic's soft industries are located in Shaki, Khan kendi, Gange, Baco and Mingcheor. Food production factories are distributed in various parts of the Republic. Caviar production in Azerbaijan which is producing using fishery industry of the Khazar sea and fishing caviar fish has certain importance. After independence, this industry had been lost its standard and undesirable products had been causes to lose foreign market.

In 1991, industrial product value consisted of 31% food

Table 7. Iran exporting to Azerbaijan republic in 1993 – 2000 (thousand dollar value).

Year	Weight (ton)	Value (thousand dollar)	The share from Iran total exports (percent)	Order among countries	Total exports (thousand dollar)
1372 (1993)		68961	1.84		3746801
1373(1994)	1710271	201714	4.18		4824549
1374(1995)	245846	163241	5.02	5	9250672
1375(1996)	242414	189494	6.10	4	3105708
1376(1997)	408453	193688	6.74	4	2875592
1377 (1998)	419949	120333	3.99	6	3013313
1378 (1999)	582685	119245	3.55	7	3361953
1379(2000)	895761	248848	6.61	3	3762840
1380(2001)	785796	313574	7.424	2	4224045

Reference: commercial head quarters of south Azerbaijan letter no. 12785 1380,4,10.

material, 19% soft industry. 12% fuel and 11% machine – making.

Foreign trade

Until the end of 1999, Azerbaijan foreign trade and economy had been a part of former soviet economy and in oil and natural gas. Food, cotton, soft industry exporting had been depended to the Russia republic federation 94% while 13% in machinery and equipment, spare parts, initial material, cereal, metals, in 1989. Although Azerbaijan had been secured 2/3 of oil and gas industry of this country, but in required machinery and equipment product point of view, oil and gas industry are depended of that country by 98% production volume value of Azerbaijan annual oil industry before independence had been amount of 2/5 milliard dollar annually.

According to its previous dependence, Azerbaijan is doing its trade mainly with the former soviet republic especially Russia and Ukraine. This country had been exchanged products around 20/3 milliard Ruble with mentioned republics in 1991. Azerbaijan in the same year had been done its exports and imports, 94, 80%, respectively and also 81% exports and 78% imports with mentioned countries.

Azerbaijan trade with 81 countries of the world was around 1/6 million dollar and its deficit was 13 million dollar in 1997. In the same year, import and export were 764 of 781 Million dollar, respectively. The most important Azerbaijan trade partners consisted of Iran, Turkey, United Arab Emirates, Italy, Germany, England, French and United states.

Azerbaijan imports from common wealth independence members countries had been 350 million dollar totally

and 580 million dollar from the other countries and its imports to cist countries and the other countries were 378 and 420 million dollar in 1997.

Non – petroleum product exports Development trend of non – petroleum product of IRAN with Azerbaijan is increasing. Exports share to Azerbaijan compared with Iran total exports in 1995, had been 5/02%. This figure had been increased to %7/42 in 2001.

Also Islamic Republic of Iran had been exported the product nearly 3250612 to Azerbaijan in 1995. This exports had been increased to 4224045 thousand \$ in 2001.

Development trend of non- oil product exports of Iran to Azerbaijan in 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, was 3746802, 4824549, 325.672, 3105708/2875592, 3013313, 3361953, 3762740, 4224045 thousand dollar, respectively. From ordering point of view, Iran exporting to Azerbaijan among the countries had been increased from 1995 to 1999 and it had been decreased from 1999 to 2001. Exporting to Azerbaijan share of Iran total exporting to commonwealth (of Nations) in those years had been %27/9 in minimum and 41% in Maximum. During 1993-2001, Azerbaijan Republic was the best Iranian product market (Table 7).

Therefore, Iran table exported product could be divided to agricultural and industrial products. Nearly 50% of Iran exported products are composed of agricultural products and the other mainly of stuff and clothing and industrial products. Consequently, The main section of Iran exported product are consumption goods and other parts are vehicles and some machine tools which need to secure after – sales services and spare parts. Therefore Iran export of goods indicates that ministry of industries and mines directed their companies more than expected up to now. Additionally, in order to developed export and setting foreign trade relationship while refrain from

Table 8. Iran imports from Azerbaijan in 1993 – 2000 (value: thousand dollars).

Year	Weight (ton)	Value (thousands\$)	Share of total Iran imports (percent)	Order in the countries	Total imports (thousand dollar)
1372(1993)		411184	2.05		20036550
1373(1994)		394525	3.34		1179452
1374(1995)	104714	209574	1.86	19	12312830
1375(1996)	1243695	251843	1.66	19	15116519
1376(1997)	596273	119245	0.84	25	14195773
1377(1998)	112104	38842	0.27	38	14323440
1378(1999)	37226	25992	0.21	45	12682652
1379(2000)	56467	24165	0.17	51	14346866
1380(2001)	58096	20847	0.54	0/118	17626776

Reference: commercial head quarters of south Azerbaijan, letter No. 12785, 1380, 4/10

continuously changing exporting laws and rules, it must pay attention to quality, price, packaging and the other international trade common law until it could be preventing of issuing interior quality products and non-principal contest in the market of this country with non-official Iranian companies.

Imports

As a whole, Iran imports from Azerbaijan republic is more than exports to this country. Iran imports from Azerbaijan during mentioned years are 20036550, 11795452, 1231283, 15116519, 24195773, 14323440, 2682652, 14346866, 17626776 thousand dollar, respectively.

Import shares from Azerbaijan as compared with total imports in those years had been 2.05, 4.34, 1.86, 1.66, 0.84, 0.27, 0.21, 0.16, 0.54. In fact, Iran goods imports from Azerbaijan had been increased from 1993 to 2001 (except 1999). Investigating of imports from Azerbaijan indicate that various required goods of Iran had been imported from this country (Table 8).

According to above tables, the composition of imported goods is includes: Iron ware, wool, petrochemical products, cotton and textile are the most important imports. Regarding to extension of Iran relationship before soviet collapse, many of required industrial goods had been imported to Iran by this country. As many experts believe, the main section of this industrial goods are exporting from Azerbaijan to Iran now, which are products of Russia, Ukraine, and Belarus, are taking through trade from those republic and are exporting to I.R Iran.

Iran boundary commonly markets with Azerbaijan and

trade relationship of the two countries in 1993 – 2001. As usual, boundary region residents are accounted as a group different from the other foreign commercial elements. The main reasons for this difference must be finding in social, security and economical effects of this group on boundary regions and eventually on the country. Frontiersmen in two different groups – frontiersmen comparative society and peddlers – have the remarkable exchanges of boundary provinces.

One of the most important goals of awarding facilities to boundary exchanges and formation boundary markets had been creating employment for peddlers and creating marginal income for frontiersmen in order to maintain population in boundary regions and stabilization security problems. And it proved by experience that, when these facilities have been decreased, it had been indicated their effects in emigration of the people of this region and flourishing of smuggling exchanges in order to replacing a bore exchanges income, immediately. In other words, these factors cause to create security, political, social and defensive problems in this sensitive region of the country. Iran boundary market by Azerbaijan is a kind of market approved by board of ministry. Exchange ceiling for the market approved by board of ministry are 5 million dollars import and 5 million dollars export (totally, 10 millions). Laws, rules and possibilities which there are in boundary markets now providing a limitary exchange and trade among the frontier around each boundary market. Additionally, those markets are managing by local official and there are not extended organizations for surveillance on exchanging in market. Article 22 imports and exports code of practice (approved by 1994) while defining boundary markets, had been known necessary maintaining customs in out / in door of boundary markets.

Also ministry of business had been charged to provide and announce the list of the exchangeable goods and their value rate in boundary markets with regard to the possibilities are requirements of boundary provinces and the understanding which is taken with the other country and the country export and imports laws. Exports and imports the goods in markets depends on observation of the whole rules and appointed conditions for importing and exporting the goods, and imported goods to the country through the markets, does not apply to reduction or customs exemption and business profit except the reduction or exemption to importer credit or the kind of product.

Since 1992, when the legislative area for creating boundary markets was providing, the numbers of country boundary markets were increased. According to legislation 1372/5/ 24 approved by ministry body, in order to create the required establishments of customs according to bylaw of forming boundary markets and understanding letter conclude with neighbored countries, ministry of the interior had authorized to establish some markets in the boundary regions such as boundary markets of Sanam Bolaghy (west Azerbaijan province , Jolfa (East Azerbaijan), Bilsavar (Ardabil) , Astara (Gillan province) between the boundary of Iran and a Azerbaijan republic.

Trade activities in this markets between the frontiersmen of two side of the boundary who have mutual historical relationship, had been far from any Macro – profiteering and unlawful transaction and merely because of the frontiersman needs itself and deficit income from agricultural and animal husbandry or because of remove the unemployment will be accomplished. The role of these markets is making job and economical development of making job.

Boundary regions and also the positive effects which they had from security and preventing of non – authorized boundary transporting and fighting to smuggled goods point of view, had been very positive up to now. The majority of west Azerbaijan businessman had been initiated their trade work from this markets and today, are reckoned as active and experienced merchants.

The common boundary market of west Azerbaijan with Azerbaijan republic are acting as a regular organization and have the ordering record unit and customs unit and administrative service unit which are sending according to rule and circulars issued by exports and imports regulations headquarters take action as compared with goods exports and imports.

Activity in this market had been as retailing which each of peddlers and frontiersmen can import their required goods through this market against foreign exchange from their exports. The activity of these markets had been very remarkable and striking and peddlers had been obtained move profit and it caused to peddlers indicate move delight to action in the market. Since early part of

shahrivar, 1994, because of establishment customs in the boundary common markets and lacking awareness and agreement of peddlers to custom rules of boundary common markets of the province except "sarve" boundary common market, had been depressed and peddlers couldn't action concerning to their exports which the required investigation for simplify the existing standards had been accomplished by the official in the exports and imports head quarters.

The main products which is imports through this markets are : cosmetics , electronic drill electro motors , industrial tools and some the products which exports from this markets are : industrial products such as veifer, chocolate, furniture, glass and plastic things and also agricultural crops like hen, egg, apple, dried fruits , water – melon and alive hen and cock.

The goods which had been exported to Azerbaijan republic from this market in recent year were including:

- i) Mineral material.
- ii) Industrial material (Veifer, biscuit, chocolate, glass, plastic things, carton, spaghetti, soup spaghetti).
- iii) Agricultural crops (chicken, hen, egg, a live cock, water melon, apple, pomegranate, kevy fruit, dried fruit and apricot).

The main action which are taken:

- a) Sign business agreement between two countries.
- b) Observing the first common commission of I.R Iran and Azerbaijan republic economical cooperation. (The second meeting did not observe at Tehran in 73).
- c) Opening special account between central banks of two countries (international tejarat bank on the side of Azerbaijan and trade banks on the side of Iran especially Iran exports development Bank and meli are the elements of this accounts).
- d) Conclusion of business letter of understanding of product exchanging in special account framework.
- f) Establishing various exhibitions in the country.
- g) Make understanding in initiating boundary common markets with this country (Astara, Bile savar, Sanam Bliq, Ordobad and Jolfa).
- h) Sign business letters of understanding of product exchange with Gillan governor's offices, East and west Azerbaijan and zanzan with this country in the 73.
- i) Conclusion of cooperation letters of understanding in creating trade and production common corporate.
- j) Conclusion of transit, road transporting, and railroad, aerial, marine, postal and communicating cooperation letters of understanding.
- k) Conclusion of cooperation letters of understanding in oil, natural gas sending, establish dam, electricity, and establish Astara – Astara railroad.
- l) Conclusion of assurance, business rooms cooperation letters of understanding between two countries.
- m) Conclusion of scientific, cultural, article and sporting

cooperation letters.

n) Conclusion of tourist cooperation letters.

Iran economic and business cooperation outlines with Azerbaijan are as follow:

The main actions which are offering:

1) Holding the second common commission meeting of economic cooperation and investigating the problems and difficulties between two countries and providing new plan in order to remove mentioned obscure and developing trade and economic relation between two countries.

2) Continuation the execution of business letter of agreement substance between two countries.

3) Make active the special account between two countries – By activeness of this account, Bank system relationship have been created between the two countries and the business letter of agreement of products exchange will be done in this account framework.

4) Investment in this country in order to strengthening the economic cooperation between two countries and continual present in Azerbaijan market are necessary by Iranian corporate and vice versa. This require, to guaranty, so, it is necessary to conclude common investment letters of agreement and avoid of receiving additional taxes and insurance between two countries.

5) Insurance the investment for some important project such as oil and gas in industrial and mine sectors from the governments of these two countries to public and private corporate which are active in this area.

6) Increasing credibility secures to Iran exports developing bank for executing preference project and the exported goods which have value – added.

7) Awarding exported loan to Iranian corporate by trade Banks especially Iran exports developing Bank.

8) Investigating some percent of exports insurance inbox to central Asia countries, Caucasus especially to Azerbaijan.

9) Investigate the letter of agreements included between two countries in industrial, mineral, oil and gas, electrical transmission, dam establishment, transporting and transit, scientific , cultural, art and sporting cooperation area.

10) We can use of trade, insurance, communication, Bank system and transporting tariff and non-tariff facilities in its framework.

11) Acceleration in determining khazar Marine legal system and khazar Marine cooperation organization convention and make active its economic and business committee in order to use of its possibilities and extended market.

12) Close cooperation with this country in Iran trade and industrial free regions.

13) Tripartite cooperation of Islamic Iran republic and Azerbaijan with a third country in Hade exchange and

performing projects.

14) Investigate the cooperation letter of understanding in oil and gas cooperation context.

15) Mobilizing the customs installations of Astara, Anzali, Ardabil, and East/west Azerbaijan.

16) Closeness of the way between two countries and performing the transition of suitable tariffs.

17) Investigating trade exchanges developing project and tourist exchange through sea by special possibilities.

18) Investigating the project of providing suitable tariffs of transition between two countries and goods transit through Khazar Sea and Astara

19) Acceleration in Astara – Astara railway line construction in order to facilitate and transport the goods between two countries.

20) Establishing great companies for exporting insurance and exporting quality control in neighboring provinces of Azerbaijan.

21) Extending khazar navigation and purchasing a number of passenger ships such as Mirza kochak khan and providing tourism programmer.

22) Acceleration in Astara – Astara boundary common market construction.

23) Improvement of exports and imports law and making suitable foreign – exchange and tariff policies for stabilization of policies and to encourage exports.

24) Adopt suitable credit and tax policies for exports.

25) Conformity of standards with taste of Iran and Azerbaijan people

26) Strengthening exports guarantee box and creating exported insurance system.

27) Creating secure environment for exported activities and increasing international competition ability.

To secure and reducing production costs and issuing exported goods with regard to economic management crisis in Azerbaijan republic GharaBagh war have not clear economic landscape, product system and the past regular distribution will not provide economic arrangement and new economic and social order possibility. Now, it is not clear when the main required foreign investment which causes to increase the product of raw petroleum and natural gas, will be done.

During the past years, I.R Iran had been striking successful especially in trade sector in order to developing the relationship with Azerbaijan republic by extensive and comprehensive action. During these years, always Iran had been the first trade partner of Azerbaijan. Now Iranian merchants know Azerbaijan market as one of the most important global market. In addition to closeness of the way and culture of quality, Iranian goods have special place in Azerbaijan market. Because of foreign exchange income which this country obtains from oil selling may remarkable in future.

Existing religious cultural, tribal commons, common language, common long boundaries, sea and land and very short distance are account as strategic benefits in

developing trade relationship of Iran and Azerbaijan. In total review which had been done in developing trade between the Islamic republic of Iran and the Azerbaijan republic in trade and transition sector despite of understanding, investment in oil and gas sector had been not accompanied by suitable advancement. So, in order to accelerate in developing economic relationship especially in developing economic relationship especially in trade with this republic, accounting rate problem of exported goods and letter of agreement of common investment and avoiding of receiving additional taxes and financial possibilities of transporting for Iranian and Azerbaijan corporate must be provide so that stabilize their country situation. Also quality control by the customs and standard institute especially their observance by exporting cooperates. It self have major important.

some countries such as India, Pakistan, Bangladesh, Afghanistan and Turkey can absorbed to Azerbaijan market through Iran and can exchange the goods to Europe through khazar sea which is more closer and less expensive than the other ways and because of less distance, if it can transport perishable goods simply, so this will hope in improving Iran traded relationship with Azerbaijan.

Finally while Iran relationship with this republic have vary up and down issue, creating and maintaining good relationship in short/ mid time in general and in long time in special, are the requirement of this region .

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