



*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

*No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.*

## **THE IMPORTANCE OF SUMGAI INDUSTRIAL CENTER IN THE ECONOMIC DEVELOPMENT OF AZERBAIJAN**

SHAFI ALIYEV, PH.D.

Azerbaijan State Economic University,  
Azerbaijan

**JEL Classifications:** O25

**Key words:** Sumgait industrial zone, industrial development, production capacity

**Annotation:** The paper discusses production capacity of Sumgait industrial center in Azerbaijan. The author observes priority policy directions to utilize available production capacity of this regional industrial complex.

In economic development of each country there are important industries and sectors that provide significant influence on its development. Analysis reveals that for economic development of Azerbaijan the main place in formation of national economic model belongs to industry and agricultural sector. The role of industry in increase of competitive export production appears particularly important. This is explained by the existence of large capacity in national industry to utilize capital intensive and innovative projects, which represent the most modern elements of the innovative economy, science and technology (SSSC, 2009). After gaining political independence in the beginning of 1990s, Azerbaijan started to implement national economic policy focused on rational use of the country's natural resources and existent industrial potential.

The Absheron economic region is the largest one in Azerbaijan in terms of scale of infrastructure and industrial power. Oil and gas production industry, heavy industry sectors (chemistry and oil-chemistry, non-ferrous and ferrous metallurgy), light and food industries are centered in this region. Generally, nearly 90% of the national industrial potential is concentrated in this economic region, where the large oil-chemical plants "EP-300", "Polymer - 120", "Exhalation producer" plants and many others are located.

Sumgait Industrial Center forms a basis of the Absheron economic region. The processes of Sumgait industrial development began in 20-30s of 20<sup>th</sup> century on the territory 35 km far from Baku on the shore of the Caspian Sea. In 1938 Sumgait became a settlement, owing to the building of thermal power station and another industrial objects (Aliyev, 2004). In about 1950 the number of metallurgical, chemical and oil-chemical productions were given into exploitation on this territory and because of this the settlement status became not suitable to Sumgait. That is why in 1949 the status of town was granted to Sumgait.

Period of rapid construction of Sumgait fell on the soviet period, especially in 1960-1980. The town was given different names as "Town of Industry", "Town of Piece", "The Youth Town" and oth.. In this period manpower from other regions of the country and other soviet republics of USSR was attracted to Sumgait.

The formation of Sumgait as the industrial center took place due to development of different

industrial sectors: chemistry, oil-chemistry, non-ferrous and ferrous metallurgy, engineering industry (instrument making), weaver industry, glass-ware industry. In the middle of 70-80s of 20<sup>th</sup> century Sumgait was providing hundreds of industrial products to more than 300 towns and cities of the former USSR and East Europe countries (SSEA, 2006). Nearly 40 thousand people were employed in the industrial sectors and productions. The conversion of hydrocarbon resources of the country was provided in this center and by the end of 1980 there were approximately 20% of the industrial potential of Azerbaijan centered in Sumgait and each 8<sup>th</sup> person who was employed in industry worked in this zone.

Nevertheless in the beginning of 1990s Sumgait industrial complex faced with serious difficulties. In the departure of these processes Sumgait industrial center lost a part of its industrial capacity and qualified personnel. Merely in 1995 in comparison with 1990 the production scale of Sumgait industrial center came down to 77.3%, but in 2000 in comparison with 1995 - it came to 27.3%. Besides it, in 2000 the number of employed in industry people decreased twofold the level of 1980 and composed 20 thousand people, and now this number composes only 16 thousand people (SSSC, 2009).

Beginning from 2003 the complex reconstruction of Sumgait industrial center was organized. Approximately 50 large and middle industrial productions, manufactures and workshops were organized on the basis of modern technologies in the town. The exploitation of enterprises producing pipes with large diameter for plumbing of the important water-main was started. The construction of the large and powerful "Exhalation producer" power plant, which expected to become a certain guarantor on the electric power provision to industrial production companies, was launched. A number of compact cable plants is being prepared for exploitation. These productions will not only provide the domestic needs, but will also boost national exports.

However the investigations show that the utilization of Sumgait industrial center's production capacity is still much behind from its potential. The accrued reserves of manpower resources in this large industrial town are used not in full capacity. From 203 thousand people forming manpower resources 183 thousands are employable. Furthermore, only 142

thousand of them are employed in manufacturing and non-manufacturing spheres. However, as it was mentioned, in present time only 15-16 thousand people work at industrial productions of Sumgait. To deep regret, lots of large productions are either suspended or operate with low industrial loading.

Based on this analysis we can specify some priority perspective directions aimed to accelerate development of Sumgait industrial center:

- there are available opportunities for settlement of production capacities of hundreds types of metal production for provision of inner needs of Azerbaijan and for export. The use of these opportunities requires the rational use of powers of ferrous metal industry sector by dint of modernization and use of new technologies;

- in view of accelerated development of construction sector in the region it is expedient to organize modern construction materials productions with the involvement of highly skilled manpower of the town and the use of most new technologies;

- it is important to accelerate modernization and reconstruction of industrial productions (chemistry, oil-chemistry, instrument making, oth.). This in turn will strengthen and develop the capacity of Sumgait industrial complex in general;

- particular attention should be given to development and implementation of new economic instruments, for instance, the formation of special economic zones (Aliyev, 2008; 2009);

- composing portfolio of investment projects with the involvement of large investors is another priority. Such task must be done by thorough estimation of industrial potential of Sumgait. Such investment portfolio might be the subject of consideration on international business conference with the participation of leading business and investment companies.

Many experts connect the development of Sumgait with modernization of existent powers of chemical and oil-chemical complex. According to the UN prognoses for the nearest 15 years the chemical production will essentially influence the increase of the general gross product. Besides it, there are other factors that might facilitate accelerated development of Sumgait industrial center. Among these factors, as we already mentioned, creating special economic zones is one of priority policy directions.

It is ought to mention that the creation of special economic zones on the basis of Sumgait industrial center was regularly considered since the middle of 90s of 20<sup>th</sup> century with the participation of international organizations, including the United Nations. However the consummation of the process by concrete projects failed and these plans remained non-realized (Aliyev, 2008).

Nowadays the situation is more favorable to development of special economic zones. Azerbaijan President Ilham Aliyev issued a decree on the

application of the 14 April 2009 Law on Special Economic Zones. Besides it, the acceptance of the appropriate law is expected in the Parliament this year.

Implementing the discussed priorities will enhance reaching better utilization of production capacity of Sumgait industrial center. In this context the growth of Sumgait industrial center might bear a new phase of industrial power development both for the town and country.

#### References

- SSSC, 2009. The Statistic Report on Social-economic Development of Sumgait, 1991-2009, Sumgait State Statistics Committee.
- Aliyev, Sh., 2004. "The Role of Sumgait in the National Economics of Azerbaijan", *Economics and Life*, Baku, №5-6., pp.98-108.
- SSEA, 2006. "The Role of Sumgait Productions in the Formation of Powerful Industrial Potential, Materials of conference organized by Sumgait State Executive Authority", Sumgait.
- Aliyev, Sh., 2008. "The Organization Problems and Development Perspectives of Special Economic Zones", Baku, "ELM", 252 p.
- Aliyev, Sh., 2009. "The Perspectives of Enforcement of the Special Economic Zones Role in Acceleration of Extension of the Social-Economic Problems in Azerbaijan in the Context of the Experience of Poland", X International Scientific Conference of Economics - E-society in Central and Eastern Europe, Nalchenov, May 11-13, 2009, pp.409-412.