

## ISSUES OF MODERNIZATION OF NATIONAL ECONOMIC MODELS IN THE CONTEXT OF GLOBALIZATION

**Kaysin Khubiyev,**

(*khubiev48@mail.ru*)

Doctor of Economic Sciences

(Moscow State University)

**Amil Magerramov,**

(*amagerramov@gmail.com*)

Doctor of Economic Sciences

(Baku State University)

**Hadjiagha Rustambayov,**

(*haji\_@mail.ru*)

Doctor of Economic Sciences

(Baku State University)

**Emin Garibli**

(*egaribli@hotmail.com*)

Ph.D in economics

(Azerbaijan University of Economy)

### **Abstract**

*This article focuses on the modernization of national economic models in the context of globalization. In this article, the tendencies of the world economy development are considered, including the struggle for a new trade and economic division of the world, the countercyclical and debt nature of the world economy movement. In fact, the political economic approach presupposes the interrelation of economic development with national interests. This is very important for achieving the optimal balance between national and supranational mechanisms of progress in the economic and social fields.*

*The article substantiates the need to use a nationally oriented approach in the political economy, which is a national economic system of market relations in unison with the national factors characteristic of the country. Each national economy can be defined as an institutional model, open to external relations in various degrees, but adhering to evolutionary claims that have evolved over the centuries under the influence of economic, political and cultural factors. In addition, the article shows that progress in the global economic space will reflect a fuller manifestation of interests in those countries where national economic interests are fully integrated into the network of economic processes of a sovereign country that has an institutional system for ensuring national security and citizens' rights, as well as a more complete manifestation these interests. In the context of these trends, the article discusses the impact of global economic trends on the national economy.*

**Keywords:** *economic model, competitiveness, institutions, national interests, national model of economy, economic integration.*

Humanity entered the 21<sup>st</sup> century with the hope that it will leave in the past and get rid of everything that is destructive, unfair, alarming, and dangerous to the outlook

and fates of people and individuals. Hopes have not come true. With the collapse of the USSR the world became unipolar and the total responsibility for the global development passed over to the side of developed capitalism. The so-called "evil empire" was destroyed and it seemed, no one was impediment in creating "the empire of good". However, a quarter of a century is an enough historical period to have shown the world the results of good deeds. The world observed the following "good" things: destruction of impunity of the whole countries, including by military means; turning them into a testing ground for the implementation of the technology of internal strife; deployment of a new wave of economic wars, etc. Attempts to spread "liberal values" of the capitalist social order throughout the world did not make the world safer and fairer. Capitalism has not only failed to overcome the accumulated problems of the global economic development, but also saddled them with new ones: ethnic and religious conflicts, terrorism, and mass migration of the population. However, the old problems of poverty and increased differentiation, worsening of environmental problems have been preserved acquiring a global scale. Awareness of these facts receives becomes fairly widespread, at the same time doubts are intensified about the prospects of the dominance of the unipolar world values. The need to change the foundations of the social order is placed even in international forums organized by the elite of the capitalist countries, in particular, the Davos Forum.

In the economic field, new types of crises are raging: financial, debt, mortgage; the volatility of stock markets increased, the influence of world energy prices sharply increased, which significantly affects the "well-being" of the world economy. The question of the need to change the foundations of the social order is posed even at world forums organized by the elite of the capitalist countries [8].

According to Klaus Schwab, the founder and president of the World Economic Forum in Geneva, if in the 1990s the total capitalization of the three largest companies of Detroit was \$ 36 billion with revenues of 250 billion and the number of employees to 1.2 million. And in 2014, the aggregate market capitalization of the three largest companies in the Silicon Valley was more than \$ 1 trillion, with a profit of \$ 247 billion, but the number of employees is almost ten times less. This fact testifies to the intensive growth of technological unemployment in national economies [9].

Economic science is far behind the theoretical analysis of the current world economic trends, which is closely linked to the national economies of sovereign states in the context of globalization. And, though the world economy for today has grown according to the rules of the market globalization, it is more and more clearly seen as the compositional system, which main parts are the national economies. They differ today – not by the formation-typical characteristics but more obviously seen in the most different forms of institutional-model specification. From this point of view, it can hardly be reconciled with the idea that "in our days the boundaries of the national economy are being eroded" [1].

Political economy approach supposes the correlation of the economic development's global determinants with the national interests, obtaining the optimal balance between national and supranational mechanisms of progress in economic and social fields. That's why in this article the analysis of the objective processes in the world economy is accompanied by the determining the factors and institutes that influence the formation of the national economy's advantages.

In the politico-economic aspect of the research the world economic processes are closely correlated with motivation in integration of countries - subjects of the world economy, and their national economic interests. The concentration of attempts on the primacy of the national economic interests forms the context approach to the processes of globalization for each national economy. In particular, the national context of globalization problems leads to putting forward the aims and tasks, realization of what implements in the vector of multiple methods such as political, diplomatic and self-affirmative in the modern world.

Based on the need to use a nationally oriented approach in the political economy, one can say that the representation of a national economic system as a system of market relations in unison with the national factors characteristic of the country. Taking this into consideration the following point of view is drawn – there is an existence of a very important “dimension” of economic globalization, which has two circles of problems. First of them is the set of parameters, using what it is possible to predetermine the lead tendencies of globalization in the world economy; and, the second one is related to figuring out the degree of realization the national economic interests in the process of globalization. National economic interests represent the economy of a certain country as an economy of a subject of the world economy; and the degree of their realization determines the efficacy of the external economic relations. In particular, in this context the questions on providing a rational integration of Azerbaijan into the world economy are also interesting. To get this result it is needed to clearly understand the tendencies of development of the world economy in the contemporary conditions and in perspective.

Although there is a certain similarity – in general frames – of the market typology among the existing economies of the countries, each national economy is the unique organism. They have their own, different evolutionary paradigm, because the resource potential, production factors structure and the forms of the economic organization are different to various extents. The differences in the main productive power – in a human, his way of thinking and behavior, traditions and manners, preferences and values, the choice of the goals and methods of their achievement act as a fundamental principle of such a variety. All this directly impacts the quality and ethics of the production relations, modifying the economy in the national forms.

Friedrich List in the beginning of the XIX century wrote that “as it is acknowledged the existence of nations with their living conditions and interests, it is important to assume the corresponding change in the economy of the human society according them” [11].

In this case we are referring to the forms that add specifics to the economic system, but do not limit its integrity. Therefore, due to the objective laws interest in global communications for all the subjects of the world economy, and also research on the appropriate directions and methods of the foreign economic relations organization more and more increases.

Only the national economy representing an integral organism is capable to express and protect its interests in a concentrated way, and also to effectively realize the purposes of economic residents.

Obviously, the last ones act as market entities in such a perspective, but, first of all, as the domestic market entities, which have their own characteristics of macroeconomic

balance on a national scale and functional purposes. Thus, world economy acts as a sphere of contradictory interaction of certain countries national economic models. The global economic interests are formed in this dialectical interaction (ecological, food, energetic and so on), but they are secondary in relation to the national interests. It is connected with the fact that in the sphere of global economy national economic interests face the strongest competition which in a most accurate way reveals the strong and weak points of national economies and, at the same time, differentiates them on macro-economic parameters of development. The advantage in such a competitive environment is associated with what quantity of world GDP shares each country appropriates during global interactions. From this point of view we can talk about donor countries and recipient countries in the world economy. But despite of it, the process of globalization naturally promotes economic development of all countries.

It results from the fact that in a globalization algorithm micro-subjects of national economies (entrepreneurs, firms, corporations), joining the world economic process, reach the success that depends on the macro-subject development level, which is open in the appropriate ways for the global connections of their residential allocations. In these conditions it is very important not just to state, but to provide the real mechanism of factors interaction:

- a) Integral, but not fragmentary development of economy;
- b) Optimum, but not absolute or chaotic exposure in foreign economic relations;
- c) Competitive, but not conjectural benefits in the world markets.

In total, they substantially increase realization opportunities of national economic interests by means of foreign economic relations, building-up of efforts in order to increase the international competitiveness of the country and, therefore, to ensure the national security. A lot of things here depend on the state economic development strategy by taking into account the fact that in the global economy the great number of other reproduction factors interacts, rather than in micro or macro economy.

For example, it is necessary to interact with such subjects of the world economy as the international economic organizations, the transnational capitals, regional integration associations. They also have their own straightforward market or engaged interests. The answer to a question in what degree these interests match with the national economic interests of the certain countries as well with global ones is far from clear. It is one of the reasons of an aggravation of the uneven economic development tendency between countries and regions and, therefore, intensification of contradictions in the process of globalization. How to resolve this contradiction in the world and for each country in order to make inevitability of inclusion in the global economic communications have a positive effect by increasing the degree of national economic interest's implementation causes discussions. In most cases, the solution of this problem is shifted on the global institutes; the inconsistency of activities consists of insufficient assessment made by them of national (informal) economic development factors in certain countries and regions of the world. This, in its turn, promotes strengthening of the transnational corporations' position in the world economy, indifferent to national interests. Such a model of the global relations revives the ghosts of the past. But if in the last centuries it was followed by colonial conquests and political subordination of resources of other national space, then in modern conditions these objectives are achieved by implementation in one or another resource environment with the help of economic methods.

Therefore, there is a need "to watch closely a contour of the global interests." [10] With the purpose of the country's external economic interests optimization. *Id est.*, we can speak about the presence of own global interests in each country integrated with national economic interests. In this case the mechanisms of implementation of these interests shall be determined. Generally, this mechanism suggests the strategy of the economic model development of the country as the adapted environment of activities in which each subject joins prerequisites and results of implementation of own interests as the integral parts of the national ones.

The promotion in the world economic space will reflect more complete manifestation of the interests in those countries where the national economic interests are integrally plait into the web of sovereign country's economic processes possessing institutional system of ensuring national security and the rights of citizens, also more complete manifestation of these interests.

The implementation of individual interests is in a causal relation and dependence with functional wellbeing of microeconomic structures of a higher level (partnerships, corporations). The implementation of the integrated interests of the companies and their effective functioning, in its turn, depends on the macroeconomic environment and economic policy (inflation rate, currency rate, interest rate, taxation and customs policy). The implementation of non-corporate entrepreneurs' and households' individual interests also depends on the macroeconomic level. In the harmonization of the emphasized three-level areas of interest matures the national economic interest. The same interest, already conceptualized on a macroeconomic level, enters the global economic sphere and due to it obtaining an opportunity to pursue interests of all subjects of national economy. And in this space the potential of economic opportunities, thanks to which the access to mechanisms of a world product assignment is provided, starts to show itself. First of all, it is the mechanism of the international economic competition. Its action is many-sided, not always visible, can be disguised as political or ideological slogans. But the fact that there are serious distinctions in spatial and high-quality economic parameters which look contrast in the modern world is still immutable.

It is important to note the reverse-connected chain of developments. The economic cataclysms of the world scale: the world financial crises, volatility of financial markets, fluctuation of exchange rates of the reserve currency, economically important political happenings influence directly on the macroeconomic climate within the national economies, and, as it was mentioned above, on the prosperity of the individuals. Leading countries of the world economy in their economic policy should also distinguish the interests of others, less developed. Something can be beneficial to one, but not to everyone. For example, the devaluation of the US dollar by 1% reduces China's foreign exchange reserves by 10 billion dollars, Japan by 7 billion dollars, Russia by 3 billion dollars [4].

The main contradiction of the global economic system, or to be exact, a contradiction between interests of different levels is reflected in it. Coordination of these interests is difficult, but opportunities for this purpose exist, and they are connected not only with universal approval of the formal and market principles of economic development, but also with their model modification, taking place under the influence of informal (sociocultural) institutes. From this point of view, each national economy can be deter-

mined as an institutional model, open for external relations to various extents, but adhering to the statements of evolution which developed for centuries under the influence of economic, political and cultural factors. One of the most famous modern economists Hernando De Soto notes that the key factor of a progress is the recognition of countries' specifics, but not a transfer of the clichés that were previously used by others. In his opinion, it is necessary "to learn to absorb that knowledge and those practices that exist in other countries and to use both them and modern technologies, for the benefit of their nations" [3]. The same thing must be taken into consideration by all the global actors, the centers of industrial technology development, the international economic organizations. Eventually, more equal development of the countries and the world regions is in a range of their long-term interests. But there are no sufficient prerequisites for institutional and organized resolution of conflicts between the global and national economic interests yet; the independent efforts of the states on ensuring quick and successful economic development shall be more and more active. There are examples of alternative approaches to the selection of the development models providing the achievement of competitive positions in the world economy. We must understand that the national state remains the most important force in shaping the world economy [6].

Globalization, according to Mrs. M. Thatcher, "opened national economic systems for the international competition" [12]. But this competition, even in case of an assumption of the economic relations equivalence, won't be mutually beneficial as the interacting national economies aren't equivalent.

Economies of many countries of the world aren't ready for the free competition on a considerable circle of the produced products and need therefore, protectionist measures for identification and creation their own benefits in the foreign trade. It is interesting that particularly protectionist countries have been increasing most quickly not a share of the GDP commodity exports, but the countries practicing the free trade which isn't able to reach the increase in export and high growth rates. The new industrial countries (NIC) taking considerable positions in the world economy today can be taken as an example.

Basically, NIC demonstrate groundbreaking exit from discrepancy of the world economic environment, which looked like a complicated one for many countries. National modification of economy with simultaneous introduction of innovations from the outside and protectionist measures provided the high level of the production development.

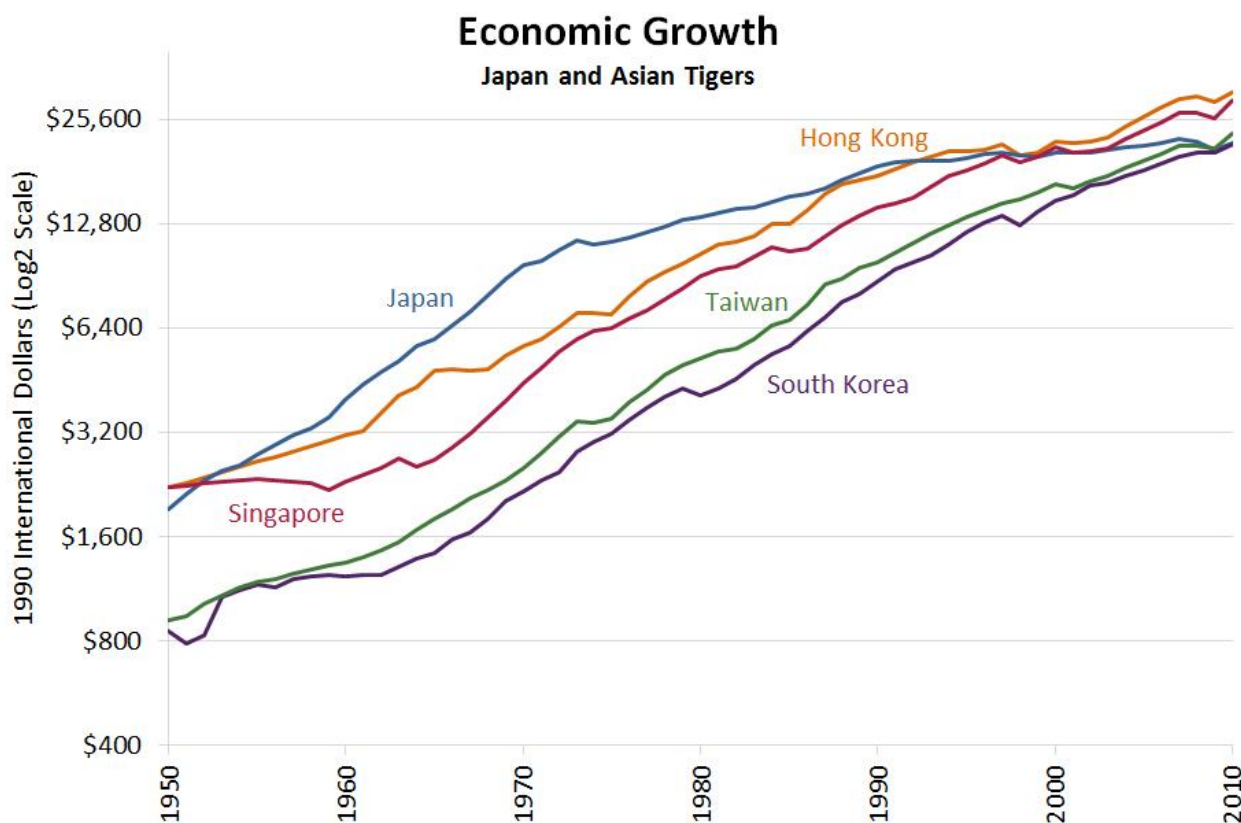
Additionally, all the newly industrialized countries have determined some characteristic features in their development, particularly, the following ones. They show the highest tempo of economic growth (8% a year at 1<sup>st</sup> wave NIC), and at the period of a global crisis most of them didn't suffer deep recession, just a declining in a growth rate has been observed. At the same time, with the assistance of state, the national capital of these countries grew quickly and began to master the world markets. In these countries the closest involvement into the global system of interdependence was followed by preserving and enhancement of variety potential in the organization of economic life, available only under the conditions of national economy. We can also note a practice of economic development in Azerbaijan possessing considerable resources in the form of the rich natural reserves, the developing industrial base and a skilled labor force. At the

present stage there is an intensive concentration of these factors in the direction of diversification of the external economic capacity of the country. Close attention is paid to the positions strengthening concerning a number of the traditional directions of industrial specialization. For example, before the collapse of the USSR the oil mechanical engineering in Azerbaijan provided with the machinery and equipment satisfying up to 70% of fuel and energy complex requirements of the common state. [5] Today the country can become a large exporter of these products on the world markets. In this plan creation of the cluster which is pulling together mining, metallurgic, metalworking and machine-building spheres of economy of Azerbaijan with target financing of its scientific base, infrastructure, project service, insurance service by establishing the state preferences according to the government program acts as priority one. A correlation of a triad "science-innovation-industry" in this regard becomes more and more urgent. We must not forget that today Azerbaijan remains one of the important players on the global energy market. Since more than 200 promising structures, in total, in the Azerbaijani sector of the Caspian, 145 promising structures have been identified, including 40 structures at a sea depth of 60 m, 33 structures - at a depth of sea of 60-200 m, 72 structures - at the depth of the sea more than 200 m. [2].

State patronage over strategically important spheres of economy and bringing them to a competitive export condition shall be followed by methods of selective protectionist restriction on the delivery of identical products from abroad. The world practice confirms that some of the production or technological innovations can be introduced in the economy from the outside, but in applied value not the parameters of their "progressiveness" will play a role in general plan released from specific conditions, but from the point of view of perception at one or another national economic environment. Such an environment as it has already been noted is specific, first of all, institutionally, and, therefore, the economic activity is performed on the basis of those adapted regulations and rules which are specific for each described country. The competition of national economy models in which informal institutes will play the increasing role for the approval of world economic system positions of each country's system.

Institutions of a mega - trend plan exists that have the general destination for all the human civilization. For example, the financial institutions, such as money turnover or the banking functions, occur everywhere in different forms. The same could be attributed to the relations in the field of formation the fundamental demands, the reproduction processes, the property relations, goods exchange etc. All they could be attributed to display the world "mainstream" - the main direction of the development of a human civilization, including also its economic evolution. With that, doubtless, it is needed to emphasize the "nation-streams", that choose the ways of adaptation of a man and humanity to the concrete spatial environment and obtaining a special forms in the process of economic development of the separate societies.

Tab 1. [7]



In the frames of a national institutional system factors of “mainstream” and “nation-stream” are performing in the dialectic unity. This leads to the modification of the production relations and, finally, to the model changes in economies of different countries. The model here plays the role of a protective shield for the national global interests. In this aspect it is very important the formation of a point of view on the world economy from “the window of native home”; the priorities and perspectives of development in global, but contradictory world in the prism of interests. In turn, this supposes the objective estimation of possibilities and the elaboration of methods of the most profitable usage of competitive advantages on the international arena connected with the technological achievements generated in the country and acquiring from abroad that play as the production base for the modernization of a national economic model.

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