

**THE REPUBLIC OF AZERBAIJAN**

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**THE RELATIONSHIPS BETWEEN THE INTERNATIONAL  
MONETARY FUND (IMF) AND DEVELOPING COUNTRIES  
(DC) IN THE PERIOD OF GLOBAL FINANCIAL CRISES  
(1998-2010)**

Specialty: 5310.01 - World Economy

Field of science: Economic sciences

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**A B S T R A C T**

Of the dissertation submitted for obtaining  
the degree of Doctor of Philosophy

**BAKU - 2022**

The dissertation work was carried of the Azerbaijan University.

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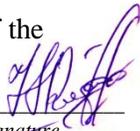
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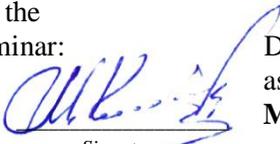
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## **GENERAL CHARACTERISTICS OF THE RESEARCH**

**The actuality and the study level of the subject.** Financial crises have never lost their actuality from ancient times to the present day. Looking at history, it is clear that financial crises in various forms have occurred in the ancient Greek city-states, Egypt and Rome. Over the centuries since then, financial crises have become an inescapable problem that occurs from time to time. By studying the history of financial crises, it is possible to understand more deeply the reasons that lead to it, how to prevent it and how to get out of it. Since the crisis affected all sectors of the country's economy, this problem has always been a topical issue for financiers, economists and political economists.

Until the global financial crisis that began in the United States in 2008, there was an opinion among economists in the international world that financial crises can occur only in developing countries, and financial crises are left behind for developed countries. In fact, the history of financial crises shows that, with the exception of Japan, other developed countries have not experienced economic instability at a level that could lead to financial crises. However, the crisis that began in the United States turned into a global financial crisis and revealed that this idea is completely wrong. Again, the causes and consequences of financial crises in economic and political circles have been widely debated.

In modern times, in the sphere of international economic relations, relations with international financial organizations, especially the International Monetary Fund, constitute one of the main directions in the development of the country's economy. In accordance with the global trend, all countries have included cooperation with international financial organizations in the main priorities of their economic policies. Another factor that makes this cooperation important is the lack of economic capacity and financial resources of countries to overcome the crisis on their own during financial crises.

In the conditions of globalization, the instability and uncertainty in the domestic economy of each country has become inevitable, turning into a crisis. Globalization has already entered such a stage that due to the economic interdependence of states, a crisis in one region can quickly spread to other regions. Advances in computer technology have also had

a major impact on the rapid spread of crises. In the economic field, there are no unanimity in the assessment of the global crisis. Because this crisis covers political, social, environmental, geopolitical processes, all areas of global development.

The International Monetary Fund and financial crises have always been one of the pressing problems of the system of international economic relations. In recent times, with the liberalization and globalization of the economy, this relevance is increasing. All the above-mentioned issues show how important the subject is in our modern times.

One of the other issues that make the dissertation work relevant and actual is that the Republic of Azerbaijan has a share in this issue when talking about the efficient use of financial resources in developing countries. Thus, in the conditions of economic globalization, the transition to capitalism was observed with the occurrence of certain difficulties and financial crises of an independent and young country. Azerbaijan's cooperation with the International Monetary Fund has been constantly increasing since 1992, when it became a member. In the first decade of independence, Azerbaijan greatly needed the financial support of the International Monetary Fund to implement structural reforms. During this period, the trade balance was balanced and economic stability was ensured with the help of the financial mechanisms of the International Monetary Fund of Azerbaijan, especially the ongoing programs within the framework of structural reforms. Since the establishment of diplomatic relations, the relations of the Republic of Azerbaijan with an important international power center and financial institution such as the International Monetary Fund have been constantly developing. This institution is very important for the Republic of Azerbaijan not only as an international organization with financial opportunities, but also as a global economic and political institution.

One of the main features of the capitalist economy is the periodicity of financial crises. Thus, despite the occurrence of a crisis in capitalist countries approximately every ten years, and the measures against it have been developed for many years, the theoretical and practical foundations of this system have not been fully and perfectly studied. Many economists consider the capitalist system as a system of wars and crises. Many scientific theories have been written and researched by western

economists and experts on the main features, advantages and disadvantages of this system, ways to improve it, reduction of the effects of periodic financial crises, and ways to escape from crises. Most of these theories and studies were conducted by US and Western European economists, experts from the International Monetary Fund and the World Bank Group, and independent researchers. Gustav Cassel, Otmar Emminger, John Keynes, Harry White, John Mill, Milton Friedman, Harry Johnson, Robert Mundell and Joseph Stiglitz are among those economists.

The relations of the International Monetary Fund with developing countries, financing mechanism and policy, reduction of the effects of financial crises and ways to avoid them, researches dedicated to mutual relations between the International Monetary Fund and the Republic of Azerbaijan are not enough in the Azerbaijani language, and this area is a little outside the focus of our economists. is left. However, A.I.Orujov, C.H.Karimov, D.A.Valiyev, E.A.Balayeva, I.A.Karimli, M.A.Valiyev, M.K.Ramazanov, M.M.Sadigov, S.M. Mammadov about some aspects of the mentioned issues , Sh.S. Gafarov, Sh.U. Hamshayeva, T.H. Karimova, V.Z. Zeynalov and Z.F. Mammadov's scientific research.

It should also be noted that there is still a great need for a deep and extensive study of the issue when familiarizing with the researches of the scientists whose names are listed. Thus, by studying the mechanisms of influence of the International Monetary Fund on the world economy, minimizing the damage caused to the economy of developing countries during global financial crises and determining the ways to escape from the crisis, and researching the future prospects of the relations between the International Monetary Fund and the Republic of Azerbaijan, the importance of the dissertation increases a little.

**The object and subject of the research.** The object of the research work is the International Monetary Fund, developing countries and their mutual relations.

The subject of the research is theories about international currency-credit relations, global financial crises and their impact on developing countries, the activity of the International Monetary Fund and its role in the world economy, the mechanism of the International Monetary Fund financing developing countries and their interactions with them,

developing countries during global financial crises. the financial policy of the countries, the current situation and future perspectives of the relations of the International Monetary Fund with the developing countries, especially the Republic of Azerbaijan, and the ways of overcoming and exiting from the global financial crises.

**The purpose and objectives of the research.** The main purpose of the research work is to analyze the relations of the International Monetary Fund with developing countries during financial crises, to reduce the destructive effects of financial crises and to investigate the ways to avoid them. In accordance with the main goal of the dissertation, the following issues are included in the specific tasks of the research:

- ✓ Investigate theories about international currency-credit and financial relations;

- ✓ To study the impact of the global financial crises of 1998-2010 on developing countries;

- ✓ To study the financing mechanism and policy of the International Monetary Fund, World Bank Group and other international financial organizations;

- ✓ To analyze the relations of the International Monetary Fund with developing countries;

- ✓ Analyzing the financial policy of developing countries during financial crises;

- ✓ Assessment of the perspective of the relations of the International Monetary Fund with developing countries;

- ✓ Preparation of specific proposals and recommendations on ways to avoid and exit from global financial crises;

- ✓ Analyzing Azerbaijan's relations with the International Monetary Fund and determining directions for its improvement.

**The research methods.** The methodological basis of the research contains of scientific studies that research the theories of international currency-credit and financial relations, research works on reducing the effects of financial crises and avoiding them, scientific studies that evaluate the experience of foreign countries, scientific works that analyze the experience of past financial crises, documents and publications of the Central Bank of the Republic of Azerbaijan, including the International

Monetary Fund and other international political, economic and financial organizations' publications and other official documents.

Systematic analysis, induction, deduction, grouping and generalization, historical method, comparison, comparative analysis, statistical and other methods were used in the research methodology.

Information base of the research is mainly the reports and studies of the International Monetary Fund and the World Bank Group, as well as the reports of the Milli Majlis of the Republic of Azerbaijan, the State Statistics Committee, the Central Bank, the Ministry of Economy and Industry, the Ministry of Taxes, the Ministry of Finance, the Ministry of Foreign Affairs, local and international newspapers and consists of journal materials, studies of a number of foreign scientists and specialists, as well as internet materials and other documents.

**The main provisions submitted for defense.**

1. Evaluating the causes of financial crises as the result of the activity of national states rather than the activity of the International Monetary Fund;

2. Factors influencing the occurrence of financial crises and determining the ways to avoid them;

3. Justification of the increasing frequency and continuity of financial crises that have occurred in recent decades;

4. Evaluation of the political aspects of the causes of financial crises;

5. Justification of the role of Azerbaijan's closer cooperation with the International Monetary Fund and other international financial institutions in preventing future financial crises.

**Scientific novelty of the research.** The scientific novelties of the research are as follows:

- By studying the mechanisms of influence of the International Monetary Fund on the world economy, its ways to minimize the damage to the economy of developing countries during global financial crises and to overcome the crisis were determined;

- The political aspects of the periodicity of global financial crises and the causes of their occurrence were evaluated;

- In contrast to recent widespread economic ideas, it is justified that nation-states play a greater role in mitigating the negative effects of financial crises;

- Analyzing the frequency and continuity of financial crises that occurred from 1900 to 2010, it was concluded that they occur periodically;

- The financing mechanism and policy of the International Monetary Fund for developing countries were analyzed and new directions were indicated;

- The current mutual relations between the Republic of Azerbaijan and the International Monetary Fund are analyzed and the prospects for future relations are indicated.

**Theoretical and practical significance of the research.** Although there are certain differences in the causes of financial crises, the number of scientific studies related to the reduction of their effects and the application of pickpocketing methods and the classification of the main and important conditions are not satisfactory. In particular, there is no scientific research on the relations between the Republic of Azerbaijan and the International Monetary Fund. In this regard, the presentation of many conditions in the presented research work, their division into certain classifications, as well as the determination of the sequence of crisis stages in the application of policies related to financial crises in developing countries increase generally the theoretical importance of the research.

The proposals studied in the research can be used in the application of the solution and avoiding ways during the financial crisis of developing countries, as well as in the pre-crisis period. It is also considered appropriate to use it when defining the economic and financial cooperation policy of developing countries with the International Monetary Fund. In addition, in the direction of establishing and developing the relations of the Republic of Azerbaijan with the International Monetary Fund in the economic and financial policy in a new form based on mutual interests, at the same time, it can be used in the teaching process of the "International Economic Relations", "International Financial Organizations", "Finance" and "World Economics" subjects.

**Approbation and application of the research results.** The main results, proposals and recommendations of the research were discussed in the seminars held at "Azerbaijan" University and in the department, and

the results were positively evaluated and a certificate of application was obtained. The results of the research were presented at the international scientific-practical conference at Qafqaz University, at the republican scientific conference held at Lankaran State University and at the republican scientific-practical conference held at Azerbaijan University, and discussed with local researchers from different countries. In addition, part of the scientific work was presented at a conference in Moscow and published as conference material.

There were published 7 articles including 1 of them abroad, 2 international conference materials and 2 theses which reflect the main provisions of the dissertation.

**The structure and scope of the dissertation.** The dissertation consists of an introduction (16094 characters), three chapters (Chapter I - 97894 characters, Chapter II - 41491 characters, Chapter III - 65905 characters), conclusion (14855 characters), a list of references used in 124 titles. There are 13 tables and 4 graphs in the dissertation. The total volume of the research consists of 142 pages (240073 characters).

## **Contents of the dissertation**

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Chapter II. Analysis of the interactions of the International Monetary Fund with developing countries during the global financial crises (1998-2010)

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## SUMMARY OF THE RESEARCH

**The introduction** substantiates the relevance of the research, indicates the level of study of the problem, states the goals and objectives, object and subject of the research, provides information about the scientific novelty, practical significance and approbation of the research.

Chapter I of the dissertation entitled "**Theoretical and methodological bases of regulation of international monetary relations in the period of globalization**" explores theoretical views on the formation, theoretical foundations, regulation and evolution of international monetary, credit and financial relations, basic concepts, essence, advantages and methodological approaches used in this field. has been. According to these theoretical views, the extent to which the systems and mechanisms established by the International Monetary Fund meet the requirements during the financial crisis, the impact of the global financial crisis of 1998-2010 on developing countries and the activities of the International Monetary Fund in terms of international economic development and financial stability, its role in the world economics has been extensively analyzed.

The first theories on the regulation of currency-credit and financial relations in international economic relations began to emerge from the beginning of the XIX century. When the applied currency systems do not justify themselves, new theoretical views are formed and theoretical views begin to be applied in their highest form in interstate regulations.

The systems used for international monetary and financial stability are being improved based on these theories.

Chapter II of the dissertation entitled "**Analysis of the International Monetary Fund's relations with developing countries in the context of the global financial crisis (1998-2010)**" examines the interaction of developing countries with the International Monetary Fund during the period. Although the International Monetary Fund's financing mechanism and policies for developing countries have been criticized in some quarters, they are generally positively assessed in terms of the financial stability of developing countries. This chapter provides an in-depth analysis of the International Monetary Fund's relationship with developing countries, noting that developing countries did not properly structure and use financial resources during financial crises, as well as in the pre-crisis period.

Chapter III of the dissertation is entitled "**Perspectives of the International Monetary Fund's relations with developing countries and ways to increase its efficiency.**" In this chapter, the prospects of the International Monetary Fund's relations with developing countries are widely studied, and proposals are made for ways out of the global financial crisis.

One of the main goals of the International Monetary Fund is to maintain global financial stability, the first target of criticism in these crises is the International Monetary Fund. In addition, given the greater impact of financial crises on developing countries with fragile economic systems, special attention has been paid to how these relations with developing countries are organized during financial crises.

While studying the relations between the International Monetary Fund and the developing countries, a separate paragraph Chapter III is devoted to the study and analysis of these relations which also reflect the relations of the institution with Azerbaijan. After gaining independence, relations with such an international institution, which controls global financial flows and the economies of the countries of the world, have been of strategic importance for independent states, including our republic. During this period, Azerbaijan, as a young independent state, needed certain financial resources to ensure its internal economic stability and achieve development. The main source of meeting this need would be

access to the financial resources of the International Monetary Fund and the World Bank. In such a difficult situation, it did not seem realistic for a young independent country to stabilize the economic and financial system in the country in the near future. International political, economic and financial organizations, especially the International Monetary Fund, to use the financial support, membership in the fund was the main issue. In the first decade of independence, Azerbaijan greatly needed the financial support of the International Monetary Fund to implement structural reforms. During this period, the trade balance was balanced and economic stability was ensured with the help of the financial mechanisms of the International Monetary Fund of Azerbaijan, especially the ongoing programs within the framework of structural reforms. Since the establishment of diplomatic relations, the relations of the Republic of Azerbaijan with an important international power center and financial institution such as the International Monetary Fund have been constantly developing. This institution is very important for the Republic of Azerbaijan not only as an international organization with financial opportunities, but also as a global economic and political institution.

Stiglitz sharply criticizes the International Monetary Fund for the emergence and expansion of the East Asian crises in his "Globalization and its Discontents" book: "Indeed, looking back, it is clear that the policies of the International Monetary Fund did not just exacerbate the recession, but were also partly responsible for its initiation: the mistakes made by countries. Although politics also played a role in this process, the excessive liberalization of financial and capital markets was probably the single most serious cause of the crisis." He then notes that when the crisis began, I was surprised that the International Monetary Fund and the US Treasury strongly criticized the countries of the region. According to the International Monetary Fund, Asian countries' institutions were rotten, their governments were corrupt, and massive reforms were needed. [83, p. 101-102]. In fact, what the International Monetary Fund said and criticized were absolutely right. The governments of the countries of the region showed exaggerated economic development indicators about their economies, and instead of solving the hidden problems, they covered up.

In June 1999, the International Monetary Fund's quarterly magazine "Finance and Development" published the article "Asian crises.

The article entitled "Causes and measures" shows the real causes of the crisis. "The problems in Thailand started in 1996. The Thai government ignored the International Monetary Fund's warnings about the crisis and hid the domestic situation from the public. In addition, the fact that the International Monetary Fund made proposals based on incorrect statistical information about the country's economic situation was a sign of how severe the crisis would be" [61, p.189].

If we look at history, we can see that financial crises happen about every decade. In the 1970s, both Britain and the United States experienced real estate credit crises and what was then called the Great Recession. Examples include the 1980s global debt crisis involving the governments of less developed (now developing) countries, as well as the 1982-1992 crises that resulted in the bankruptcy of 2,808 US financial institutions. In addition, a series of international financial crises in the 1990s: Mexico, Russia and Asia, as well as the crisis triggered by the creation of the terrible US technology stock bubble in the early 2000s, the European sovereign debt crisis and finally the global financial crisis in 2008 led to the "Great Recession" which was a crisis. Financial historian Charles Kindleberger studied four centuries of banking events and concluded that financial crises occur on average every 10 years. In a similar way, the chairman of the US Federal Reserve Bureau, Paul Volcker, voiced "about every 10 years, we experience the biggest crisis of the last 50 years".

Recent observations show that the frequency and duration of financial crises have increased. As can be seen from the table below, the historical regularity proves that gradually financial crises will increase and the world will plunge into financial crisis. This shows that the capitalist system is no longer justified and a new economic system is needed. This idea is confirmed when we look at the frequency and duration of financial crises from 1900 to 2010 in the table below.

**Table 1**

**Frequency and persistence of financial crises (1900-2010)**

| Years                      | Financial crises   | Countries where they occurred   | Duration      |
|----------------------------|--|---|---------------|
| 1900s                      | The collapse of New York's financial markets in 1901, the decline of the North Pacific Railroad; | USA;  | 1 il;         |
|                            | The Panic of the Bankers in 1907.  | USA.  | 1 ay.         |
| 1920s                      | Acute deflation decline;   | USA and other countries involved in World War I;  | 18 ay;        |
|                            | The Great Depression of 1929-1933.   | USA, Canada, Australia, New Zealand, USSR, India, China, Central and Latin American countries, European countries, European African colonies. | 4 il.         |
| 1970s                      | 1973 Oil Crisis and 1979 Energy Crisis;  | USA, Canada, Western Europe, Japan, Australia, New Zealand and oil exporting countries;   | 1 il və 2 il; |
|                            | The crisis of British middle-income banks;   | Great Britain;  | 2 il;         |
|                            | Debt crisis in Latin America.  | Latin American countries.   | 7 il.         |
| 1980s                      | Global economic stagnation in the early 1980s;   | USA, Canada, Great Britain, Japan and other developed countries;  | 4 il;         |
|                            | Chile crisis;  | Chile;  | 1 il;         |
|                            | Israeli banking and stock market crisis;   | Israel;   | 1 il;         |
|                            | Japan's stock market crisis;   | Japan;  | 5 il;         |
|                            | The stock market crisis called "Black Market Day" and "Black Tuesday";                           | China, USA, Canada, Japan, Western European countries, Australia and New Zealand;   | 3 il;         |
| Savings and credit crisis. | USA.   | 6 il.   |               |
| 1990s                      | Cuban economic crisis;   | Cuba;   | 4 il;         |

|       |   |  |   |
|-------|---|--|---|
|       | <p>The stagnation of the early 90s;</p> <p>India's economic crisis;<br/>Finnish banking crisis;<br/>Swedish banking crisis;<br/>Mexican currency crisis;<br/>Asian financial crises;</p> <p>Russian financial crisis;<br/>Ecuador financial crisis;<br/>Argentina's economic crisis;<br/>The currency crisis in Brazil called the "Samba effect".</p> | <p>USA, Canada, Australia, New Zealand, Great Britain, Finland;<br/>India;<br/>Finland;<br/>Sweden;<br/>Mexico;<br/>Southeast Asian countries;<br/>Russian Federation;<br/>Ecuador;<br/>Argentina;<br/>Brazil.</p>     | <p>4 il;</p> <p>1 ay;<br/>2 il;<br/>4 il;<br/>1 il;<br/>2 il;</p> <p>1 il;<br/>3 il;<br/>4 il;<br/>2 il.</p>        |
| 2000s | <p>Period of stagnation;</p> <p>A technological explosion called Dot-com;<br/>Turkey's economic crisis;<br/>Uruguayan banking crisis;<br/>Venezuela oil boycott crisis;<br/>2007-2012 Global financial crisis.</p>  | <p>USA and European Union countries;<br/>USA;</p> <p>Turkey;<br/>Uruguay;<br/>Venezuela;</p> <p>The United States, Canada, Australia, Japan, New Zealand, the vast majority of developed and developing countries.</p> | <p>3 il;</p> <p>2 il;</p> <p>2 il;<br/>1 il;<br/>2 il;</p> <p>5 il.</p>   |
| 2010s | <p>Europe's sovereign debt crisis;<br/>Greek government debt crisis;<br/>Portugal financial crisis;<br/>The Venezuelan crisis;<br/>Ukraine crisis;</p> <p>Russian financial crises;<br/>Brazil's economic crisis;<br/>Chinese securities market crisis;<br/>Turkey's currency and financial crisis;<br/>India's debt crisis.</p>                      | <p>European Union countries;<br/>Greece;</p> <p>Portugal;<br/>Venezuela;<br/>Ukraine;</p> <p>Russia;<br/>Brazil;<br/>Demon;</p> <p>Turkey;</p>   | <p>9 il;<br/>9 il;</p> <p>4 il;<br/>7 il;<br/>2 il;</p> <p>2 il;<br/>3 il;<br/>2 il;</p> <p>2 il;</p> <p>26 il.</p> |

The table was prepared by the author.

The financial crisis that hit Europe and the United States in 2007-2008 was accompanied by a severe and continuous economic recession. Before the crisis, there was a debt and asset price boom. Based on historical research, we can show the following general examples:

- Financial crises are accompanied by sharp declines in aggregate output and employment (and credit) and take longer to recover (than non-financial recessions);
- The best predictor of financial crises is a strong credit boom (accompanied by high asset prices).

Charting the frequency and persistence of financial crises (1900-2010) attempts to answer these questions: Why are the effects of debt and financial shocks strong and persistent? What are the transmission channels (households, banks, firms, sovereigns)? Since crises are not exogenous, what are the determinants? Can public policy (macro-prudential, monetary) reduce the negative effects? Are there costs or limitations to these policies? The main goal is to better understand financial crises and debt shocks and how to mitigate their negative impact on society through very different channels and public policies, including macro-prudential and monetary policy. Another issue is that after the banking crises, patenting appears to have declined more for industries that are more dependent on foreign financing. This financial channel does not function during currency crises, sovereign debt crises, or recessions more generally, suggesting that bank disruptions are important in innovative activities for investment. The impact on patenting is economically large and long-lasting, resulting in less patenting in both overall quantity and quality for 10 years or more after a banking crisis.

The rapid development of science and technology requires that the following issues should be resolved in addition to making flexible, prompt and thoughtful decisions about the economy (currency, finance and trade):

- In order to prevent the collapse of domestic production, competitive products must be produced: both to meet domestic demand and for export. For example, raw materials can produce products from ourselves. If the country is an oil country, it should not

buy gasoline from abroad, but should create a gasoline processing enterprise inside (example of Azerbaijan). In addition, it can buy any strategic or more needed product manufacturing equipment and lease it to enterprises within the country at a discounted rate.

- Particular attention should be paid to the implementation mechanism of the decisions made by the government and the recommendations made by the International Monetary Fund.

- The International Monetary Fund should not issue advisory recommendations to the states, but the implementation mechanism should have the authority to take measures that are directly controlled.

- When implementing any economic policy, a comprehensive approach to the state's economic situation is required. All areas must be balanced in relation to each other.

- Governments of developing countries should always keep some control over active and operative intervention in the economy. Otherwise, it may come under the control of powerful and large monopolists.

- If the securities market and trade liberalization are suddenly opened to foreign markets, large inflows or outflows of funds may disrupt economic and financial stability. Therefore, this process should be gradual. But in order to prevent monopolistic policy in the country, a specific time must be set by the BFV for this process.

- During trade liberalization measures should be taken to weaken or destroy domestic production so that it can continue to compete with foreign markets.

- Preparation and implementation of development programs to combat poverty and reduce unemployment in developing countries should always be in focus.

Although the process of globalization started in the second half of the 19th century is in various fields, economic globalization is spreading more rapidly in modern times. The main directions of globalization in the economic field are trade liberalization, free movement of capital and internationalization of production. The positive and negative sides of economic globalization can be mentioned. In fact, the more countries go against the process of globalization, the more negative consequences they may have. In

contrast, countries can achieve more positive results by adopting globalization as a development trend of the modern world and carrying out reforms to integrate into globalization. For this, the governments of developing countries must have the political will. When these governments face economic problems, they attribute these problems to the effects of globalization in order to protect their domestic authority. It is also impossible to stand against globalization for a long time. Because as a result of the development of scientific and technological innovations, globalization has become independent of us by crossing all state borders. The most negative situations that globalization brings to countries are financial crises. J. Stiglitz is right in one issue that the International Monetary Fund puts pressure on countries without taking into account whether they carry out reforms for economic liberalization. On the other hand, although the International Monetary Fund gives countries a certain time for reforms, countries do not intend to do it voluntarily.

If we look at financial crises with severe economic consequences from the political side, it is clear that usually international organizations, as well as any rules of order, are created after a strong conflict or war and heavy losses. Such wars and heavy losses are needed for the creation of a new international legal society in the new century. Otherwise, it will not be possible to create any institution that meets the new standards in the new structure. In our new century, such serious threats can be made by terrorist organizations, followed by regional and international wars and international economic crises. After very large and heavy losses, the international community can again sit at the table to create a more advanced functioning international body and look for more advanced and more integrated solutions to the crises. You have to wait for a while for this to happen. Otherwise, there is no question of any radical change. Another issue is that if we are based on the opinion of prominent economists that "financial crises are the main feature of the capitalist system and should occur periodically", then we can put forward the idea that there is a need to create a world economic system that will eliminate the errors of the capitalist system. However, in the

current conditions, it is also possible to take certain measures to improve the performance of the system to a certain extent.

One of the main reasons for the emergence of economic and political crises in the international world is the lack of trust between international actors, especially states. They always carry out self-defense measures behind the scenes against their constant rival and even from the state they consider friendly, outside of the consent obtained in public, and often these measures are more offensive than self-defense. Stiglitz repeatedly emphasizes the lack of trust between the International Monetary Fund and the governments of developing countries.

From the above, it can be concluded that the International Monetary Fund, led by the United States, has a share in financial and economic crises occurring in any country, be it international, regional or even national states. At the same time, although the political and economic processes going on in the world are emphasized as the reason for the occurrence of financial crises, it can be assessed more as a result of the "joint action" of the International Monetary Fund and developing countries. In other words, it can be noted that the main causes of financial crises are the International Monetary Fund and the governments of developing countries.

Regardless of the variety of causes of financial crises, we can summarize them as follows:

- The collapse of financial markets. This includes irrational behavior among financial market participants, increased complexity from financial innovation, and the Minsky Hypothesis - stability breeds instability.

- Unsuccessful fiscal policy. This includes the unintended consequences of financial regulation, the loss of bank management ("Too much too much failure") and the risky behavior of banks due to "moral hazard", low interest rates given for long periods, banks' assumption that their customers are behaving rationally, and failed risk assessments.

- Structural changes in the world economy. This includes economic imbalances, including low interest rates and global austerity.

- Banks, investors, private sector and government debt exceeding the specified limit.

In accordance with the causes of the crisis and the purpose of the dissertation, the interrelated proposals are grouped in 5 directions:

I. Suggestions for reducing the risk of financial crises;

II. Reducing the impact of financial crises that have already occurred and ways to get out of it;

III. Prospects of future cooperation with the International Monetary Fund of developing countries;

IV. Directions of the International Monetary Fund's policy towards developing countries;

V. Future directions of cooperation with the International Monetary Fund of the Republic of Azerbaijan.

A crisis in the financial system leads to a huge economic downturn and additional costs, bankruptcies and increased unemployment. Therefore, it is important to reduce the risk of its occurrence and focus on the changes and vulnerabilities that could lead to a serious financial crisis. When making proposals to reduce the risk of financial crises, American economists point out that the requirements imposed on the authorized capital of banks and non-bank credit organizations, not bank liquidity, are incorrect and that bank bankruptcy leads to financial crises. In order to eliminate these reasons, first of all, it is proposed to increase the minimum amount of authorized capital of banks, so that banks do not go into too much debt. In this way, a better guarantee of bank stability can be obtained. The second one states that it is wrong to believe that bank liquidity is the cause of the financial crisis, but rather that liquidity is a better way out of the crisis. Taking into account that banks are involved in all stages of the financial crisis and that resilience against the crisis depends on banks, supply and demand must first involve the banking sector in order to create healthier banks. Thus, the following suggestions are put forward to reduce the risk of financial crises:

- Raising the minimum amount of authorized capital of banks and non-bank credit organizations and putting forward other important requirements;

- Eliminate liquidity requirements against banks and non-bank credit organizations;
- Increasing consumer literacy and tightening requirements for consumer loans;
- Creating requirements that prevent banks from going bankrupt;
- Creation of a state agency that implements better integrated financial markets regulation;
- Paying more attention to bank management and transparency;
- Regular collection of information about the financial system and its participants, their management methods by the state agency that controls the financial markets;
- Regular monitoring and analysis of the financial system;
- Preventing threats to financial stability by providing information and warnings to financial market participants about risks, making recommendations to eliminate these risks if necessary;
- The institution controlling the financial markets cooperates with other relevant state bodies and internationally;
- Influencing the formation of the framework of the financial system by the state;
- Regular organization of training and seminars among financial market participants on crisis management;
- Organization of close cooperation of the country's central banks with the International Monetary Fund, international financial organizations and central banks of other countries;
- Realization of currency-credit and financial policy that constantly responds promptly and flexibly to scientific and technological requirements;
- Producing competitive products to avoid the collapse of domestic production: both to meet domestic demand and for export. For example, a country can produce products from its own raw materials. If the country is an oil country, it should not buy gasoline from abroad, but should establish a gasoline refinery at home. In addition, he can buy the device that produces any strategic or more needed product and lease it to enterprises within the country at a discounted rate;

- Production of export-oriented products and reduction of dependence on imports;
- Achieving a large number of structures that bring foreign currency to the country;
- Maintaining the balance in development between the real and financial sectors.

Depending on the impact of the financial crisis, its depth and the nature of the crisis, its impact mitigation and ways out may be different. However, measures to prevent all crises are possible by identifying and eliminating the causes that cause them. Just as we make generalizations about the causes of financial crises, we can make certain generalizations about the ways out of it. The following proposals can be made for reducing the impact of financial crises that have already occurred and ways to get out of it:

1) For financial shortages and debt crises in the private and banking sector:

a) Allocation of temporary financial assistance to banks by the state;

b) Measures to improve the health of banks and other financial market participants can be implemented (for example, the requirement to increase the authorized capital, obtaining the license of banks that do not meet the requirements, etc.);

c) Preparation of the cooperation program of the bank shareholders and the financial market control institution;

d) Imposition of administrative restrictions on taking dividends to shareholders and other similar ones;

e) Making changes in currency-credit and fiscal policy.

2) For currency and debt crises covering the country:

a) Preparation and implementation of a single crisis program covering all areas of the economy;

b) Using all means that enable the production of import-substituting and export-oriented products;

c) Borrowing from the International Monetary Fund and other international financial institutions, investors and other states when the crisis is in its most severe form. It would be better to avoid borrowing as much as possible, to encourage investment by inviting international

investors and companies to the country by making changes in the legislation;

d) Adoption of laws and other legislative acts that promote mobilization of financial and human resources;

e) Implementation of measures to strengthen anti-corruption measures and ensure transparency;

f) Making changes in currency-credit and fiscal policy.

Prospects of future cooperation with the International Monetary Fund of developing countries will be more effective if the following conditions are met:

- It should build relations with the International Monetary Fund on transparency;

- Macroeconomic indicators should not be exaggerated and should create a correct statistical data base so that the programs developed on the basis of statistics by the International Monetary Fund and other institutions will be effective;

- Special attention should be paid to the implementation mechanism of decisions made by the government and recommendations made by the International Monetary Fund;

- At the same time, the governments of developing countries must always maintain at least some control over the economy. Otherwise, it may come under the control of powerful and large monopolists;

- Preparation of development programs by the state to combat poverty and reduce unemployment in developing countries.

Regarding the directions of the policy of the International Monetary Fund in relation to developing countries, it can be noted that the fund implements its actions in accordance with its charter. However, the International Monetary Fund may make certain changes to its charter for the sake of economic development of developing countries:

- Developing countries and low-income countries should significantly increase their financial quota;

- Technical assistance and trainings should not be of a training nature, they should impose certain obligations on the states and certain

mandatory measures should be taken according to the extent of its implementation and results;

- A uniform program for the collection and preparation of statistical data of developing countries should be provided for all member countries and should be prepared in full accordance with the newly created rules of the International Monetary Fund;

- The International Monetary Fund should not issue advisory recommendations to the states, but the implementation mechanism should have the authority to take measures that are directly controlled.

Currently, the cooperation of the Republic of Azerbaijan with the International Monetary Fund is limited to technical assistance and training. The demands of developing countries in cooperation with the International Monetary Fund can also be applied to the Republic of Azerbaijan. In addition, the following recommendations can be made in the direction of general cooperation:

- To effectively use the technical assistance and training of the International Monetary Fund;

- To maximally implement the recommendations given by the International Monetary Fund;

- The government should always keep some control over the economy and not leave it to supply and demand. Otherwise, it may pass to the control of powerful and large monopolists, having the opposite effect in countries like Azerbaijan;

- Ensuring financial transparency and accountability;

- Preparation of statistical calculation and database that meet modern standards;

- Prepare development programs by the government to combat poverty and reduce unemployment;

- Development of strict enforcement mechanisms that meet modern requirements in the application of legislative acts;

- All types of equipment brought to the country by non-commercial organizations (especially universities and scientific-research institutions) with capacity for science and research purposes are completely exempt from taxes and duties;

- Organization of scientific publications and translations by the Central Bank about financial crises;

- Membership of the Republic to the World Trade Organization;
- Most importantly, strictly control the implementation of all programs and projects and implement them according to the action plan.

In the end, it is worth recalling the views of Henry Paulson, the American economist and banker, chairman and chief executive officer of Goldman Sachs, who was the 74th secretary of the US Treasury Agency: "I believe that the root cause of every financial crisis, the root cause, is the defects of state policy."

The main provisions of the dissertation, the obtained results and proposals are reflected in the following published scientific articles and conference materials:

1. E.Orucov, Beynəlxalq Valyuta Fondu (BVF) qlobal maliyyə böhranları dövründə (1998-2010). //Gənc Tədqiqatçıların I Beynəlxalq Elmi konfransı (beynəlxalq elmi-praktik konfransın materialları), Bakı. 2013, 0,2 ç.v.
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10. Эльшан Оруджов, Влияние международных потоков капитала на кризис в Юго-Восточной Азии. // Вопросы управления и экономики: современное состояние актуальных проблем: сб. ст. по материалам XXV междунар. науч.-практ. конф.», М., Изд. «Интернаука», Москва. 2019, № 7 (23), 0,4 п.л.
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The defense of the dissertation will be held at the meeting of the FD 1.11 Dissertation Council operating at the Scientific Research Institute of Economic Studies under the Azerbaijan State University of Economics on "07" october 2022 at 14:00.

Address: Istiglaliyyat str. 6, AZ 1001, Baku city.

The dissertation is available in the library of the Azerbaijan State University of Economics.

Electronic versions of the dissertation and abstract are posted on the official website of the Azerbaijan State University of Economics.

The abstract was sent to the necessary addresses on "07" september 2022.

Signed for publication: 06.09.2022.

Paper format: 60x84 1/16.

Volume 1 tsp. (39724 sign)

Offset paper. Circulation 100.

Printed using ready-made slides  
in "AA - Polygraph" production and commercial association.

Contact: (055) 2012809

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