

*Full Length Research Paper*

# Effective factors on economic development in East Azerbaijan, Iran

Hamidreza Alipour

Islamic Azad University, Rasht Branch, Rasht, Iran. E-mail: [Drbehdad\\_66@yhoo.com](mailto:Drbehdad_66@yhoo.com).

Accepted 12 July, 2010

The current paper aims at presenting a pattern for the development of East Azerbaijan province, Iran, in a frame on national and regional developmental policies, which requires the formation of two basic processes: (a) To access and employ a mechanism which ultimately limits unnecessary consumption expenditures in the province and leads the surplus of economic output toward physical and human investment to modernize productive foundations. (b) To plan and utilize a set of strategies and development policies, by the mechanism indicated in the previous part to transform the surplus saved to human and physical investments conformed to the economic development needs. The studies on the model of development in Azerbaijan illustrate that for the purpose of actualizing the two processes mentioned above, basic reforms are necessary in the regional organizing and planning and achieving this aim requires employing a collection of proper strategies in politics, culture, training of experts and investment, information, management, economic systems. The factors mentioned are the elements which ought to be developed and expanded coordinately and the absence of each of these factors will stop the development process even when the other factors are fulfilled.

**Key words:** Economic development, regional policies, Azerbaijan.

## INTRODUCTION

In general, economic development is a process in which the products of a society increase on the basis of extension, creation and self generation of modern technology. In this sense, economic development is the same as product increase; however, the sort of production under consideration originates from the extension and creation of modern technology in economic development subjects. Therefore, the product increase based on the export of primary material does not result in the expansion of economic development. In this respect, some economic texts mention that economic development is a qualitative subject and includes structural changes too. This discussion has no contradiction with the above-mentioned definition, primarily, because it is not possible to create basic changes in the production technology without having structural changes (Alipour, 1993) and then, the basic changes in technology, naturally and result in structural changes.

### Production process

The important issue here is how the production based on

modern technology can be expanded. This depends on factors which influence the modern production process (Alipour and Rezvani, 2006). These factors include:

- A) Machinery, tools and production equipment.
- B) Skilled manpower in production areas.
- C) Skilled manpower in management area.
- D) Information and technical science in production.

The following chart shows the factors mentioned and their effects on the production process (Chart 1). Thus, utilizing these factors in economic agencies is necessary to increase the production based on modern technology, that is to say, economic development expansion in the province requires continuous improvement in these factors.

## MATERIALS AND METHODS

Regional development planning requires an attempt which is closely related to designing, performing and exploiting natural resource plans in the region and the applying the plans to the social, economic and political issues (Harbison, 1962). East

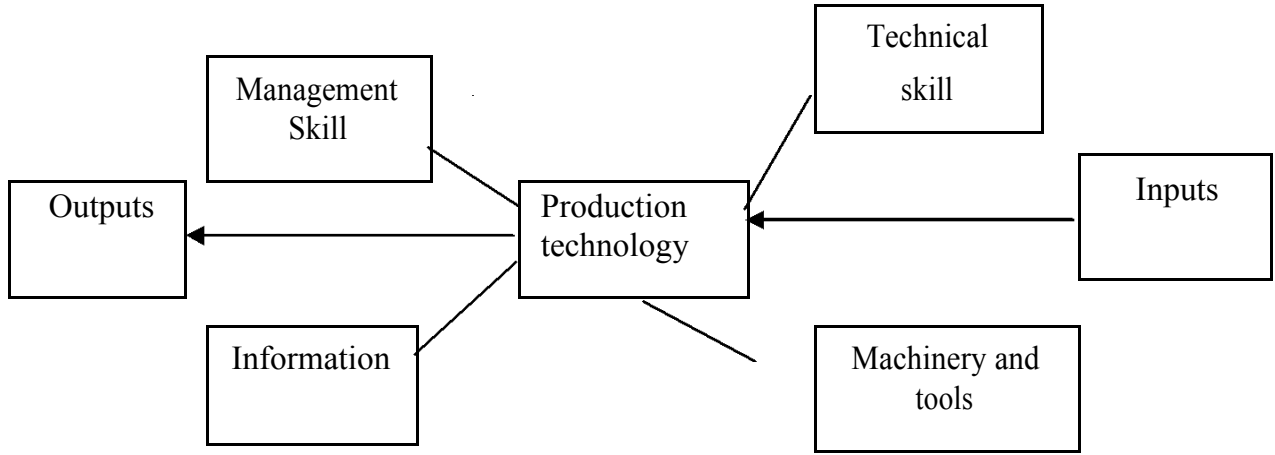


Chart 1. The factors influencing modern technology and their effects.

Azerbaijan province is one of the most important industrial poles in Iran and regarding agriculture ranks third in Iran. Azerbaijan province is bounded in the North by Azerbaijan Republic and the Republic of Armenia, in the East by Ardebil province, in the South by Zanjan and Hamedan provinces and in the West by West Azerbaijan province. The total area is 48468.70 km<sup>2</sup> (Imani, 1993). Regarding the geographical location, Azerbaijan has a relative superiority over the other regions in Iran and is considered as Iran's gate toward Europe and Middle Asia.

With regard to development planning, substructure studies and their utilization capabilities are of fundamental importance in the development of the regions (Movahed, 1993). Therefore, recognizing natural resources and substructure factors and the province development modeling is also of special importance. In case it is possible to express the above resources in the form of a matrix, the development can transform this matrix, which is called the natural or primary matrix, to a desirable matrix. The desirable matrix includes solutions justifying the transfer from the status quo to a desirable status. So in comprehensive planning of the regional development, the primary matrix constitutes the following parts in the vector:

$$P_r = \begin{bmatrix} R_e \\ S_o \\ E_s \\ T_a \\ O_n \end{bmatrix} \quad (2)$$

- $R_e$  : Accessible natural resources in primary conditions.
- $S_o$  : The political and social circumstances in the region during status quo.
- $E_s$  : Existing productive and economic system in primary conditions.
- $T_a$  : Accessible technology in the region (province).
- $O_n$  : Other problems in connection with the development.

Where each matrix vector is analyzable to other parts which justify the accessible kinds of natural resources in the region and the other vectors are analyzable to their components based on related problems.

$$R_e = [R_{e1}, R_{e2}, \dots, R_{en}] \quad (2)$$

The development matrix is shown by  $D_e$ . The definition of the development matrix components is related to the studies attained by matrix  $P_r$ .

$$D_e = \begin{bmatrix} R_{eap} \\ S_{oc} \\ E_s \\ T_{ap} \\ O_n \end{bmatrix} \quad (3)$$

- where
- $R_{eap}$  stands for the investment accumulation and obtainable and utilizable natural resources for development purposes.
- $S_{oc}$  refers to the desirable political and social conditions in order to achieve development purposes.
- $E_s$  is the suitable economic system to achieve the development purposes.
- $T_{ap}$  stands for the accessible technology in the region in order to achieve the development purposes.
- $O_n$  refers to other necessary conditions in order to achieve the development purposes.

A transformational matrix can also be used in this situation:

$$[D_e] = \theta [P_r] \quad (4)$$

Matrix  $\theta$  is dividable to  $\theta_1$  and  $\theta_2$  components and these components can also be divided into special components in connection with the vectors of matrix  $D_e$  and  $D_r$ .

Considering the model mentioned above, regional development planning should possess the following conditions:

- A) It should recognize the status quo with respect to investment accumulation, existing natural resources, political and social conditions, indigenous production system from industrial and agricultural points of view and dominant technology in the region, also

other conditions such as region's location towards the neighboring regions, commercial systems and possibilities of goods exchange, sending emigrants from and accepting them in the region in administrative situations and exploitation of the development plans.

B) Determining the desirable status matrix,  $D_e$  and its components will not be possible without recognizing the matrix parts. Based on the data collected in the formation of matrix  $P_r$ , the dominant natural conditions in the region and the tendency toward the development are determined and the parts of matrix  $D_e$  defined by the recognition of investment and manpower feasibilities. The emphasis here is on the fact that the parts in matrix  $D_e$  should be determined by relying on matrix  $P_r$  and every change and development ought to be performed with regard to the status quo and dominant economic and indigenous production methods.

C) Matrix  $\theta$  comprises the solutions and the development programs including all the phases, performing of which require general planning and time phasing.

With regard to the model presented to access the economic development in East Azerbaijan, it is noted that the development is an objective socioeconomic phenomenon. However, unlike growth, it is a complicated and manifold topic and cannot be measured by the indexes stated in the abovementioned model. This phenomenon demands qualitative and fundamental changes to be created in social, political and cultural structure of the province; it also requires an improvement in the economic situation, a progress in technology and an increase in wealth.

Nowadays, the human beings live in the era of information technology and industrial revolution which is considered a modern age in proportion to the previous one namely agricultural revolution era (Alipour and Rezvani, 2006). They have increased total production and capitation by using modern technical and scientific outcomes to such an extent that there exists no problem in providing the primary needs and life continuation. In other words, the livelihood balance (Azimi, 1986) as the main feature of human economic cycle in the previous era (traditional age) has transformed to welfare balance in modern age. In practice, livelihood poverty will exist in the traditional society and remain there as long as there is no development in the society. Put another way, the removal of poverty depends on the situation change from a traditional one to a modern one.

If the process is further studied, one can ultimately find the existence of a fundamental phenomenon as the commonality among the developed countries and its lack as the commonality among underdeveloped countries. Normally, the same phenomenon is the cornerstone of economic development; indeed, it is the production based on modern technical and scientific grounds in the developed countries, whereas it is the production based on traditional technical- scientific foundations in underdeveloped or developing countries such as Iran and places like East Azerbaijan province.

Considering the topics stated above, it seems that a set of strategies and economic development policies should be compiled and then utilized to access the economic development in these societies and regions.

## RESULTS AND DISCUSSION

The economic development requires the formation of the following two fundamental processes:

1. To access and utilize a mechanism which eventually limits the unnecessary consumption costs in the province and leads the economic production surplus toward centralizing the human and physical investments to

modernize the production bases. In Nourkes' opinion, the investment centralization means a society does not spend all its generating capacities to provide its consumption needs (Khatib, 1994; Planning and Management Organization of East Azerbaijan Province, 2006) but it spends some parts of its financial resources to produce investment goods. As it can be observed, Nourkes has neglected the concept of centralization of human investment in his definition.

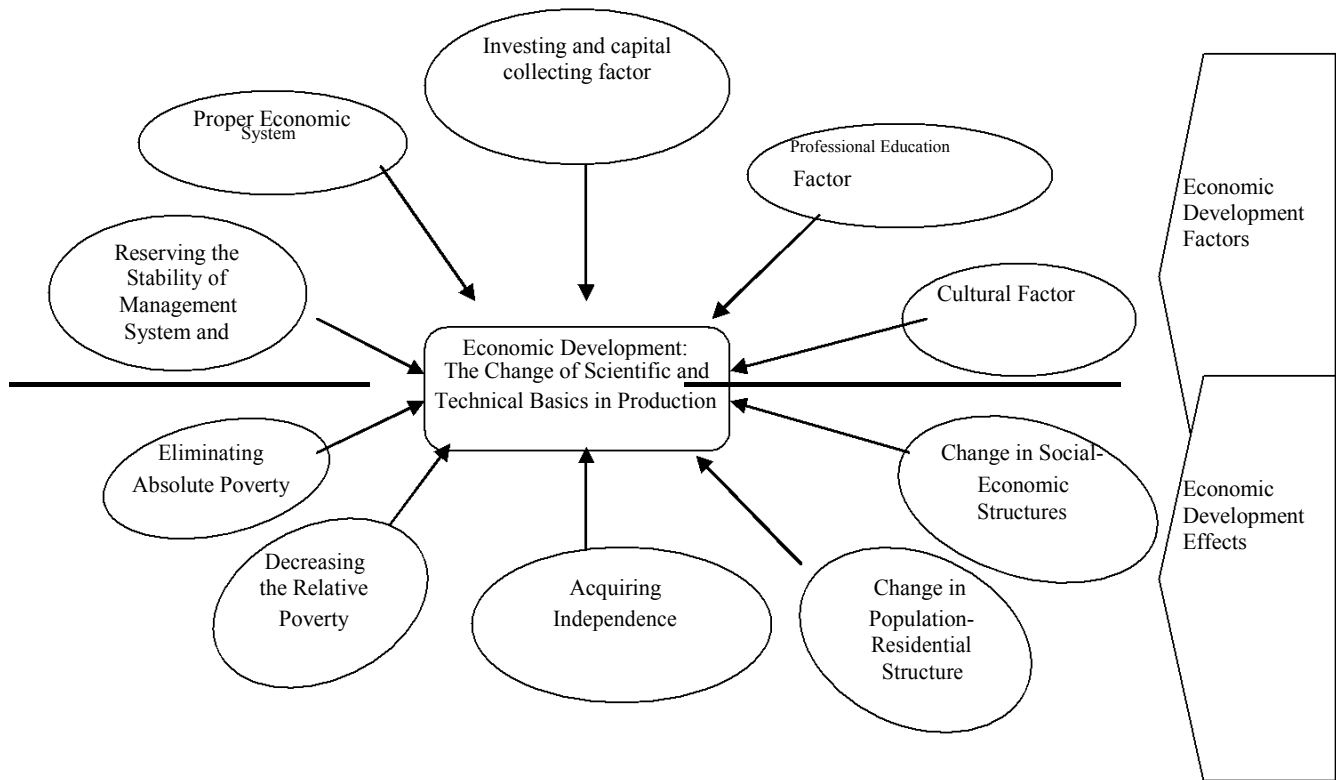
2. To plan and utilize a set of strategies and development policies, by the mechanism indicated in the previous clause to transform the surplus saved to human and physical investments based on the economic development needs.

The studies on the Azerbaijan development show that the realization of these processes requires basic reforms in organizing and thinking manner of economic policy-makers and regional planners as regards the development. The realization of this matter depends on scientific attitude and transforming this attitude to cultural beliefs of the society. In other words, the conditions concerning culture and personality training should be provided in order to attract the people in the region toward scientific knowledge and employ scientific justifications for solving the problems.

Therefore, the formation of human investment is always accompanied by investing in human training, development of creativity and inner and potential talents (Niemi, 1985). Believing in scientific thinking provides a suitable environment for economic development and this depends on reconstructing the educational system and reinforcement of technical- vocational education (development education) in the society. In other words, resembling economic development to a tree, one can illustrate that appropriate culture is the root, which needs the suitable education and investment accumulation and the trunk, the branches and the leaves of the tree are the same as suitable economic system and preserve the stability of system.

Thus, cultural transition is not the adequacy (Asgari, 1992), but a prerequisite for economic development. To achieve economic development, the following conditions should be provided in addition to cultural transition:

- i. The investment in substructures of research, communication, energy, factories, technical-vocational educations and development investments.
- ii. Absence of government's interference in the society productive affairs (the activation of private sector).
- iii. To avoid giving unconditional freedom to non-development service sectors.
- iv. The continuous effort by the government to provide minimum vital needs of the people
- v. The mutual understanding between the government and the people.
- vi. To create an efficient information system on development.



**Chart 2.** Economic development, its reasons and effects.

The research, development and technology centers and informational bases are considered the important facilities of substructure factors. Therefore, they are essential to access the higher level technology and enjoy various potentials in the region, apply the presented mathematical model to regional planning, extend the research activities and create economic-social data bank on research and development planning (Movahed, 1993). Meanwhile, it is more important to create trade, commercial and industrial databases in the province regarding the particular East Azerbaijan nearness to the neighboring new independent Republics such as Azerbaijan and also its closeness to Turkey and the large markets of Europe. The internationalization of globalization influences the productive activities (Theodoropoulou et al., 2009) of East Azerbaijan.

- i. The necessary effort to enrich the human culture: Giving priority to humanistic theories, one should consider the culture and perform the activities necessary to reinforce and reform it so that it can be harmonized with economic development.
- ii. The necessary attention to culture and policy to get free from underdevelopment: The culture, policy and the belief of the policy-makers and the managers in the region ought to be considered as the important strategies and the only solution to access the economic development in the province and to be released from underdevelop-

ment.

The discussions in economic development show that it is achieved through incorporating a set of appropriate policies and attaining the factors mentioned above (Toedaru, 1985). After economic development realization, its main effects are the omission of absolute poverty, the decrease of relative poverty, attaining self-reliance in economy, the change in population and residential textures..., which are shown in Chart 2.

### Conclusion

The studies presented indicated that the codification of growth and development pattern is not merely an economic and a mono dimensional task, but a multi dimensional one. The most important factor involved in the development program success is to adjust the program projects with natural, social and economic conditions of that region.

The new effective trend in economic literature claims that regional economic policy has an outstanding effect in the growth attainment. So the country's economic policy makers should consider the regional development in the same way they do the national development planning.

The realization of economic development in a region depends on collecting and utilizing a set of appropriate

strategies in policy, culture, education, investment, management and economic systems and a region will move toward economic development only when there is harmony and cooperation among these systems.

In East Azerbaijan province, the development is strongly heterogeneous. In other words, the development of different economic parts, especially industry, has not contributed to the comprehensive development in other economic activities, thus, resulting in inefficiencies in the resource usage and waste of them.

In brief, East Azerbaijan province lags behind in having production supporting mechanisms. In other words, the crisis in development are serious regarding the existing resources. Therefore, it seems essential to apply regional development policies in the province with regard to the model presented.

## REFERENCES

- Alipour H (1993). Industry and Development, In the Proceeding 1st National Conference of the Development and Azerbaijan, 5-7 July. East Azerbaijan Governorship, Tabriz, Iran. pp.1087-1091. (In Persian).
- Alipour H, Rezvani M (2006). Globalization with a focus on the university and industry. In the Proceeding 1st National Conference of the Government, University and Industry, 12-13 November, Islamic Azad University, Rasht Branch. pp. 218-222. (In Persian).
- Asgari A (1992). The Study of the Regional (Provincial) Inflation in Iran, 1982-1990. Monthly Commercial Surveys. Commer. Res. Stud. Inst. No.61, June 1992. pp.6-28. (In Persian).
- Azimi A (1986). Central Planning. Planning and Management Organisation Publication First edition. No. 5. 166 pp. (In Persian).
- Harbison FH (1962). Human Resources in Development Planning in Modernizing Economies International Labour. Review, 85(5): 2-23.
- Imani RM (1993). Regional institutes of development. In the Proceeding 1st National Conference of the Development and Azerbaijan, 5-7 July. East Azerbaijan Governorship, Tabriz, Iran. pp: 220-227. (In Persian).
- Khatib M (1994). Development Economy, Islamic Azad University Publications, Tehrann, Second Edition, p. 190 (In Persian)
- Movahed Danesh A (1993). The role of substructure studies in national policies on development. In the Proceeding 1st National Conference of the Development and Azerbaijan, 5-7 July. East Azerbaijan Governorship, Tabriz, Iran. pp:467-480. (In Persian).
- Niemi AW (1985). Gross State Product and Comparative Economic Growth in the Southeast, 1950-1980. Rev. Bus. Econ. Res.14:3-8. DOI: 10.1111/j.1468-2257.1983.tb00399.
- Planning and Management Organization of East Azerbaijan Province. 2006. Stat. Almanac of East Azerbaijan. First edition, 250 pp. (In Persian)9.
- Theodoropoulou H, Mitoula R, Vamvakari M (2009). Sustainable Regional Development. J. Soc. Sci. 5(2): 80-84.
- Toedaru M (1985). Economic Development in Third World, Translated by Golam Ali Farjadi, Social, Economic Documents Center, Planning and Budget Ministry Publication, Tehran, second edition, pp.530.