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FOREIGN ECONOMIC RELATIONS OF SUMGAI CITY (On the Chemical Industry. 1991-2003)

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ВНЕШНЕЭКОНОМИЧЕСКИЕ СВЯЗИ ГОРОДА СУМГАИТ (о химической промышленности 1991-2003 гг.)

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Abstract. The article analyzes the economic crisis in the Sumgait chemical industry as a result of the collapse of the USSR and the severance of traditional economic ties with the former Soviet republics after the independence of Azerbaijan and the measures taken to overcome this crisis. In addition, the establishment of economic relations and exchange of experience in the chemical industry with economically developed countries in the chemical industry: Germany, USA, Turkey, Japan, Great Britain, Korea, Italy, Bulgaria and Spain, replacement of physically and morally obsolete equipment at Sumgait chemical enterprises with new ones and develop new projects to increase the production capacity of factories, as well as the investment of these countries in the Sumgait chemical industry and joint work with a group of EU experts to eliminate the environmental problem were also searched.

Аннотация. В статье анализируется экономический кризис в сумгаитской химической промышленности в результате распада СССР и разрыва традиционных экономических связей с бывшими советскими республиками после обретения Азербайджаном независимости и меры, предпринятые для выхода из этого кризиса. Кроме того, рассмотрены установление экономических связей и обмен опытом в химической промышленности с экономически развитыми странами: Германией, США, Турцией, Японией, Великобританией, Кореей, Италией, Болгарией и Испанией, замена физически и морально устаревшего оснащения сумгаитских химических предприятий новым и разработка новых проектов по увеличению производственных мощностей заводов, а также инвестиции этих стран в сумгаитскую химическую промышленность и совместная работа с группой экспертов ЕС по устранению экологической проблемы.

Keywords: Sumgait, chemical industry, foreign economic relations, environmental problems, exchange of experience, investment, new technology.

Ключевые слова: Сумгаит, химическая промышленность, внешнеэкономические связи, экологические проблемы, обмен опытом, инвестиции, новые технологии.

In the first years of independence of the Republic of Azerbaijan, as in other industries, there was a crisis in the chemical industry of Sumgait. Transition period after the collapse of the USSR was a period of problems such as — difficulties in the chemical complex of the republic, problems, the breakdown of long-standing economic ties, loss of permanent partners, paralysis of large complexes,

renewal of sales markets, a sharp decline in production, severe financial crisis of chemical enterprises as a result of inflation [5, p. 38].

After the collapse of the USSR, the following productions were decommissioned in Sumgait's chemical enterprises due to their physical, moral, ecological and economic inefficiency:

- Production of 2,4D amine salt, monochloroacetic acid, butyl ether, hexachlorane dust, aluminum chloride, first-class sulfanol at SAM plant;
- Production of butadiene, ethyl alcohol, benzene by MIS-ammonia method at “Synthesis Rubber” plant;
- Production of “EP-60”, benzene, potassium hydroxide, dichloroethane, epichlorhydrin, XSPE at the "Organic Synthesis" plant.

Due to the disruption of interstate economic relations, the emergence of a number of problems in the import of necessary raw materials and semi-finished products, the loss of sales markets, the development of the following production areas was stopped due to lack of economic efficiency:

- Production of second turn sulfanol, carboxymethylcellulose, chlorafin-470, chlorafin-13, 100% sulfuric anhydride, preparat-30 at the SAM plant;
- Production of styrene, butadiene-styrene rubber, nitrile rubber at the “Synthesis Rubber” plant;
- Production of isobutylene and polyisobutylene, epoxy resin at the “Organic Synthesis” plant [7, p. 64].

Many workshops of divinyl production, which were founded in the 60s, were not put into operation for some reasons, and the equipment became unusable. Starting from the 90s, the workshop was reconstructed, new equipment was purchased, and sources of raw materials were identified.

The main raw material for the enterprise was the production waste of the pyrolysis fraction, which was also obtained from the “Synthesis Rubber” production association. Other supporting material was brought from the Moscow region.

The main customer of the production was “Azerkabelizoliasiya” enterprise in Mingachevir. The company used to buy hardening fluid from Russia at a high price. Each ton of Russian products costs 115,000 manat for “Azerkabelizoliasiya” (plus a 28 percent tax on the Russian budget). Each ton of products produced by the anhydride shop cost 32,000 manat (28 percent of the tax was transferred to the republican budget) [2, p. 3].

In September 1992, the Turkish-Azerbaijani Symposium “Polymer-92” was held at the Ankara Middle East Technical University in Turkey. More than 40 chemists of our republic took part in the symposium ... As a result, it was decided that such symposiums between our countries will be held in the Azerbaijani and Turkish languages in the future. For this purpose, a commission consisting of representatives of both countries should be established to compile dictionaries in Azerbaijani-Turkish and Turkish-Azerbaijani languages.

A powerful explosion and fire broke out at the ethylene-propylene plant, and as a result, most of the workshops of the “Synthesis Rubber” and “Organic Synthesis” production units stopped. A group of specialists was sent to St. Petersburg, Dzerzhinsky, Sumy, Ufa, Moscow and Volgograd to purchase and prepare equipment. An order was made for the construction of a column with a height of 74.8 meters [14, p. 2].

The ecological situation in Sumgait was tense. Therefore, an action plan has been developed to reduce environmental tensions, the experience of other countries has been studied, and contacts have been established with foreign companies dealing with environmental issues. For this purpose, the head of the Executive Power of Sumgait city Y. Sevdimaliyev received the head of the expert group of the European Union Valdemar Kaspji. The foreign guest said that the European Union was also

concerned about the tense environmental situation in Sumgait, and that 14 million euros had been allocated for the development of a program to improve environmental protection in Azerbaijan. At the meeting, proposals were put forward for the rehabilitation of Sumgait, and it was recommended to work with a group of EU experts in this area.

During the visit of the President of the Republic of Azerbaijan Heydar Aliyev to the United Kingdom, during the meeting of the President of Azerbaijan with Jean Pobinson, Chairman of John Brown, one of the most influential companies in the United Kingdom discussed in detail the prospects of our chemical industry and the issues of the company's participation in its development. The President was informed that John Brown could become the closest assistant to Sumgait chemists. This company has developed projects to replace obsolete equipment at our chemical plants with new ones and increase the production capacity of plants. The President of Azerbaijan stressed the need to establish close ties with this company.

National leader Heydar Aliyev's visits to foreign countries and interaction with foreign countries allowed to determine the clear structure of chemical and petrochemical enterprises and develop it on the basis of raw materials [19, p. 3].

We can use the experience of the world's leading countries in the field of chemistry and increase the volume and quality of production as a result of the application of new technologies. To do this, we must first establish relations and exchange experiences with countries such as the United States, Turkey, Britain, Korea and Spain.

About 60 percent of the total industry of Sumgait is the chemical industry. Therefore, the state company Azerikimya is located in Sumgait. The vast majority of Sumgait chemical plants were built during the Soviet era. Therefore, local raw material reserves and other factors were not taken into account. For the full and normal operation of Sumgait chemical enterprises, more than 250 items of raw materials had to be imported. Our republic needed only 20–25% of the products we produced [12, p. 3].

As a result of the establishment of relations with foreign countries for the development of the chemical industry of the President of the Republic of Azerbaijan Heydar Aliyev, the production of alcohol-based benzene on the basis of equipment and devices of Italian companies was one of the most important industries in the economy. The technology of the consumers of the product, Novomoskovsky "Household Chemicals" Production Association and similar enterprises in Engels city is based on 100% alcohol-benzene products. In addition, it was planned to establish relations with Ukraine, the Baltic Republics and the Islamic Republic of Iran. As the main types of raw materials are imported from Russia, it was planned to cooperate with it [12, p. 3].

At that time, more than 20 percent of our land was occupied by Armenian invaders, so we could not use our natural resources properly. Due to the blockade of Nakhchivan, its sulfur and phosphorus deposits remained unused. Despite the abundance of salt in this rich land, salt was forcibly imported from Turkmenistan. It was also impossible to use Zangilan limestone. A number of goods were bought at high prices from the CIS countries. All this greatly increased the cost of the product.

In connection with the development of the chemical industry, business talks have recently been held with representatives of a number of foreign companies. A contract has been signed with the Italian company Prodjetti CpA. According to the contract, the Italian side intends to allocate a loan of \$ 387 million for the construction of three production facilities in the country. One of these areas of production was the construction of a plant for the production of sodium alkali (potassium alkali) in ion-exchange membrane electrolysis. After the establishment of this production area, it is planned to stop the existing chlorine production, which is obsolete.

A delegation of the Saudi Arabian chemical industry also visited Sumgait. Talks were held with them on the construction of low-pressure polyethylene production with a capacity of 100,000 tons per year, polyvinyl chloride production, reconstruction of Polymer 120 production [4, p. 3].

During his visit to Sumgait in June 1996, President of the Republic of Azerbaijan Heydar Aliyev noted that the document, which had been developed for two years and had already been completed, would discuss the development of the Sumgayit industrial complex and its transformation into a free economic zone and in this regard there will be a presentation of documents, a prepared book. Mr. Spett, the head of the United Nations Development Program, who has been closely assisting, supporting and working with us to develop these programs, and a UN delegation have come here with him [3, p. 3].

We buy salt from Turkmenistan and Ukraine When we buy salt from Turkmenistan or Ukraine, it costs 200,000 manat per ton. But if we get it in Neftchala, it will cost a maximum of 150,000 manat.

We receive alkyl-benzene production from Italy. As there is no alkyl-benzene in the country, we cannot use it, and together with the Oil Company, we must complete the paraffin lead in the Azerneftyanajag Production Association. We are working with them in this area. However, this work is a bit difficult. If we complete it, we will be able to supply both Russia and the Middle East with alkyl-benzene, and the detergents we produce can be of high quality [17, p. 4].

In general, we have developed a very comprehensive program for the development of our oil industry to meet the demand for the chemical industry of the republic and its products. We are trying to organize our work by attracting foreign investors in this program. We are working with two Japanese companies in the field of polyethylene, ethylene, polypropylene, polyvinyl chloride, caustic soda, and I hope that these days ... representatives of the Japanese company "Itochi" will come here. On August 5, experts from "Nichimen" come to work with us. Experts from the Ministry of Commerce and Economy of Japan and the President of the Turkish company "Petkin" will attend [17, p. 4].

We have focused mainly on small production as well as large production workshops. As a result of negotiations and searches with Russia and the CIS countries, the production and sale of rubber and latex have been regulated since October. If our forecasts for the second half of 1996 come true, we will be able to produce about 69 billion manat [9, p. 2].

Today, our goods are not sold because the cost of the product we produce is too high, and the warehouses are full of finished products. Therefore, in order not to stop production, we import certain raw materials in the CIS countries through barter. Because there are no necessary funds. Banks cannot provide long-term loans. There is a shortage of cash both in our country and in the CIS countries. That is why we still have to trade with them. The price of caustic soda in our country is higher than the world market. Because we bring salt from Turkmenistan to buy it. Transportation and other costs cause the price of salt to rise from \$ 28 to \$ 44 [9, p. 2].

During his official visit to Japan, President of the Republic of Azerbaijan Heydar Aliyev achieved a positive solution to the issue of allocating a loan for the reconstruction of an ethylene-propylene plant, which could stimulate the revival of the Azerbaijani economy. A \$ 94 million loan has been disbursed for this purpose.

For this purpose, negotiations have been held with many foreign companies and contracts have been signed. The second stage was the reconstruction of the ep-300 and Polymer-120 plants as a whole and the mastering of processing technology. In this direction, close cooperation has been established with foreign companies. The German company Schmitger has undertaken to supply modern equipment for the reconstruction of pyrolysis furnaces. Part of the equipment has already

been delivered to the enterprise, and the replacement of oven packing devices has been begun [20, p. 3].

Superphosphate was the only enterprise in the former Soviet Union that supplied mineral fertilizers to the Caucasus region. As the supply of raw materials deteriorated with the collapse of the USSR, the company is operating at a much lower level than its capacity. Appetite, which is considered the main raw material, was previously imported from the remote Murmansk region. We have not been able to regulate the supply due to the breakdown of economic relations and financial difficulties. However, we are preparing mineral fertilizers, albeit in small quantities, by mobilizing internal resources and resources. We are facing problems in the sale of "soil vitamin" in rural areas, which we have completed with great effort [11, p. 2].

Unlike previous years, relations have been established and agreements have been established with neighboring CIS republics, as well as Iran, Turkey, the Federal Republic of Germany and other countries. Important measures have been taken to develop and increase the range of products in accordance with the requirements of the consumer market, to master new technologies.

The field of application of butadiene is wide and multifaceted. It is impossible to imagine the production of latexes of rubber, tires and rubber products without butadiene. The only real market for butadiene products is Russia. There is a great demand for such a valuable product. It is true that we can export products to Iran, Turkey and European countries. So far, there is no shortage in the sales market, so we are satisfied with our former partners [10, p. 4].

The roots of economic relations with Russia in the chemical and petrochemical industries of Sumgayit date back to the Soviet era. Even the Sumgayit chemical and petrochemical industry was built in the interests of the Russian state. Therefore, there was a need for these relations even after the collapse of the USSR and the independence of Azerbaijan. Because access to European markets has not been formed. On the other hand, it was not yet possible to produce products that meet European standards. Russia was considered a favorable market for Azerbaijan [6, p. 93].

On July 7, 2001, a ceremony dedicated to the commissioning of the steam generator unit was held at the Sumgayit Ethylene-Polyethylene Plant. President of Azerbaijan Heydar Aliyev came to the plant to attend the opening ceremony of the plant. These words are written on the board at the entrance to the building. "Steam generator installation. The agreement for the construction of this facility, with a capacity of 480 tons per hour for steam and 32 megawatts for electricity, was signed by President Heydar Aliyev in Japan in 1998, laid by him on March 24, 1999, was also launched with his participation." The President of Azerbaijan cut the ribbon marking the launch of the facility. The head of state was presented with a symbolic key to the complex [20, p. 3].

During the commissioning of the Sumgayit Ethylene-Polyethylene Plant, Japanese Ambassador to Azerbaijan Tetsua Hiroshin said that he had witnessed the successful completion of projects implemented in Azerbaijan with the participation of Japan several times. I am very glad that today's event is being held in Sumgayit, the city of chemists. For the first time in Azerbaijan, your city is able to create such a facility with a loan from the Japan Bank for International Cooperation. This bank has a special history of cooperation with your country. As you know, in 1998, the President of the Republic of Azerbaijan, His Excellency Mr. Heydar Aliyev visited Japan. I can say with full responsibility that this visit was a turning point in relations between our countries. During the visit, several documents were signed between two countries. One of the agreements was on a loan from the Japan Bank for International Cooperation to Azerbaijan. Today we are witnessing how this loan was realized in Sumgayit. I believe that in the future, with the participation of the private sector of the Japanese government, several more important projects for your country will be implemented [20, p. 3].

Due to the current economic difficulties and overhead costs, there are problems with the supply of products to neighboring Russia and other CIS countries, as well as the supply of raw materials to the plant. A plant for the production of butadiene on the basis of new technology was put into operation at the plant. Manufacturers have extensive experience in this field. It is likely that the plant will be commissioned and resume butadiene production. Of course, it is possible to sell this product to Russia, but it is not profitable. It will be more necessary to use it to buy latexes and rubbers and sell finished products. A new period of development of the chemical and petrochemical industries has begun with the launch of the Steam Generator at the Ethylene-Polyethylene Plant in the period of independence. During this period, chemists must work harder and better [18, p. 4].

Thanks to Heydar Aliyev's direct work, an autonomous Steam-Generator Unit was commissioned in April 2001 to save the Sumgait chemical and petrochemical complex from paralysis due to a government-guaranteed loan from Japan (approximately \$ 90 million) and thus the chemical and petrochemical complex, the leading branch of the Sumgayit industrial center, seems to have taken a second breath [8, p. 6].

In November 1994, a symposium was organized in Sumgait by the Azerbaijan State Committee for Ecology and Nature Management together with the Ministry of Environment of the Republic of Turkey. During the four days of the symposium, international experts acquainted the Republican specialists with the current legislation of Turkey, Western Europe, the United States and Canada and modern technology of waste management [16, p. 3].

Specialists from a number of developed countries of the world got acquainted with the work carried out in our city on environmental protection and exchanged experiences. All this gave positive results. In 1994, significant pollution of the atmosphere, water bodies and soil was prevented. However, this does not mean that there are no problems in the field of environmental protection in Sumgait [16, p. 3].

On March 2, 2000, a seminar was organized in the office of Khazar JSC in accordance with the program of the International Seminar on Partial Open Accidents of the Council of Europe in cooperation with the European Training Information Center in Baku and European Centers in Belgium, Portugal, Bulgaria and Ukraine. Scientists and specialists from France, Bulgaria, Georgia and Baku, as well as Sumgait scientists and engineers working to solve environmental problems, took part in the seminar on "Hazard assessment in the zone of urban chemical pollution".

The organizer of the international seminar, Jean-Pierre Massier (France), Executive Secretary of the Council of Europe's Partially Open Accord on Large-Scale Accidents, gave detailed information to the participants about the purpose of the event and introduced foreign guests. Then reports on various topics were heard [1, p. 3].

One of the most acute environmental problems of the city is the prevention of mercury pollution. For this purpose, the International Bank is considering the issue of providing a soft loan of \$ 8.3 million. These funds should be used to ensure the implementation of important environmental measures, such as the removal of mercury from the soil in the area of the Surfactants Plant, the burial of the mercury strain in a special landfill [13, p. 2].

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