

Directions for Increasing Azerbaijan's Non-Oil and Gas Export Potential

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ABSTRACT:

The article studies the directions of increasing Azerbaijan's non-oil and gas export potential. The problems of diversifying the structure of non-oil and gas exports are explained and summarised. The opportunities to strengthen export potential are analysed and assessed. The importance of modernising Azerbaijan's non-oil and gas export infrastructure and creating a network of high-tech enterprises is substantiated. The issues of increasing the efficiency of foreign economic relations are considered. It is considered appropriate to implement measures to expand the range and increase the volume of export-oriented products in non-oil and gas industries. Taking into account both near- and long-term perspectives, proposals have been developed to increase Azerbaijan's non-oil and gas export potential.

KEYWORDS:

Azerbaijan, export, non-oil and gas sectors, export potential, non-oil and gas exports, problems in increasing export potential, directions for increasing export potential.

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Introduction

Azerbaijan has long been known as a country in which the oil and gas sector plays a dominant role in its economy. However, in recent decades, fluctuations in world energy markets, global challenges related to the energy transition, and the need to ensure the sustainability of economic development have led the country to pay increased attention to the development of the non-oil sector. In this context, increasing Azerbaijan's non-oil and gas export potential has become one of the important directions of the national economic strategy [1]. Export, one of the main indicators of economic development, helps ensure the flow of foreign currency into the country by exporting national products to foreign markets and realising them there. In the modern era, to effectively participate in the global economic system, it is important to develop a country's export potential and use it to its fullest. Export potential is understood as a country's ability to competitively present its products and services across various fields of activity in foreign markets.

Expanding export opportunities is considered one of the main factors for the sustainable development of the national economy. Thus, increasing the variety of products intended for export leads to a stronger international reputation, a more stable position in world markets, higher foreign exchange flows, and the development of various sectors of the economy. This factor also creates a favourable basis for diversifying the economic system [2].

Research Aim and Research Questions.

The main purpose of writing the article is to identify directions for increasing export potential in the non-oil and gas sector in order to reduce the dependence of the economy on oil in the Republic of Azerbaijan in the modern era. There is a need for effective mechanisms to maximise the country's non-oil and gas export potential. The methods of analysis, synthesis, comparison and generalisation were used in the research process. Along with these, references were made to the scientific works of researchers who studied increasing the non-oil and gas export potential.

Research Results

It should be noted that the country's export potential is closely related, first of all, to its natural resource reserves, industrial and agricultural potential, logistics capabilities and the level of development of human capital. In addition, the transparency of the legal and administrative environment, participation in foreign trade agreements, simplification of the customs system, and state support for exporters also directly affect the realisation of this potential. Increasing export potential should not be limited to expanding existing production areas and creating new products; this process should also include bringing product quality into line with international standards, obtaining environmental and technical certificates, forming a brand, and implementing effective marketing strategies to promote the product in foreign markets. In addition, the use of innovative technologies, expanding digital trade opportunities and access to e-commerce platforms are also important requirements of the modern era [3].

To increase Azerbaijan's export potential, the state supports and encourages this process through various regulatory instruments. For example, financial support is a key factor in increasing the agricultural sector's export potential. The Entrepreneurship Development Fund is actively involved in providing agriculture in Azerbaijan with preferential loans [4]. Increasing the country's export potential is important for strengthening its economic security. Reducing dependence on foreign markets and diversifying the export structure away from a single product or raw material helps build a sustainable and flexible economic model. In this sense, not only the oil and gas sector, but also the non-oil and gas sectors should be developed. Such an approach can strengthen the country's position in the world economic system and enable a more active role in global value chains.

Non-oil and gas exports, first of all, play an important role in ensuring economic stability and reducing risks. Because price volatility in global oil and gas markets has a serious impact on the financial income of countries reliant on this sector [5]. It is for this reason that the formation of alternative, sustainable export directions becomes necessary for the economy's sustainable development. Azerbaijan's integration into regional and international economic processes creates conditions for expanding the country's export markets and increasing the competitiveness of non-oil and gas products. Non-oil and gas exports include products of the light industry, agriculture, food, metallurgy and machine-building, the chemical industry, construction materials, textiles and ready-made clothing, and other industrial sectors. The development of these sectors is not only sufficient to increase export volume but also leads to increased employment in the country, the realisation of the economic potential of the regions, and improved social welfare.

In recent years, Azerbaijan has made significant progress in reducing the economy's dependence on the oil and gas sector. Thus, a large share of the country's GDP growth comes from the non-oil sector. At the same time, export opportunities in the non-oil and gas sector have not yet been fully realised, and unused potential remains insufficient. For this reason, the current state of Azerbaijan's non-oil and gas sector should be investigated, and export opportunities should be assessed and analysed in depth [6].

It should be noted that, in recent years, we have observed a decrease in the share of oil and gas products in Azerbaijan's total exports, while the share of non-oil and gas products has increased. Thus, in 2022, the country's total exports were 38146.6 million US dollars, of which 92.0% was oil and gas and 8.0% was non-oil and gas products. In 2023, these indicators were 90.1 and 9.9%, and in 2024, they were 87.4 and 12.6%. In general, the export of oil and gas products has been uneven over the periods we studied, while the export of non-oil and gas products has steadily increased. In 2024, 51.6% of exports were carried out by the private sector, 47.8% by the public sector, and 0.6% by individual entrepreneurs.

The expansion of export geography also positively impacts Azerbaijan's non-oil and gas export potential. This process is accompanied by diversification of the existing export structure, exploration of new markets, and establishment of broader trade partnerships. The expansion of export geography not only increases product sales but also motivates local producers, enhances their competitiveness, and creates conditions for the adoption of innovative approaches. The opening of foreign markets for local

producers necessitates an increase in production volumes and the expansion of product ranges, paving the way for the development of agriculture, food, light industry, and other non-oil and gas sectors. In 2024, 16811.7 million USD, or 63%, of exports were to EU countries, 1698.4 million USD, or 6.4%, to CIS countries, and 8043.98 million USD, or 30.3%, to other countries. The country we exported the most to in the EU countries was Italy (64.7% of total exports to EU countries), in the CIS countries it was Russia (69.4% of total exports to CIS countries), and in other country groups it was Turkey (47.5% of total exports to other country groups). The top three countries with the largest shares of exports in 2024 were Italy (40.95%), Turkey (14.38%), and Russia (4.4%). Among these countries, the one to which we exported the most non-oil and gas products was Russia, mainly agricultural products. In that year, a total of 3,444 products were exported to countries around the world, the majority of which were non-oil and gas products, but oil and gas products dominated in terms of value.

Service exports are also a notable area in Azerbaijan's non-oil sector, with tourism potential becoming one of the leading segments. The country's rich cultural heritage, diverse natural landscapes, and hospitality attract tourists. Especially in the post-pandemic period, and with the liberation of our lands from occupation, the increase in tourism flows has increased the service sector's role in foreign exchange earnings. The export of information technologies and financial services to regional countries has also entered a new stage of development. Initiatives in startup ecosystem development and digital transformation are driving this process [7]. In addition, the creation of free economic zones in the country can provide an additional impetus to increasing export potential [8]. Thus, intensive application of high technologies in free economic zones ensures expansion of the structure of export-oriented products [9]. In free economic zones operating in many countries worldwide, infrastructure has been developed to increase export potential [10].

It should be noted that the Azerbaijani government is implementing various strategic programs to increase non-oil exports. In the document "Azerbaijan 2030: National Priorities for Socio-Economic Development", export diversification is defined as one of the main goals [11]. The strategic vision demonstrated by the head of state in his approach to developing the non-oil and gas sector, and his open highlighting of its shortcomings, has the potential to significantly impact the prospects of that sector in our country. Such a principled position opens up wide opportunities for greater transparency in economic policy and for more sustainable, purposeful development of non-oil sectors. At the current stage, the state leadership's special attention to this area serves as a key guiding factor in the realisation of the upcoming strategic goals [12]. Despite all this, some problems remain in realising the potential of non-oil exports. First, it is important to improve the quality and competitiveness of exported products [13].

One of the main problems for the non-oil sector in Azerbaijan is the dependence on imports of raw materials and intermediate products used in production. This dependence can reduce the competitiveness of enterprises operating in the non-oil and gas sector in international markets. Local producers often face higher costs than foreign competitors, who obtain raw materials on more

favourable terms [14]. The integration of technology and innovation into the non-oil sector is also an important factor in its sustainable development. Although the production and export of high-tech products is still limited, the potential in this area is real. Mainly, the modernisation of the education system, the development of scientific and research institutions, and the openness of the business environment to innovation can play an important role in this direction. Stimulating the country's specialisation in the export sector allows for increasing the potential for non-oil and gas exports [15]. Therefore, exporters should be supported through tax breaks, subsidies, export credits, financing of participation in international exhibitions, etc., and their access to foreign markets should be expanded. In addition, consistent efforts should be made in collaboration with diplomatic missions and trading houses to promote national products abroad [16].

The main conditions for the development of non-oil exports are the modernisation of production areas, the improvement of infrastructure, and the expansion of logistics capabilities [17]. First of all, the modernisation of production areas in agriculture, the processing industry, and the light industry is important. Replacing the equipment used in these areas with modern technologies will not only improve product quality but also reduce costs, creating conditions for more profitable export offers. To continuously preserve the achieved economic gains and organise future development stages more efficiently, there is a need to regulate and continually improve modernisation processes effectively. For this purpose, it is important to complete the transition to a new economic development model based on innovative approaches that incorporate modern technology and management methods [18]. Also, the creation of new competitive and export-oriented enterprises and the expansion of such economic structures are of great importance. In particular, one of the main goals should be to significantly accelerate the development of non-oil and gas sectors by effectively using revenues from the oil and gas sector [19].

It should be noted that the development of industrial zones and agroparks is particularly important for infrastructure improvement. The joint operations of manufacturers in these zones enable cost optimisation and efficient use of resources. The creation of such modern production and processing centres in the regions shortens the logistical distance and ensures faster product entry into the market. Expanding logistics capabilities plays a decisive role in terms of the sustainability of non-oil exports. Synchronising the capabilities of various transport modes will create conditions for the development of multimodal transportation systems. In particular, expanding the activities of logistics centres located on the Baku-Tbilisi-Kars railway and at the Baku International Sea Trade Port, and simplifying customs procedures at these points, is advisable, as it will shorten product export periods and ensure timely delivery to international markets. In addition, the development of e-commerce platforms and the adoption of digital logistics solutions are important, as they provide SMEs with direct access to international markets [20]. It is considered appropriate for the state to organise training on the use of digital tools for export-oriented SMEs and provide subsidies for logistics services [21].

In general, the country's non-oil and gas export potential should be assessed as one of the main

pillars of its economic development. To form a competitive economic system in a globalised world, it is important to increase exports and create an appropriate environment for them. This increases the resilience of the national economy to external shocks and acts as a guarantor of long-term development. If the non-oil and gas export potential is effectively developed through the joint efforts of the state, the private sector and public organisations, the country's socio-economic progress and international economic reputation will be further strengthened.

Conclusions

Thus, in terms of increasing the non-oil and gas export potential of Azerbaijan, we can put forward a group of proposals:

1. Promotion of competitive product production. For this purpose, quality standards should be applied to local producers, support should be provided to obtain international certificates, and, to this end, technical support centres should be established by the state, and subsidies should be provided to adapt products to the requirements of international markets.
2. Diversification of product ranges and target markets. Currently, non-oil and gas exports in Azerbaijan are mainly based on agricultural products. However, the export of other non-oil and gas industry products, including processed products, should be encouraged. Target markets should not be limited to nearby countries; new markets should also be found in distant foreign countries.
3. Expansion of trade representations and houses. The network of trade representations and houses in Azerbaijan's main export target countries should be strengthened, and local products promoted and orders attracted through these structures.
4. Simplification of legal and administrative procedures for export. Customs and licensing procedures related to export should be further simplified, and more flexible and transparent management should be ensured through electronic systems.
5. Strengthening branding and marketing policy. Professional marketing campaigns should be implemented to promote Azerbaijani non-oil and gas products on the international market, and added value should be created by highlighting their distinctive features.

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