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ANALYSIS

ON THE EXPORT POTENTIAL IN AZERBAIJAN BEYOND OIL SECTOR

ANÁLISIS SOBRE EL POTENCIAL DE EXPORTACIÓN EN AZERBAIYÁN MÁS ALLÁ DEL SECTOR DEL PETRÓLEO

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ABSTRACT

There are several reasons why it is important not to depend economically on oil, among which we can mention that oil is a finite resource, so it is not sustainable to depend on it permanently, burning oil has negative environmental impacts, and from an economic point of view, dependence on oil can be risky since fluctuations in the price can have a significant impact on the economy of a country that depends on it. For these reasons, it is important to seek sustainable and renewable alternatives to oil as an energy source, as well as to diversify national economies in order to make them more stable and consolidated. Taking the above into account, the objective of this work is to analyze the export potential in Azerbaijan beyond the oil sector, emphasizing in its temporal evolution and the challenges and opportunities of the current economic scenario. In order to analyze the essence of this problem, which has a complex and systemic nature, the main points, priorities and objectives of economic policy, especially the concept of foreign trade in Azerbaijan, were indicated. Thus, on the basis of the analysis of foreign trade turnover in Azerbaijan, the possibilities of increasing the non-oil export potential have been investigated. The problems to be discussed and deepened on the export potential of the non-oil sector are pointed out, and taking into account the prospects, proposals with the potential of improving the non-oil sector economy in Azerbaijan.

Keywords: Azerbaijan, non-oil sector export potential, economic diversification.

RESUMEN

Existen varias razones por las que es importante no depender económicamente del petróleo, entre las cuales podemos mencionar que el petróleo es un recurso finito, por lo que no es sustentable depender de él de manera permanente, quemar petróleo tiene impactos ambientales negativos, y desde un punto económico Desde este punto de vista, la dependencia del petróleo puede ser riesgosa ya que las fluctuaciones en el precio pueden tener un impacto significativo en la economía de un país que depende de él. Por estas razones, es importante buscar alternativas sostenibles y renovables al petróleo como fuente de energía, así como diversificar las economías nacionales para hacerlas más estables y consolidadas. Teniendo en cuenta lo anterior, el objetivo de este trabajo es analizar el potencial exportador de Azerbaiyán más allá del sector petrolero, enfatizando en su evolución temporal y los desafíos y oportunidades del escenario económico actual. Para analizar la esencia de este problema, que tiene una naturaleza compleja y sistémica, se indicaron los principales puntos, prioridades y objetivos de la política económica, especialmente el concepto de comercio exterior en Azerbaiyán. Por lo tanto, sobre la base del análisis del volumen de negocios del comercio exterior en Azerbaiyán, se investigaron las posibilidades de aumentar el potencial de exportación no petrolero. Se señalan los problemas a discutir y profundizar sobre el potencial exportador del sector no petrolero, y teniendo en cuenta las perspectivas, se proponen propuestas con el potencial de mejorar la economía del sector no petrolero en Azerbaiyán.

Palabras clave: Azerbaiyán, potencial exportador del sector no petrolero, diversificación económica.

INTRODUCTION

Diversifying the Azerbaijani economy and reducing dependence on oil has been a priority in recent decades, moreover, increasing the share of non-oil sector products as well as oil and gas products in the country's exports have been set as strategic goals. Focusing on the development of non-oil sector areas and placing it as a strategic priority can be considered as complex measures and goals aimed at reducing the dependence of the country's economy on oil. The target is to increase non-oil exports and expand the range and volume of competitive and export-oriented products. To realize this, Azerbaijan has sufficient potential, and for this purpose, it is important to expand the production of export-oriented products, to create competitive and high-tech processing enterprises (S. Aliyev, 2020).

Diversification of the development of the non-oil sector should play an important role in the realizing these goals. Thus, the demands and global challenges of the time, the increasing reputation of the country in the world every year and the high evaluation of Azerbaijan's economic development by most international organizations have set new strategic tasks. The basis of these tasks is to significantly reduce the dependence of the economy on the oil and gas factor and to ensure a stable and dynamic growth rate of the economy. The main task is the maximum efficient use of the favorable conditions created in the non-oil sector, the state support for the development of entrepreneurship and the improvement of the business environment, and the reduction of the economy's dependence on oil. To realize these, systematic and complex measures should be taken, and problems should be resolved. In particular, the diversification of the country's economy and the development of economic mechanisms suitable for current situation are important conditions in order to eliminate the negative consequences of the Covid-19 pandemic (Center for Economic Reform Analysis and Communication of the Republic of Azerbaijan, 2020).

In these circumstances, it is important to develop non-oil sector areas that can attract foreign currency to the country and expand the export potential diversifying the structure of non-oil exports which is important for the economic security of Azerbaijan. To this end it is necessary ensuring the balanced and efficient development of the national economy and its dynamic growth, the economic stability, economic production and consumption processes, maximum efficient use of natural resources, reserves and economic resources that create favorable conditions for development and optimally organizing the processes of ensuring the national economic interests of the country at the highest level in regional and international contexts.

By increasing the volume of non-oil exports and expanding its structure, it is possible to stimulate local production, create national brands and reduce import dependency (Seyfullayev, 2020). Measures are needed to gain and strengthen new export markets, and to strengthen access to world markets with export products in greater demand. In addition, it is necessary to improve the activity strategy for non-oil exports, to study the cases and problems that fundamentally prevent the expansion of foreign trade activities, and to take adequate measures.

Although there are works in the academic literature where these problems are dealt with, we have considered it important to continue delving into the subject to promote adequate strategies to increase non-oil exports, develop action mechanisms in this direction, establishing a contemporary framework based on a scientific-practical perspective, which ultimately contributes to developing appropriate proposals. Taking the above into account, the objective of this work is to analyze the export potential in Azerbaijan beyond the oil sector, emphasizing in its temporal evolution and the challenges and opportunities of the current economic scenario.

To accomplish this, different economic methods have been used like comparative analysis, synthesis, systematization, generalization, diagrams, histograms, tables and calculations. In accordance with the topic analyzed, a literature review was conducted where the opinions and views of various researchers have been evaluated, generalizations have been made, and additional considerations have been stated. While researching, we focused primarily on the literature related to the development evolution, problems, mechanisms and perspectives of the national economy in Azerbaijan in the period after the restoration of independence - starting from the 1990s.

It is important to mention the reason why foreign experience is not often referred to in the article. In the last 15-20 years, Azerbaijan has been able to establish a self-affirming economic development model and action mechanisms to ensure the sustainable development of the non-oil sector. The dependence of the economy on oil functions as the main line in the policy of the state, and first of all, in its economic policy. By formulating conceptual approaches and criteria, the dependence of the national economy on oil is being reduced year by year. Moreover, socio-economic development is formed within the framework of national interests. The fact that the country is rich in natural and economic resources places more emphasis on increasing the stability of the national economy based on objective facts and the current resource potential.

DEVELOPMENT

Literature Review

Azerbaijan's economy has established on an economic development model with special features and elements. The oil industry is based on that model, and this is a manifestation of certain historical and economic regularities. Azerbaijan is an oil country, and world firsts in the field of oil took place here, for instance, the extraction of oil by industrial method or from under sea, and so on. Therefore, economic literatures, ideas and opinions dedicated to the important role of diversifying the country's economy, developing non-oil sectors, and balancing the structure of the economy in modern conditions and increasing non-oil exports in these processes have been more highlighted.

The indicated problems, strategic goals and main tasks of the economy of Azerbaijan have been extensively analyzed in the work of Nuriyev (2013). The focus is on diversifying the structure of non-oil exports and increasing the production of competitive export-oriented products. In the period after the restoration of independence, the development opportunities of the national economy and the problems and ways to increase the export potential, the development prospects of the non-oil sector and the opportunities to increase the volume of export-oriented products have been studied Aliyev (2017, 2018). In his works, development features of Azerbaijan's economy in modern conditions, resource potential, and opportunities to develop non-oil sector areas based on high technologies have been researched. In addition to addressing the current problems of the country's foreign trade policy, the author has also highlighted the problems of diversifying the structure of exports at the expense of non-oil export products.

Kordos (2019) draws attention to the need to update the existing export mechanisms based on the current situation. Brodnanova et al. (2022) note the strengthening of competitive advantages and innovative functions that apply mechanisms in strengthening exports. In the work of Reshetnikova (2017), the attention is drawn on expanding the range of national brands to optimize the export structure. Professor Hasanli (2011) is also one of the scientists who researches the issues of modeling the international economic relations of the Azerbaijani economy in his works. Manafov (2019) emphasized the problems of diversification of Azerbaijan's economy and related issues of increasing the role of entrepreneurship in the development of the non-oil sector. Solving this problem is very important in increasing the non-oil export potential. Aliyev and Guliyeva (2019) have researched the problems of continuous and sustainable development of Azerbaijan's

economy and considered it appropriate to prioritize the sustainable development of various sectors of the economy, including non-oil sectors. In addition, Allahverdiev et al. (2012) explained the role of state regulation and state support mechanisms in more efficient organization of the economy and solving current problems.

During our research, we focused on solving the current problems of Azerbaijan's economy in accordance with new challenges such as strengthening economic stability, minimizing the dependence of the country's economy on oil, and increasing the export potential of the non-oil sector. Researchers such as Aslanli et al. (2013) addressed the diversification of Azerbaijan's exports and disclosure of the related potential while Bayramov and Abbas (2017) emphasized the important elements of diversification policy in the economy. Farzaliyev (2020) has researched the development problems of the non-oil sector and especially non-oil exports after the devaluation of the national currency of Azerbaijan, the manat. The main focus here has been on intensive attracting foreign investment and transferring high technologies to non-oil sectors with strong export potential. Karimov (2015) has substantiated the importance of areas with export potential in the development of the non-oil sector. In this regard Khalilov et al. (2020) have comprehensively reviewed the issues related to the development of the non-oil sector in Azerbaijan in the current conditions and explained the importance of this sector in sustainable development.

In the scientific works and approaches of these or other authors, the importance of more in-depth studies on the actual problems of increasing the export potential of the non-oil sector in Azerbaijan in the near future has been stated. In these views, it is considered important that ensuring sustainable and intensive development of the non-oil sector and increasing its export potential will continue to be the main factors in optimal diversification and competitiveness of the Azerbaijani economy.

Export potential in Azerbaijan beyond oil sector

As a result of the implementation of the oil strategy in Azerbaijan, the economy has stabilized, and non-oil export products have been revived. In general, favorable conditions have been created for the balanced development of the country's economy. All these processes have left a mark on the country's GDP and other macroeconomic and macrofinancial indicators. It is possible to observe them in the economic analyzes and comparisons of the last 15-20 years as indicated in Figure 1, where it is shown the dynamics of GDP in Azerbaijan for the years 2000-2020. According to the data in Figure 1, there was not a very intense growth rate in the country's GDP in 2000-2005.

However, due to the increase in oil exports, the GDP growth rate between 2005 and 2014 was 8.64 times in dollar terms (The State Statistical Committee of the Republic of Azerbaijan, 2020).

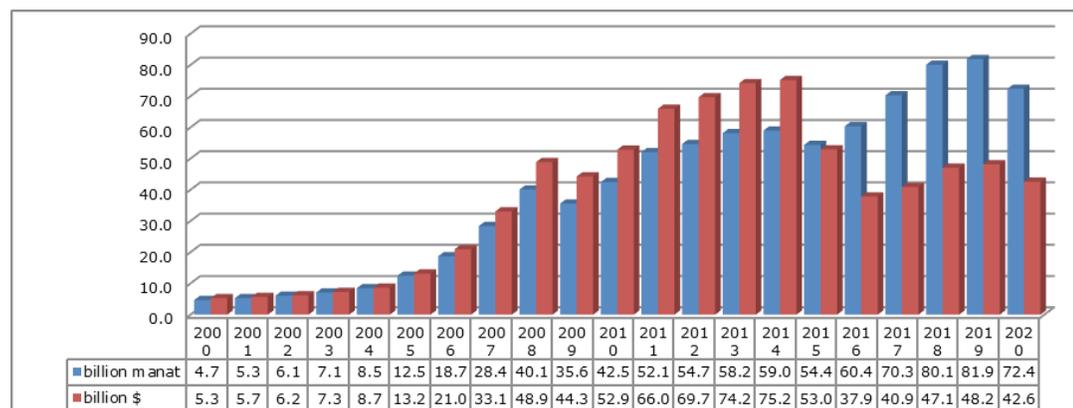


Figure 1. Dynamics of GDP in Azerbaijan for the years 2000-2020, in billion manats and billion dollars. **Source.** State Statistics Committee of the Republic of Azerbaijan- <https://www.stat.gov.az/>

Increasing the priority of non-oil exports has been the focus of recent years. There are fiscal instruments for stimulating the non-oil sector and, first of all, non-oil exports by the state (Hasanov, 2013; Hasanov & Huseynov, 2013). Furthermore, the government of Azerbaijan has embarked on large-scale economic, structural and institutional reforms to reduce the risky impact of complex problems occurring at the global level. Management forms have been changed in many areas, entrepreneurship development issues have been brought to the fore, and important steps have been taken to improve the investment and business environment. During the years 2000-2020, the share of the non-oil sector in GDP increased from 3.1 billion manats to 45 billion manats (The State Statistical Committee of the Republic of Azerbaijan, 2021) and this trend has formed a fundamental basis for minimizing the dependence of the country's economy on the oil and gas sector in the next 10 years.

Comparing the specific weight of the oil-gas and non-oil sectors in the GDP volume in the Azerbaijan economy for 2010 and 2020 can be said that non-oil sector increased from 45.2% to 62.0%, while real growth between 2010-2020 was 16.8%. In this period, the share of the oil and gas sector in the country's GDP decreased from 48% to 28.5%, which indicates that the country's economy has become less dependent on oil.

In Figure 2, the sectoral structure of GDP in Azerbaijan for 2019 is analyzed. According to the figures, the share of the industrial sector with high non-oil export potential in the country's GDP was 41.4%, including trade and vehicle repair - 10%, construction sector - 7.3%, agriculture, forestry and fishing, which have the prospect of producing a large number of non-oil export-oriented products- 5.7% among other sectors.

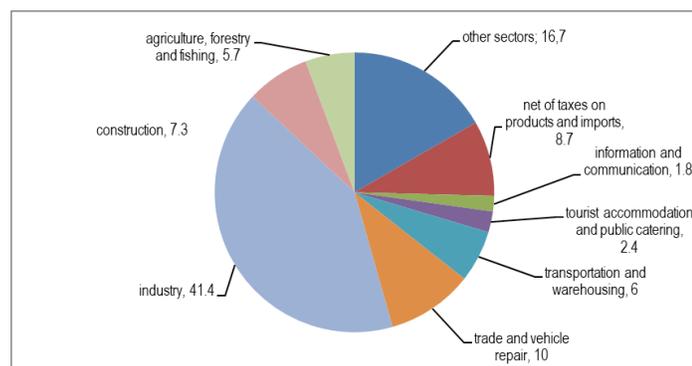


Figure 2. Sectoral structure of GDP in Azerbaijan for 2019, as a percentage.

Source. State Statistics Committee of the Republic of Azerbaijan - <https://www.stat.gov.az/>

During 2005-2019, the share of the non-state sector in Azerbaijan was 80-90% and more in most fields. In industry, this indicator has risen to 85%, and in agriculture to 99.9%. Deepening economic reforms and accelerating structural changes, implementing strategic roadmaps and solving non-oil sector development problems in a complex and systematic way are established then as important tasks. Considering that more focus is on the role of non-oil sectors and the expansion of entrepreneurship in the sustainable development of the real sector of the economy in the country, it is important to develop mechanisms for maximum efficiency of available opportunities in this regard. Then, according to the SWOT analysis in Table 1, it is possible to observe that there is sufficient power and opportunities to intensify the development of non-oil sectors in Azerbaijan, and ensuring their more efficient use in the near future remains the main priority.

Table 1. SWOT analysis on the problems of development of non-oil sectors of Azerbaijan and on the state assessment.

Strengths	Weaknesses
Conceptual approaches to the development of the non-oil sector have been formed; There are targeted state programs and strategic road maps in this sector; A strong material and technical base and infrastructure network has been created for the sustainable and dynamic development of the sector; It is possible to expand various processing areas along the production chain; Strong support mechanisms for the development of the sector have been defined by the state; The development of the non-oil sector is a priority in the regions as well as the major cities of the country, etc.	A modern and high-tech development model is needed in various areas of the non-oil sector; There are few alternative sources of financing mechanisms of the sector; In the regions, non-oil sector subjects have poor experience in management and entering foreign markets; The study and implementation of world experience, which led to the intensive development of various areas of the industry, is slow; The fact that the competitiveness of the sector is not very high, etc.
Opportunities	Threats
The non-oil sector has great opportunities to create added value; There are self-development features of the sector; Various non-oil sectors have enough raw material reserves for the creation of new processing enterprises; It is possible to create non-oil processing-industrial clusters and complexes based on ore and non-ore deposits in different regions of the country; Most of the resources that will ensure the development of the non-oil sector - natural, economic and human resources are available, etc.	Problems still exist with the active attraction of foreign investment in the non-oil sector; The expected results of state support mechanisms, subsidies and grants provided for many years are not at the predicted level; The level and results of effective use of the existing potential and opportunities of the non-oil sectors are not sufficient for investments and available resources; According to the current rate of development of the non-oil sector, the oil and gas industry will provide the basis of the economy, the source of income and a significant part of taxes for many years, etc.

It should be ensured that the problems of the non-oil sector are solved faster, and they move to a new stage of development through productive mechanisms. Moreover, utilizing the potential of various areas of the non-oil sector, especially areas that are currently inefficiently used, and including them in economic, commercial, and financial circulation can allow for the formation of more alternative economic growth and financial sources. For instance, despite the strong raw material base of light industries in the country, the finished product structure and volume in this area are at a very low level. However, according to Table 2, the added value created in the non-oil sector in Azerbaijan in 2015 increased from 37.7 billion manats to 50.8 billion manats in 2020.

Table 2. Some indicators of the non-oil sector in Azerbaijan in 2015-2020

Indicators/Year	2015	2017	2018	2019	2020
Added value in the non-oil sector, in billion manats	37.7	44.1	46.7	50.4	50.8
The specific weight of the added value created in the non-oil sector in the total GDP, in percentage	69.3	62.8	58.5	61.7	70.1
The share of the non-oil industry in the added value of the non-oil sector, in percentage	8.2	7	7.1	12.5	7.5

Volume of product production in non-oil industry, in billion manats	7,7	9,5	10,0	11,3	11,7
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Source. Ministry of Economy of the Republic of Azerbaijan-<https://www.economy.gov.az>

Also, the specific weight of added value in the non-oil sector in the country's GDP has increased to 70.1%. In Figure 3, the dynamics of the total volume of production for the years 2010-2019 in the industrial sector, which includes areas with strong export potential in Azerbaijan, is indicated.

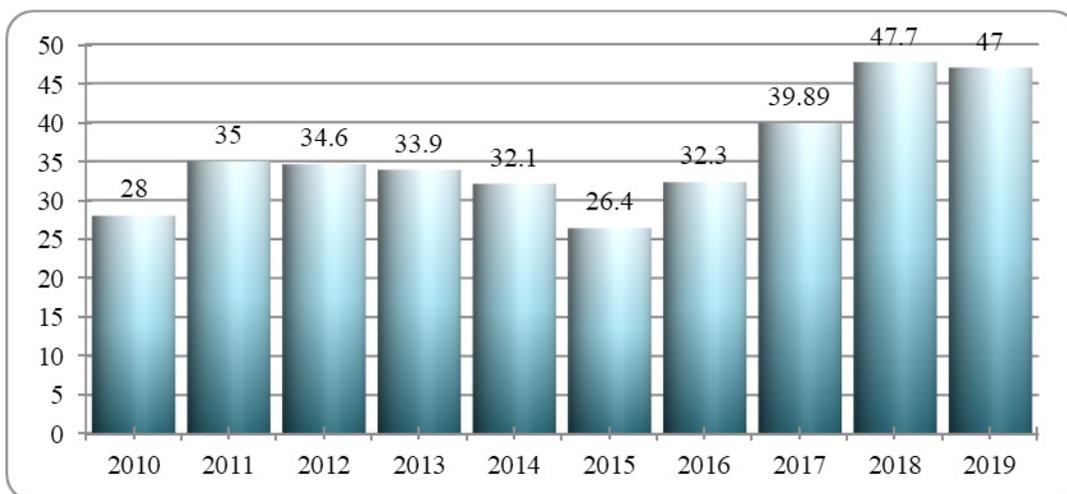


Figure 3. Dynamics of the total volume of industrial production in Azerbaijan for 2010-2019, in billion manats.

Source. State Statistics Committee of the Republic of Azerbaijan - <https://www.stat.gov.az/>

In Figure 4, the structure of the non-oil industry in Azerbaijan at the end of 2019 is analyzed. As can be seen, food products and beverage production have a larger share in the total structure - 34.1% which is considered an important achievement. The information compiled in this Figure is important to look at the structure of the total output of the non-oil industry in order to more clearly see and evaluate the potential export items that allow the expansion of the non-oil export structure in Azerbaijan.

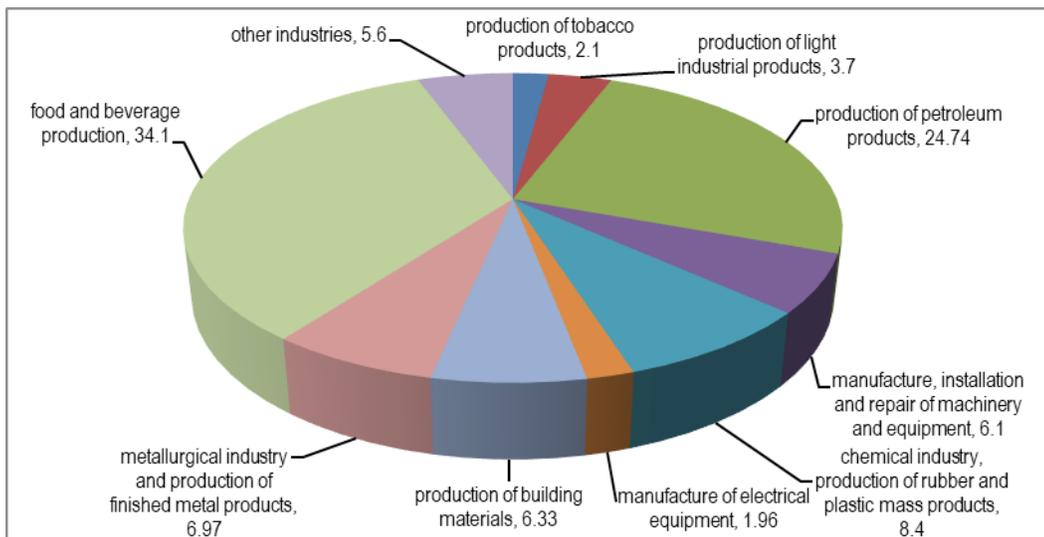


Figure 4. Structure of the non-oil industry in Azerbaijan in 2019, as a percentage.

Source. State Statistics Committee of the Republic of Azerbaijan- <https://www.stat.gov.az/>

In Table 3, the analysis of the dynamics of foreign trade turnover in the Republic of Azerbaijan in 2000-2020 is indicated.

Table 3. The dynamics of foreign trade turnover in the Republic of Azerbaijan in 2000-2020.

Years	In million dollars			
	Trade turnover	Import	Export	Balance
2000	2 917,3	1 172,1	1 745,2	573,1
2001	3 745,3	1 431,1	2 314,2	883,1
2002	3 832,9	1 665,5	2 167,4	501,9
2003	5 216,6	2 626,2	2 590,4	-35,8
2004	7 131,4	3 515,9	3 615,5	99,6
2005	8 558,4	4 211,2	4 347,2	136,0
2006	11 638,9	5 266,7	6 372,2	1 105,5
2007	11 771,7	5 713,5	6 058,2	344,7
2008	54 926,0	7 170,0	47 756,0	40 586,0
2009	20 824,5	6 123,1	14 701,4	8 578,3
2010	33 160,7	6 600,6	26 560,1	19 959,5
2011	44 161,7	9 756,0	34 405,7	24 649,7
2012	43 813,5	9 652,9	34 160,6	24 507,7
2013	43 554,1	10 712,5	32 841,6	22 129,1
2014	39 407,5	9 187,7	30 219,8	21 032,1
2015	25 809,0	9 216,7	16 592,3	7 375,6
2016	21 596,6	8 489,1	13 107,5	4 618,4
2017	24 263,8	8 783,3	15 480,5	6 697,2
2018	31 782,7	11 465,9	20 316,8	8 850,9
2019	33 065,3	13 667,5	19 397,8	5 730,3
2020	24 201,1	10 730,7	13 470,4	2 739,7
2000-2008, increase, times	18,8	6,1	27,4	70,8
2000-2015, increase, times	8,8	7,9	9,5	12,9
2000-2020, increase, times	8,3	9,2	7,7	4,8

Source. State Statistics Committee of the Republic of Azerbaijan - <https://www.stat.gov.az/>

Analyzing the data in Table 3 it can be seen that the growth rate of the country's exports, as well as the growth of the foreign trade turnover in general, directly depended on the oil factor. For instance, considering the world financial crisis, the trade turnover in Azerbaijan increased by 18.8 times, and the volume of exports increased by 27.4 times in 2000-2008. In 2008, the share of exports in Azerbaijan's foreign trade turnover was close to 87%. However, in the following years, the volume of the country's exports and trade turnover continued to decrease due to the fall in the price of oil, the main export item of Azerbaijan, in the world market. Compared to 2008, this decrease was 3.5 times in exports, and 2.3 times in foreign trade turnover. These factors and facts once again show the importance of increasing non-oil export potential for Azerbaijan.

In Table 4, the structure of exports in the Republic of Azerbaijan between 2000-2020, on Standard International Trade Classification (SITC) is analyzed.

Table 4. Structure of exports in the Republic of Azerbaijan on Standard International Trade Classification, 2000-2020 years, in million dollars.

Product sections	2000	2005	2010	2014	2015	2016	2017	2018	2019	2020
Total, including:	1 745,2	4 347,2	21 360,2	21 828,6	12 729,1	13 457,6	15 320,0	19 489,1	19 635,2	13 740,6
Food products and live animals	33,7	237,2	415,1	648,3	625,1	478,2	601,4	650,4	709,6	704,3
Beverages and tobacco	17,9	35,2	22,0	44,6	35,2	27,6	37,2	29,8	39,0	26,7
Non-food raw materials (except fuel)	83,0	146,4	22,9	33,9	25,7	45,2	79,0	125,2	171,6	178,3
Mineral fuel, lubricants, similar materials	1 484,9	3 337,0	20 110,1	20 177,2	11 187,1	12 270,2	13 867,1	17 878,6	17 800,2	11 981,3
Animal and vegetable oils, fats	3,6	52,3	154,9	138,5	105,5	14,2	14,5	14,0	14,8	20,5
Chemical goods and similar products not included in other categories	34,4	99,8	130,2	231,1	190,2	153,2	178,8	194,7	279,5	246,2
Industrial goods classified mainly by type of material	16,7	124,2	170,8	200,9	179,8	273,7	323,4	338,2	324,7	284,0
Vehicles and transport equipment	62,9	297,1	217,8	87,2	208,7	103,3	60,0	83,1	90,0	72,0
Various industrial products	8,0	18,0	34,6	190,1	88,9	15,3	19,3	29,6	33,4	21,6
Goods not included in other categories	0,0000		81,8	76,9	82,8	76,8	139,4	145,5	172,3	205,6

Source. State Statistics Committee of the Republic of Azerbaijan- <https://www.stat.gov.az/>

According to the data in Table 4, the export potential of most non-oil sector areas is underutilized and a limited number of non-oil sector areas are included in the export structure. The fact that the country's exports are mainly from oil and gas raw materials - mineral fuel has been highlighted many times. In 2000, the share of these items in the country's export was 85.1%, in 2005 - 76.7%, in 2010 - 92.4%, in 2015 - 87.9%, and finally in 2020 - 87.2%.

In Table 5, the dynamics of the main export goods in the Republic of Azerbaijan, including non-oil export products, are shown in their natural form. Analyzes for 2010-2020 show that the natural volume of exports in a number of directions has increased several times, which is the result of high existing potential. For instance, the average annual increase in the export of fresh vegetables was 4 times, in fresh fruits - 61%, in cotton fiber - 29 times, in processed aluminum - 9.8 times, and in ethylene polymers - 2.4 times. These are also the main export items that ensure the growth of non-oil exports.

Table 5. Dynamics of main export goods in the Republic of Azerbaijan, including non-oil export products, 2010-2020.

Goods	2010		2015		2018		2019		2020	
	Amount	Million dollars								
Fresh vegetables, thousand tons	54,3	25,7	83,3	70,7	233,3	202,8	221,2	214,1	218,5	220,0
Fresh fruit, thousand tons	187,4	112,3	173,0	220,1	319,2	324,8	336,3	361,4	301,1	349,9
Vegetable oils, thousand tons	27,9	67,3	23,5	55,9	10,8	9,4	8,2	7,4	14,0	12,2
Sugar, thousand tons	203,9	145,9	220,8	212,1	44,1	25,0	62,1	26,9	60,6	26,9
Fruit and vegetable juices, thousand tons	18,7	16,4	6,7	6,9	7,5	9,7	9,9	11,2	11,9	15,8
Crude oil, million tons	31,9	18489,6	22,0	8 866,2	29,5	15710,5	30,8	14814,1	29,0	9 363,6
Crude oil, according to the reports of SOCAR and AIOC, million tons	44,5	22961,8	35,1	12382,6	32,7	16346,0	31,2	14447,1	28,4	8 520,5
Kerosene fuel for jet engines, thousand tons	152,9	105,7	333,1	153,5	304,7	174,6	181,1	111,7	104,7	53,6
Heavy distillates or gasoils for other purposes, thousand tons	1569,4	944,1	1 731,5	568,6	661,2	329,7	761,0	341,6	847,7	213,4
Natural gas, million cubic meters	1 792,9	288,5	8 432,7	1 505,0	8 039,9	1 512,3	12537,4	2 366,8	12424,5	2 190,5
Natural gas, according to the reports of SOCAR and AIOC, million cubic meters	6 187,2	1 016,2	8 145,2	1 851,7	9 911,8	1 704,5	11833,0	2 496,5	13839,9	2 763,5
Electricity, million kW.s	392,0	15,3	293,8	17,2	1 397,3	65,6	1 770,6	76,8	1 323,5	59,8
Acyclic alcohols, their derivatives, thousand tons	17,7	15,5	177,3	48,3	212,7	44,7	388,4	64,6	475,8	56,2
Ethylene polymers, primary form, thousand tons	46,2	49,2	88,4	86,8	79,7	74,4	86,8	69,7	110,7	77,7
Cotton fiber, thousand tons	3,34	5,1	4,64	5,0	52,5	79,5	86,2	122,4	97,6	131,9
Cotton yarn, thousand tons	6,5	10,6	8,4	14,4	9,5	23,7	12,8	30,2	9,0	19,0
Unprocessed aluminum, thousand tons	3,8	2,7	56,1	71,9	34,6	71,4	46,0	84,6	37,7	63,7

Source. State Statistics Committee of the Republic of Azerbaijan- <https://www.stat.gov.az/>

Future directions. Challenges and opportunities

Evaluating the processes and expectations that will take place in the world economy in the post-pandemic period is one of the most important conditions because during some years, the recovery of paralyzed economic areas, increase in economic activity, the export potential and exported products and foreign exchange funds will come into the country

play an important role in the formation of new sources of economic growth. Increase in foreign investment is of great importance in increasing the country's foreign exchange reserves, strengthening financial stability, expanding the production infrastructure in the implementation of new projects, transferring new technologies and commissioning higher technology-based facilities to increase the competitiveness of the non-oil sector and creating new production capacities in the production of products required in world markets. Moreover, in the post-pandemic period, strengthening the export potential plays an important role in restoring employment, increasing the growth trend of the population's income, and ensuring economic balance, macroeconomic and microfinancial stability.

In order to diversify and objectively evaluate the export opportunities of the non-oil sector, we have tried to review and generalize our research from the goals of the modern era and existing objective realities and to determine the directions for strengthening the export potential of the non-oil sector in Azerbaijan. Therefore, there is a need for basic research and related discussions towards new resources – more productive resources, to strengthen the export potential of the non-oil sector in the revitalization of the liberated areas. Moreover, for the development of many non-oil sector areas the activities in different directions have to be increased like tourism-recreation resources, underground water sources, a large number of underground minerals, ores and non-ores, precious non-ferrous metals, including gold and other deposits. Incorporating all this into the business and economic cycle, creating value-added areas, creating a competitive network of enterprises, especially non-oil-oriented and export-oriented enterprises is a priority for the near future. The implementation of these measures will contribute significantly to the creation of more productive sources of the export potential of the non-oil sector in general and to increase the export potential, especially the creation of national brands and their introduction to world markets.

The main features of production and consumption in Azerbaijan, the level of economic development and the influence of other objective and subjective factors require a systematic approach to the priority of foreign trade regulation. A number of issues related to this should be specifically highlighted: 1) The national economy is sufficiently connected with the system of foreign economic relations, and the greater the transparency and freedom of processes related to foreign economic activities, the more these processes become intense; 2) Established economic relations with the former USSR insist on the development of economic integration within the framework of the CIS with a new quality; 3) Azerbaijan, like a group of developing

countries of the world, should ensure that the level of economic development is raised to a new stage; 4) There is a serious need to improve the technological infrastructure of production in our country and to prepare mechanisms that meet the current competition criteria in the world market, and it is important to take adequate measures in this regard. Moreover, in order to diversify the economy and develop it on the basis of high technologies, it is necessary to establish the infrastructure network in the country and develop it according to world standards.

According to the long-term experience of the international community on the regulation of the market economy, the reality of each country's strategy in international competition should be based on a favorable economic background. Therefore, Azerbaijan should choose its development strategy taking into account its main features. In this context, there is a need to establish and develop more productive trade relations in the current conditions for the future period of Azerbaijan. The main priorities should be the development of non-oil-oriented export areas, effectively using the opportunities given to our country by specialization in international trade with raw materials. It is especially important to objectively analyze the export potential and evaluate the prospects for development in the long term. In order to stimulate the export potential, measures should be taken regarding maximum stimulation of export-oriented production structures, organization of advertising work, modernization of marketing activities and intensification of the application of high technologies. Another point is related to the drivers of economic development in the post-Covid-19 pandemic era. Thus, the elimination of the economic backwardness caused by the negative consequences of the pandemic, the acceleration of the recovery of various economic sectors due to more efficient and productive mechanisms, the preparation and implementation of economic development mechanisms that are resistant to global risks and threats will be in the focus of more attention.

Despite the expansion of mechanisms to stimulate and support the export potential of the non-oil sector in the country, significant progress has not been yet achieved in this area. In order to make the Azerbaijani economy more competitive and to accelerate its integration into the world economy, the expansion of foreign economic relations to non-oil export areas is a high priority and related measures need to be accelerated. Although such a large number of oil and petroleum products in the specific weight of exports is considered normal in the first years of the transition to a market economy, it is now necessary to determine and implement comprehensive solutions to this issue. Furthermore, the country's economy is currently

dependent on the world market prices for several raw materials. As a result, in 2014-2015, with the decrease in oil prices in world markets, the national currency was devalued twice. In recent years, in exchange for the measures of serious and consistent support of non-oil exports by the state, significant improvement of investment conditions in this area and relatively simplification of export procedures, the processes of dependence of the country's economy on oil and gas and the growth of non-oil products in the structure of exports have not yet become intensive. To reiterate, the achieved growth does not reflect the real potential.

Then, considering the objective realities of the modern era, it is important to reassess the export potential of the non-oil sector, carefully study the factors of forward development and take the necessary measures. In addition, we would like to state a number of problems in the current situation, that is, a number of issues that slow down the development of non-oil sector areas and have a negative impact on the growth of non-oil export potential:

- The process of expanding the range of export-oriented industrial products and increasing the production volume shows the existing potential. In these areas, there is a need to take more measures in the direction of involving the potential in our country in the foreign trade activity cycle and increasing the export potential.
- In recent years, the structure of food products, as well as agricultural products in general, in the structure of exports has expanded and the volume continues to increase. In addition, there is a need to strengthen food safety measures in the country, reduce dependence on imports in this area, and create a wider network of export-oriented food processing industrial complexes. These measures can play an important role in increasing the export potential of the non-oil sector.
- Despite the existence of traditional textile enterprises in Azerbaijan, the current situation in this field is not satisfactory. Thus, it is necessary to expand the production of textiles, as well as leather goods and shoes in our country. For this, there is a local raw material base and sufficient labor resources. Despite this, the development of light industries in our country is still very slow or the existing potentials are underutilized. The development potential of sericulture in this area should be taken into account and export opportunities should be evaluated more objectively. We believe that at least textile companies of many countries that have strategic cooperation relations with Azerbaijan, such as Italy, Turkey and Pakistan, should be attracted to our country, joint ventures should be established and export-oriented textile companies' activities should be organized. The investment environment is favorable for this, and there are state support mechanisms for the

development of these areas. The development of light industries in the areas liberated from occupation in the indicated directions can meet local demand and form new sources of export potential.

- The chemical industries in Azerbaijan have strong potential and competitiveness. Although there is a growth dynamic in the output of the chemical industry, this does not reflect the existing potential. Enabling the development of the chemical and petrochemical industries along the additional production chain has the potential to significantly increase the structure and volume of non-oil exports. In order to increase the volume of chemical and petrochemical non-oil exports, more infrastructure for the processing of oil and gas raw materials should be created and high-tech facilities should be put into operation.
- In the metallurgical industry, the volume of product production is quite low, and no measures have been taken to modernize this area. Currently, only aluminum, a non-ferrous metal product, is exported in the form of raw materials. This was also the case in Soviet era. Effective measures to use the potential of ferrous and non-ferrous metallurgy industries, mainly the export potential, have not been taken. Although the issue of creating a large metallurgical cluster was highlighted at different times, these issues remained in the form of intentions and were not realized. We believe that the presence of monopolies in this field for a long time has had a negative impact on the development of the field. In recent years, structural changes have been made in this area and monopolies have been abolished. These are not at the level of the actual results. In particular, most of the problems of creating enterprises capable of processing numerous ores and non-ores and developing the mining industry in general remain unsolved.

Also, in order to study the export potential and development characteristics of Azerbaijan's non-oil sector areas, all the factors and obstacles preventing the growth of export potential should be determined and adequate measures should be taken. Among the factors hindering the growth of the export potential, factors such as the lack of mechanisms for stimulating the export of non-oil export products to the world markets, the lack of establishment of special and targeted grants, the weak development of processing network enterprises with innovative export potential and the lack of a specialized financial and credit institution stand out more. In this context, we consider it important to create an "Export potential analytical database-databank" and an "Export bank" in order to ensure the specialization and development of non-oil sector export enterprises in the country's regions.

The process of establishing free economic zones in liberated territories, as well as in other regions of the country

rich in natural and economic resources, should be accelerated. Entrepreneurs and business entities can gain new export opportunities and expand their export operations in these processes. Based on the potential of the liberated territories and the challenges of the post-pandemic era, taking measures to strengthen the export potential of the non-oil sector should be considered as a strategic task of our time. In the new circumstances caused by the impact of the Covid-19 coronavirus pandemic, we consider it important to intensify and further increase measures to support non-oil export sectors.

CONCLUSIONS

Accelerating the development of the non-oil sector in Azerbaijan and aiming to increase the export potential of the non-oil sector in these processes is a necessary target for Azerbaijani economy. By using the potential in this field, it is possible to significantly stimulate local production, increase the number of national brands, and enter world markets with more non-oil products. This will mean diversifying foreign exchange inflows, strengthening macroeconomic and macrofinancial stability in the country, relegating the oil factor to the background and creating a more stable national economic development model. Azerbaijan should make more efforts to achieve these goals by model the use of the potential of the existing non-oil sectors as efficiently as possible and take intensive steps in the formation and development of new economic sectors. Therefore, scientific research in this direction should be continued.

During the pandemic, many transformations and existing economic relations, including foreign economic relations, were complicated and some relations were lost. It is necessary to restore these in post-pandemic conditions, create new foreign economic relations and take targeted measures to increase export potential. Post-pandemic postulates are quite complex, and some of the previous traditional mechanisms may no longer work. Here, not only the adjustment of the customs and tariff mechanisms of the logistics-trade system is required, but also the objective assessment of the new realities and development trends occurring in the world market, the careful study of its situation and the provision of access to the world markets with national brands with higher competitiveness - export products, in order to strengthen the country in the world markets.

It should be noted that there has been no significant change in the structure of the country's exports in the recent period. Although the export potential of some non-oil sector sectors (for example, food products, chemical products, so on) is observed, the country's non-oil sector

sectors have not been able to achieve significant success in increasing their export potential. In 2017-2020, the main share of the country's exports is the export of oil and oil products and gas. However, the export of the republic depends mainly on raw materials. The fact that the country has export opportunities mainly on the basis of oil and gas raw materials and petroleum products in modern times has also affected the export geography of the country and the special weight of the main partners. The measures taken in this direction should be evaluated and improved as much as possible based on the new challenges of the modern era. To this end, more courageous steps should be taken to strengthen the position of foreign economic activity participants in the foreign market and purposeful work should be carried out to solve the problems related to them. In general, there is a need for more effective and export-oriented measures, especially in the non-oil industry.

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