REPUBLIC OF AZERBAIJAN

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ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

PROBLEMS OF DEVELOPMENT OF EXPORT-ORIENTED NON-OIL ECONOMY IN THE REPUBLIC OF AZERBAIJAN

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GENERAL CHARACTERISTICS OF THE RESEARCH

The relevance of the topic and degree of exploration. The globalization of the world economy is an objective reality that necessitates the development of an export-oriented economy. The expansion of interstate economic relations entails the deepening of the international division of labor and the inclusion of non-oil sectors of the economy in this process. Observations show that the process of globalization and the development of international relations develops in parallel with the regionalization of economic activity. Therefore, the adaptation of socio-economic changes to the principles of globalization within the framework of international and transnational cooperation is one of the priorities of economic policy. One of such important directions is the significant intensification of the export-oriented non-oil economy on the path of integration into world economic relations.

As we know, the development concept of Azerbaijan, adopted in 2012 and covering the period until 2020, is based on an export-oriented economic model, and relevant activities have been deepened in our country in the direction of increasing non-oil exports.[1]

In 2015, the President of the Republic of Azerbaijan, Mr. Ilham Aliyev, said that *"the Azerbaijani economy should henceforth develop as an export-oriented economy" and emphasized that "without exports, the Azerbaijani economy, including the non-oil sector, cannot develop"*. The President specifically noted that the development and promotion of exports are currently on the agenda[2]. In accordance with the President's instructions, comprehensive measures were implemented to transform the economy into an

[1] "Azerbaijan 2020: Look to the Future" Development Concept. Decree No. 800 of the President of the Republic of Azerbaijan // – Baku, – December 29, 2012.

[2] From the speech of President Ilham Aliyev at the conference dedicated to the results of the first year of implementation of the "State Program for the Socio-Economic Development of the Regions of the Republic of Azerbaijan in 2014-2018" // – Baku, – January 27, 2015. – URL: https://azertag.az/xeber/prezident_ilham_eliyev_regionlarin_2014_2018_ci_illerde_sosial_iqtisadi_inkisafi_dovlet_proqraminin_icrasinin_birinci_ilinin_yekunlarina_hesr_olunan_konfransda_istirak_edib_video-827743

export-oriented economy that creates high added value, and a relevant Order was signed in 2016 to stimulate the export of non-oil products.[3] This Order envisages *"stimulating the export of non-oil products, increasing the production and export of competitive non-oil products, increasing access to traditional and new markets, and further expanding favorable conditions in this area[4]"*. Also, the Strategic Roadmap[5] adopted in 2016 includes detailed measures to increase Azerbaijan's export-oriented investment attractiveness and develop the export-oriented non-oil sector.

It is in "Azerbaijan 2030: National Priorities for Social and Economic Development" that this tradition has been continued.[6] It was precisely "Azerbaijan 2030: National Priorities for Social and Economic Development" that continued this tradition. According to the Strategy for Socio-Economic Development adopted in accordance with the National Priorities, it is projected that the non-oil/gas GDP in the country will increase by an average of 5% annually by 2026. The document states that the non-oil/gas industry will grow by an average of 8.3% annually, the share of industrial zones in non-oil/gas industrial production will be 15%, and the share in non-oil/gas industrial exports will be 25%. Quality production of export-oriented local products will be ensured and e-export will be developed, state support for the promotion of non-oil/gas exports will be increased, an 85% increase in the volume of non-oil/gas exports in 2026 compared to 2021, as well as the establishment of an export-oriented value chain will be ensured [7].

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[3] "On additional measures to stimulate the export of non-oil products" Decree of the President of the Republic of Azerbaijan // – Baku city, – January 18, 2016.

[4] "On additional measures to stimulate the export of non-oil products" Decree of the President of the Republic of Azerbaijan // – Baku, – January 18, 2016.

[5] Strategic Roadmap for the National Economy Perspective of the Republic of Azerbaijan. Decree No. 1138 of the President of the Republic of Azerbaijan // – Baku, – December 6, 2016.

[6] **"**Azerbaijan 2030: National Priorities for Social and Economic Development**".** Decree of the President of the Republic of Azerbaijan // – Baku, – February 2, 2021.

[7] "Social and Economic Development Strategy of the Republic of Azerbaijan for 2022-2026" // – Baku, – July 22, 2022.

Many countries are trying to increase the efficiency of export-oriented production in non-oil sectors by giving priority to import substitution policies. For this purpose, the development of healthy competition in the domestic market gives a serious impetus to the country's advantages in international trade and, thus, to the development of export-oriented sectors. The most effective strategy for increasing the foreign trade potential of both the country and specific sectors is the development of advantages and specialization by increasing exports. Thus, the development of an export-oriented non-oil economy is possible only if the appropriate scientific and technical, production and technological base is created at the level of competitiveness of these sectors. The topic of the dissertation, dedicated to the study of the problems of development of an export-oriented non-oil economy, is relevant in view of the above.

The country's economists have always paid attention to the problems of developing an export-oriented economy, as well as an export-oriented non-oil economy. In this regard, Z.A. Samadzade, E.A. Guliyev, I.H. Aliyev, B.Kh. Atashov, R.A. Balayev, V.A. Gasimli, I.M. Abbasov, I.H. Ibrahimov, T.N. Aliyev, G.A. Ganjiyev, I.A. Karimli, V.S. Bayramov, E.A. Ibrahimov, N.S. Gafarov, S.I. Valiyeva, R.Z. Huseynov, A.M. Asadov and others can be mentioned.

Foreign economists A. Smith, D. Ricardo, E. Hecksher, Y. Schumpeter, B. Balassa, P. Krugman, D. Rodrik, J. D. Sachs, I. Y. Lin, H. Akanina, M. Romanyuk, V. Varnavski, S. Makhov, etc. have conducted research in this area.

It should be noted that the research of the mentioned authors is mainly dominated by the problems of development of export-oriented economy. Theoretical and practical aspects of issues related to the development of export-oriented non-oil economy sectors, especially in terms of the challenges existing on a global scale after the COVID-19 pandemic and the new opportunities that have arisen for the country's economy after the liberation of our lands from occupation, have not been investigated to the necessary level.

The object and subject of the research. The research object of the dissertation work is the areas covered by the non-oil economy. The subject of the research is the problems of the development of the

export-oriented non-oil economy, including export-oriented production, the impact of imports on local production, and export issues.

The purpose and objectives of the research. The purpose of the study is to identify the development directions of the non-oil economy and the prospects for increasing export-oriented production by examining the scientific and theoretical aspects of the formation of an export-oriented non-oil economy and analyzing the level of development, and to prepare proposals and recommendations in this regard. The following tasks have been identified in this direction:

- generalization of scientific and theoretical aspects of the formation of an export-oriented non-oil economy;
- study of export-oriented development models of the non-oil economy;
- determination of the role of export-oriented production in the development of the non-oil economy;
- analysis of the level of development of production in non-oil sectors and the factors affecting it;
- analysis of the dynamics of imports and exports in non-oil sectors;
- assessment of export potential based on the analysis of the level of self-sufficiency in non-oil products;
- determining directions for improving the mechanism of state support for the development of the non-oil economy;
- identifying resources for improving the use of export-oriented potential in non-oil sectors;
- determining measures to stimulate export-oriented production and directions for their improvement.

Research methods. In order to investigate existing problems in the dissertation work, analysis, synthesis, economic-mathematical, economic-statistical, analytical analysis, and comparative analysis methods were used.

The main provisions submitted for defense. The main provisions put forward for defense are as follows:

- generalization of scientific-theoretical views on the formation

of an export-oriented non-oil economy and the development characteristics of export-oriented non-oil sectors is of particular importance;

- there is a need to determine the possibilities of applying these models based on the study of export-oriented development models of the non-oil economy;
- there is a need to determine the export-oriented production potential based on the analysis of indicators characterizing the level of development of production in non-oil sectors and factors affecting it, as well as imports and exports;
- the assessment of export potential by examining the level of self-sufficiency in non-oil products and determining the dependence between the factors affecting it is among the fundamental issues;
- the determination of directions for improving the support mechanism by examining the current level of state support for exports in non-oil sectors is a requirement of the modern era;
- it is necessary to identify resources for improving the use of export-oriented potential, measures to stimulate production, and directions for improvement on this basis.

Scientific novelty of the research: The scientific innovations of the dissertation include the following:

- based on the study of conceptual approaches and export-oriented development models related to the formation of an export-oriented non-oil economy, the interdependence of production and export factors - high intensity of use of production resources, optimization of export-oriented production taking into account the country's demand, and the need to ensure a rational ratio of import-export operations - were substantiated;
- the role of export-oriented production in the development of the non-oil economy has been determined, including the need to diversify the export of products and services, and ensure balanced foreign trade taking into account the demand of the domestic market;
- based on the analysis of the level of development of production in non-oil sectors, the dynamics of imports and exports, the factors affecting them, as well as the dependence between these factors,

have been substantiated;

- based on the analysis of the level of self-sufficiency in non-oil products, the export potential was assessed, and the relationship between the factors determining the efficiency of the use of export potential was determined;
- the impact of the state support mechanism for the development of the non-oil economy and measures to stimulate export-oriented production on improving the use of export-oriented potential, and on this basis the main directions of improvement measures were systematized;
- the relationship between the competitiveness indicators of economic activities, entities and products was determined, and the priorities for ensuring the competitiveness of the non-oil economy as a whole were substantiated.

Theoretical and practical significance of the research: The theoretical significance of the study is the substantiation of the scientific-theoretical provisions of the formation of an export-oriented non-oil economy with conceptual approaches. The provisions determined in this regard can be considered as a useful strategy in the development of the non-oil economy.

The practical significance of the study is characterized by the proposals prepared for the development of the non-oil economy, including the identification of resources for improving the use of export-oriented potential, the identification of measures to stimulate export-oriented production and the directions of their improvement. The results obtained and the proposals put forward can be used to improve the policy of ensuring the sustainability of the non-oil economy.

Approval and application. The main scientific and theoretical provisions, conclusions and proposals of the dissertation were reflected in 6 articles (2 of which were published abroad) and 9 theses (3 of which were published abroad) published in prestigious journals and conference proceedings recommended by the Higher Attestation Commission under the President of the Republic of Azerbaijan. The theses entitled “The role of non-oil economy development in sustainable development and expansion of the green

economy" (Sumgayit, 2022), "The impact of modern institutions on the development of an export-oriented non-oil economy in the Republic of Azerbaijan" (Baku, 2023), "The impact of expanding the use of green energy sources on the development of the non-oil economy" (Ganja, 2023), "Directions for stimulating export-oriented production in the non-oil sector" (Lyon, 2023), "Assessment of export potential in the non-oil sphere" (Ganja, 2023), "The evolution of export potential in the non-oil sphere" (New York, 2023), "The role of the development of export-oriented agriculture in ensuring sustainable economic development" (Mingachevir, 2023), "The role of the non-oil sector in combating climate change" (Dortmund, 2024), "Implementation of the circular economy model in the non-oil sector of Azerbaijan" (Baku, 2025) can be cited. During the research, the author also published articles entitled "Development prospects of the export-oriented non-oil economy" (Nakhchivan, 2022), "The role of export-oriented production in the development of the non-oil economy" (Baku, 2023), "Export-oriented development models of the non-oil economy" (Baku, 2023), "The main directions of a state-supported mechanism for a non-oil economy development" (Moscow, 2023), "Opportunities for increasing the level of self-sufficiency of the country with non-oil products" (Moscow, 2023), "The role of export expansion in the development of the non-oil economy" (Ganja, 2024).

Name of the institution where the dissertation was conducted. Ganja State University.

Total volume of the dissertation with a mark indicating the volume of the structural sections separately. The dissertation consists of an introduction, three chapters, a conclusion and a list of used literature. Introduction (12054 characters), Chapter I (68395 characters), Chapter II (51526 characters), Chapter III (72973 characters), conclusion (10257 characters) and a list of used literature (27395 characters), the total volume is 263840 characters. The dissertation contains 18 tables, 14 graphs, and 186 sources in the list of used literature. The number of characters in the dissertation is 215205 characters, excluding tables, schemes, diagrams, and the list of used literature.

MAIN CONTENT OF THE RESEARCH

The introductory part of the dissertation work justifies the relevance of the topic, characterizes the goals and objectives of the research, and describes the main provisions put forward for defense, and reflects the scientific innovations, theoretical and practical significance, and approval of the work.

The first chapter of the dissertation entitled **"Scientific-theoretical aspects of the development of the export-orented non-oil economy"** comments on scientific views on the development of the export-oriented non-oil economy, export-oriented development models of the non-oil economy and the role of export-oriented production in the development of the non-oil economy.

The modern paradigm of economic development forms the requirements for information, labor and technology, as well as contributes to the development and creation of new information based on the achievements of science and technology. All this ultimately leads to the diversification of the economy by focusing on economic development, in particular, the formation of an export-oriented economy along with satisfying domestic demand.

The formation and development of an export-oriented economy implies the efficiency of foreign trade, including the substitution of imports with exports, based on international trade theories. International trade theories are mainly characterized by mercantilist theory, absolute advantage theory, comparative advantage theory, production factor theory, product life cycle theory and competition theory.

Export-oriented development models include strategies that create direct foreign trade effects, contribute to the development of exports and increase the export potential of the country's economy. Both direct and indirect effects in foreign trade include new technologies and management methods. Thus, it is necessary to distinguish between import-oriented and import-promoting strategies. In terms of technological transfer, it is important that the most favorable positive effects of import-oriented policies can stimulate exports. In turn, since indirect foreign trade effects - growth in gross domestic product, increased imports of consumer goods, etc. - stimulate

imports, it can be concluded that export-oriented models can become a key factor in the innovative development of the economy, increasing labor productivity, and sustainable economic growth.[8]

Priorities for the development of the non-oil economy, first of all, include the growth and diversification of the system of exports of goods and services, ensuring balanced foreign trade. In this regard, the following issues are given priority as the main goals: the formation of a system of support and development of exports; the search for new and more efficient markets in addition to traditional markets, consolidation in promising markets; the development of economic integration in international markets; increasing the attractiveness of entities in the direction of exports; taking into account new global changes for the sustainable development of the economy and adapting to the requirements of global markets, etc. [9]

In order to increase the share of high value-added products in the structure of production and exports, measures are also needed to improve the structure of production and exports. However, in order to have a comparative advantage in the production of capital-intensive goods, it is important to have capital supply and trading partners. Therefore, measures to restructure the economy, diversify it and increase the share of high value-added products in the structure of production occupy an important place in the strategy for stimulating exports.

Export expansion and import substitution strategies can be considered a successful way to implement the “export-led growth” model. This model is an economic model that aims to stimulate economic development through strategies based on export activity. The main goal of this model is to export manufactured goods and services to foreign markets and thereby boost the country's economic growth. The export-led growth model in the Republic of Azerbaijan

[8] Bryancev, R. Import and Export. Monograph / R. Bryancev. – Moscow: Book Laboratory, – 2010. – 42 p.

[9] Orucov A.İ. Strategic priorities of Azerbaijan’s economic development model ensure the successful development of the non-oil sector at the new stage: [Electronic resource] / New Azerbaijan. – URL: https://www.yeniazerbaycan.com/Siyaset_e36462_az.html

is of great importance, especially for the development of the non-oil sector. Because this model is of particular importance in achieving diversified development of the economy and ensuring sustainable economic growth.

A number of steps are important for the implementation of the export-led growth model: increasing the production of non-oil products; developing favorable export policies; manufacturing products in accordance with international standards; developing logistics and transport infrastructure, etc.

Countries such as South Korea, Singapore, Hong Kong, and Taiwan have achieved economic growth through export-led strategies. Most of the countries that have succeeded with this model have achieved economic development through strategic planning and government support. One of the countries that has successfully implemented the export-led growth model is China. *The successes achieved in the Chinese experience may be of interest to our republic. In this regard, it is necessary to find a common denominator between national and state interests and the globalization process*.[10]

The second chapter - "**Development level of the non-oil economy of Azerbaijan: dynamıcs of production, imports and exports"** - analyzes the level of development of production in non-oil sectors, the factors affecting it, the dynamics of imports and exports in non-oil sectors, and assesses the level of self-sufficiency in non-oil products and export potential.

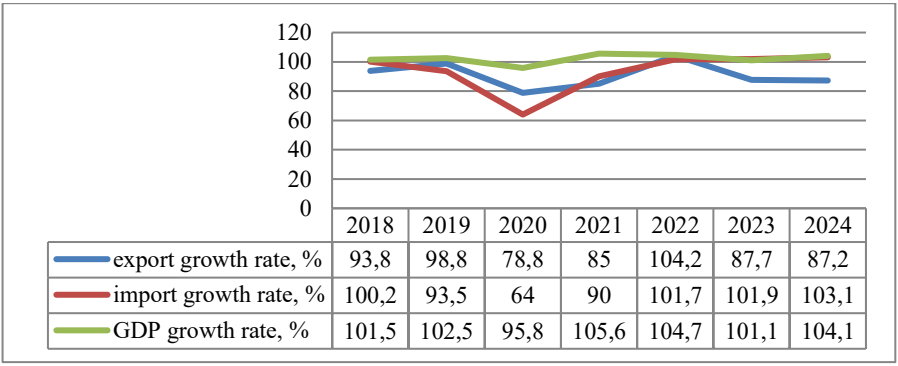
The export-oriented nature of the country's economy reflects the nature of the country's economic relations in the international arena and aims to occupy a stable place in world markets in various fields. In this context, the goal of export-oriented policy is to achieve a high rate of economic development and production efficiency, taking into account the growing domestic demand and potential demand in global markets.

Studies show that in order to assess the current situation in this area, first of all, the GDP growth rate is compared with the growth

[10] Samadzade Z.A. China in the global world economy / Z.A.Samadzade. – Baku: Science and Education, – 2009. – p.128.

rate of imports and exports. In this regard, the relationship between the mentioned indicators is significant.

Thus, the decrease in the volume of exports by 21.2 percent in 2020 and the volume of imports by 36 percent was also reflected in GDP. That is, the volume of GDP also decreased by 4.2 percent in 2020. The increase in GDP by 4.7 percent in 2022 occurred against the background of an increase in exports by 4.2 percent and imports by 1.7 percent. A similar trend is observed in other years. Of course, it is especially important to pay attention to the dependence between GDP and exports. The increase in the volume of exports, as the data show, is at a higher level in 2022 (Chart 1).



	2018	2019	2020	2021	2022	2023	2024
export growth rate, %	93,8	98,8	78,8	85	104,2	87,7	87,2
import growth rate, %	100,2	93,5	64	90	101,7	101,9	103,1
GDP growth rate, %	101,5	102,5	95,8	105,6	104,7	101,1	104,1

Chart 1. Growth rate of GDP, imports and exports, compared to the previous year, in %

Source: Compiled by the author based on data from the State Statistical Committee

The above chart shows that in order to ensure the sustainability of the non-oil economy, it is necessary to further develop exports, to this end, increase the production of export-oriented products, improve their quality, expand the range of exported products, and ensure their introduction to the world market using mass media, exhibitions, fairs, and presentations. Improving the structure of imports in the direction of acquiring new progressive technologies, machinery, and equipment, and minimizing the import of products that can be produced within the country can also be noted among the measures for the development of the non-oil economy.

The bulk of exports in the Republic of Azerbaijan fall on oil and oil products. Studies show that in 2024, 87.9 percent of exports fell on oil and gas products, and the specific weight of the non-oil sector was 12.1 percent.

Looking at the dynamics of total non-oil exports in the Republic of Azerbaijan, a positive growth rate is generally observed over the years. The table shows that Azerbaijan's non-oil exports have shown a continuous increase during 2016-2024. Only in 2020, during the pandemic, a decrease was visible. Thus, non-oil exports, which were 1237 million US dollars in 2016, increased to 3357 million US dollars in 2024. This means an increase of approximately 2.7 times, which indicates the development of the non-oil sector in the country over the past period (Chart 2).

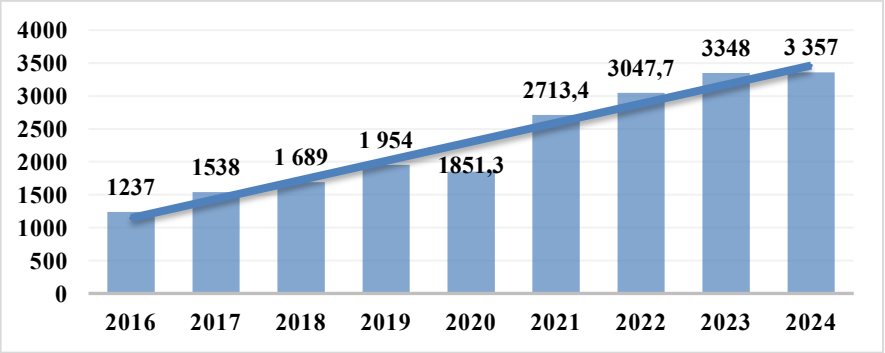


Chart 2. Non-oil exports in the Republic of Azerbaijan, 2016-2024, in million US dollars

Source: Compiled by the author based on data from the State Statistical Committee

In addition to the volume of total non-oil exports, the non-oil export per capita indicator is also of great importance in assessing the level of development of the country's non-oil sector. An increase in non-oil exports per capita is observed in Azerbaijan during 2016-2024. Thus, in 2016, non-oil exports per capita were 126.1 US dollars, and in 2024 this indicator increased 2.6 times to 328.3 US dollars. A slight decrease occurred in 2020, which can be explained by the impact of the pandemic on the global economy (Chart 3).

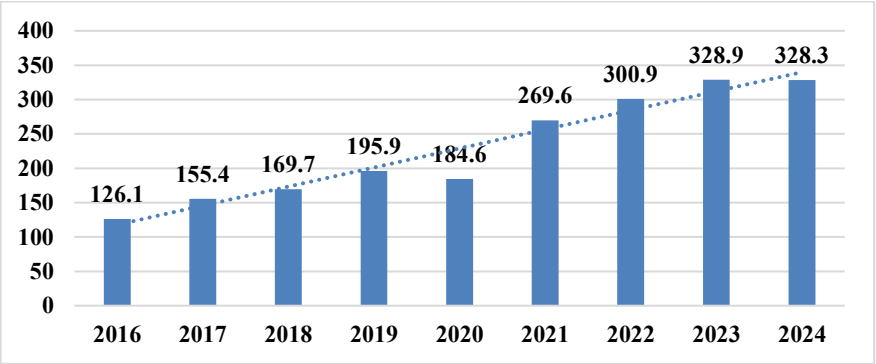


Chart 3. Non-oil exports per capita in the Republic of Azerbaijan, 2016-2024, in US dollars

Source: Compiled by the author based on data from the State Statistical Committee

The assessment of the structural characteristics of exports in the non-oil and gas sector is more clearly observed with the analysis based on the level of complexity of products. In order to determine the level of technological and economic complexity of products in non-oil/gas exports, the results of the complexity index calculated by the Harvard Growth Lab were analyzed. The complexity index shows the technological and economic value of the product. According to the indicators of 2024, the position of 13 out of 19 products, which constitute 53.5% of Azerbaijan's non-oil/gas exports, is above 800 in terms of rank among 1224 product groups of the Harvard Growth Lab complexity index. On the other hand, the difference of 188 ranks compared to the average indicator for the total product indicates that these products are closer to groups with a lower level of sophistication (Table 1).

Looking at the main exporting companies in the non-oil sector, it is possible to see the share of both state-owned and non-state entities. The economic entity that exported the most non-oil products in 2024 was the state-owned "Market and Economic Operations Department of SOCAR", whose exports amounted to 410.5 million US dollars. Among non-state entities, the largest export belongs to "MKT Production Commercial" LLC, whose exports in 2024 amounted to 93.8 million US dollars (Chart 4).

Table 1.

Complexity rating of 19 driver products for aggregate non-oil/gas exports by 2024

Rating table for 1224 products	Goods code	Name of goods	Change in complexity index	By 2024, thousand US dollars (current indicator)
1 = highest sophistication level, 1224 = lowest sophis-tication level		**TOTAL NON-OIL-GAS**		**The 19 products listed account for 53.5% of total non-oil and gas exports.**
1082	710812	Gold	-2.24	211758.63
1223	520100	Cotton	-2.56	177119.57
1113	070200	Tomatoes	-1.41	175430.42
1138	080222	Hazelnuts	-1.52	126684.28
1151	310210	Urea	-1.58	126224.64
1109	081070	Dates, fresh	-1.39	113663.36
311	760612	Rectangular plates of aluminium alloys, of a thickness exceeding 0.2 mm,	0.756	
808	290511	Methanol (methyl alcohol)	-0.434	108215.59
330	390230	Propylene copolymers in primary form	0.716	104396.56
814	271600	Electricity	-0.448	96819
38	390120	Polyethylene in primary form with a specific gravity of 0.94 or more	1.72	94144.11
57	391190	Other substances in primary form obtained by polymerization	1.56	89695.4
854	080810	Apples, fresh	-0.558	73801.8
330	390210	Polypropylene in primary form	0.716	61900.56
1096	252310	Cement clinkers	-1.34	51130.68
1053	760120	Unwrought aluminium alloys	-1.16	49661.23
38	390110	Polyethylene in primary form with a specific gravity of less than 0.94	1.72	47708.35
1109	081010	Strawberries and garden strawberries	-1.39	39780.33
878	070190	Potatoes	-0.61	26360.69

Source: Compiled by the author based on the complexity index of the Harvard Growth Lab center. https://atlas.hks.harvard.edu/rankings/product

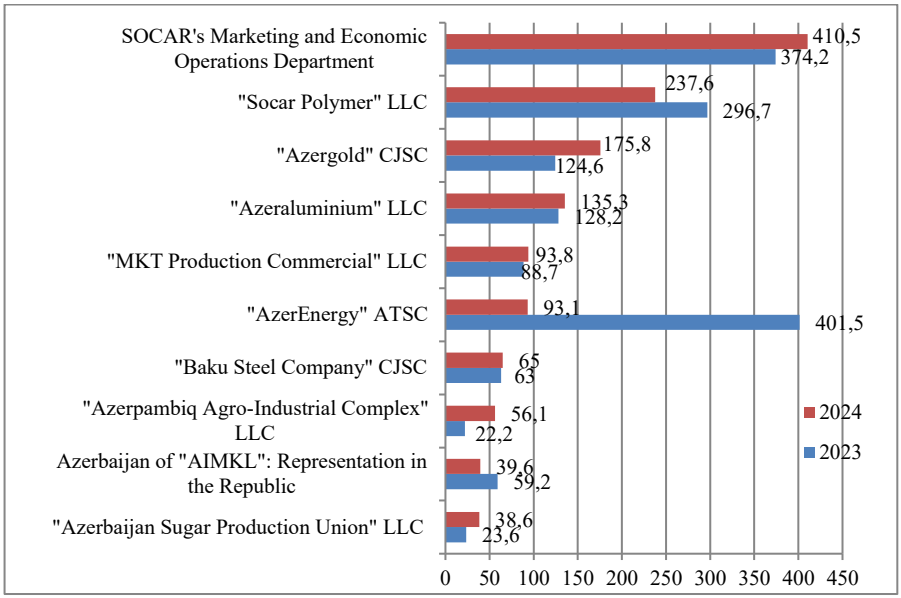


Chart 4. Major exporting companies in the non-oil sector in the Republic of Azerbaijan in 2024, in million US dollars

Source: compiled by the author based on the information from the following link www.ereforms.gov.az

The service sector of the non-oil economy is of great importance in achieving diversified development of the Republic of Azerbaijan. Special attention is paid to the service sector in the adopted state programs and development strategies.

Looking at the share of the service sector in exports by year, it is seen that in 2024, the total export of the service sector increased by 38.8% compared to 2018 and amounted to 6513.3 million US dollars. In general, a positive growth rate is observed in the total volume of services by year. Although the negative impact of the pandemic is evident in the tourism and construction sectors, a positive growth rate is observed starting from 2021 (Table 2).

Table 2.

Exports of the service sector in the Republic of Azerbaijan, in million US dollars

Indicators	2018	2019	2020	2021	2022	2023	2024	Compared to 2018 In 2024, %
Services - total	4690,7	3761,5	2620,6	3495,4	55067,4	6285,2	6513,3	138,8
including:								
Transport	1223,8	1107,9	1644,6	2396,4	2766,8	2903,7	1558,7	127,4
Tourism	2634,1	1791,5	304,2	312,7	823,3	1492,1	2047,1	77,7
Construction	54,3	31,6	28,9	18,6	48,4	36,6	32,8	60,4

Source: Compiled by the author based on data from the State Statistical Committee

In the service sector in Azerbaijan, there are great prospects for the development of sectors such as tourism, including health and educational tourism, and transport. In particular, the Great Return to the liberated territories opens up new prospects for these sectors, creating fertile conditions for the transformation of these territories into logistics centers, the realization of tourism potential, and the establishment of innovative transport infrastructure. Satellite telecommunication services, which are considered a new generation of service exports in the service sector, also have special importance in expanding exports.

The third chapter is dedicated to **"Development directions of Azerbaijan's non-oil economy and prospects for increasing export-oriented production."** This chapter identifies the mechanism of state support for the development of the non-oil economy, ways to improve the use of export-oriented potential in non-oil sectors, a strategy for innovation and stimulation in export-oriented production, and directions for increasing the competitiveness of the non-oil economy.

Within the framework of state support for the export-oriented non-oil economy, the Export and Investment Promotion Agency of the Republic of Azerbaijan (AZPROMO), the Azexport.az portal, the establishment of the Alat Free Economic Zone (FEZ), etc., are giving impetus to the development of this sector in Azerbaijan. The development of the "Made in Azerbaijan" brand and its significant

place in world markets are at the center of attention in the state's export-oriented policy.

Among the state's incentive measures, the special customs procedure for inward processing is of particular importance. The special customs procedure for inward processing is the import of goods into the country without customs duties and taxes, including VAT, for the purpose of export after processing operations. Processing operations mean the preparation, processing, reprocessing and repair of goods. In our country, the placement of goods under the special customs procedure for inward processing is carried out mainly in two directions - for the purpose of repair and processing. The procedure is applied to stimulate the development of the processing and service sector and export activity. In 2024, the value of goods imported for inward processing for export purposes amounted to 368.8 million US dollars, export operations amounted to 407 million US dollars, and re-export operations after the special customs procedure for inward processing amounted to 48.1 million US dollars (Chart 3).

Chart 3.

General information on import transactions under the special inward processing procedure and export transactions after the inward processing procedure for 2024, in million US dollars

Regime	January	February	March	April	May	June	July	August	September	October	November	December	Total
Inward processing	17.0	38.0	16.7	41.1	52.2	21.7	36.3	34.2	26.1	26.9	32.2	26.4	368.8
Export operations after special customs procedure of inward processing	11.6	42.7	38.4	47.3	16.5	60.4	24.1	48.3	41.8	13.6	17.4	44.9	407.0
Re-export operations after special customs procedure of inward processing	1.1	0.8	2.8	1.7	3.9	4.3	4.7	2.4	4.9	5.4	5.4	10.7	48.1

Source: compiled by the author based on the information from the following link www.ereforms.gov.az

It is known that comparative technological advantages strengthen a country's position in the global economic space and increase its competitiveness. At the same time, they ensure stable growth in export volumes and stimulate the development of the economy as a whole.

Studies show that one of the necessary conditions for intensification of foreign trade is increasing the efficiency of using export potential. In this regard, when examining the factors affecting the efficiency of using export potential using an economic-mathematical model, the following dependence emerges:

$$y= 529.7 - 0.159X1 + 0.0734X2$$

In the calculation carried out for multivariate correlation and regression analysis using Excel, the coefficient of determination was $R^2= 0.95$. This indicates a close relationship between the resulting characteristic - export potential in the non-oil sector - and selected factors - investments in fixed capital in the non-oil sector and gross domestic product in other economic sectors, and the correlation coefficient expresses the degree of dependence of the independent variable (x) and the dependent variable (y) (Table 4).

Table 4.

Export potential in the non-oil sector of the Republic of Azerbaijan and dynamics of factors affecting it

Years	Exports, million US dollars (y)	Investment in fixed capital, million manat (x1)	Gross domestic product in non-oil sectors, million manat (x2)
2018	1689.0	11249.7	41662.0
2019	1954.0	12690.6	44481.8
2020	1851.3	11238.5	45312.2
2021	2713.4	11002.0	51122.2
2022	3047.7	12413.3	61509.1
2023	3348.0	15003.9	69482.8
2024	3357.0	16254.2	75335.8

Source: Compiled by the author based on data from the State Statistical Committee

Based on the actual and model-based data, it is possible to determine the level of export potential utilization in the non-oil sector under current conditions (Table 5).

Table 5.

Indicators of export potential in Azerbaijan's non-oil sector

Years	Actual exports, million US dollars	Exports by model, million USD
2018	1689.0	1798.5
2019	1954.0	1776.4
2020	1851.3	2068.0
2021	2713.4	2531.8
2022	3047.7	3069.5
2023	3348.0	3242.8
2024	3357.0	3473.5

Source: Compiled by the author based on data from the State Statistical Committee

It is clear that in the years 2019, 2021 and 2023 when the study was conducted, export potential was used more efficiently. In 2018, 2020, 2022 and 2024, lower than expected export results were recorded (Chart 5).

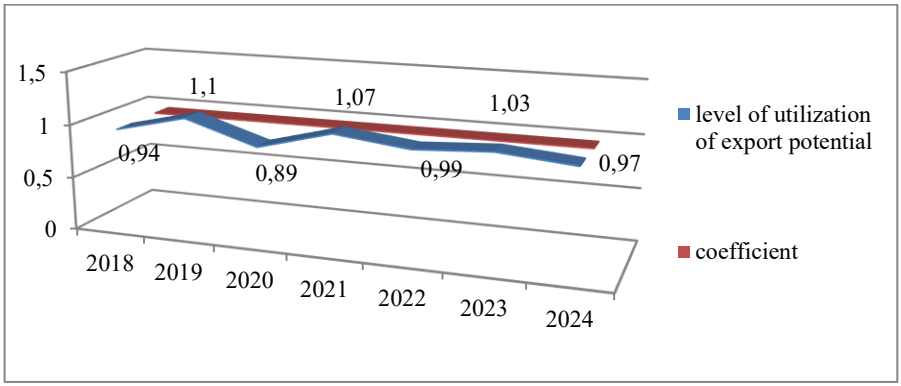


Chart 5. Level of utilization of export potential in the non-oil sector in the Republic of Azerbaijan

Against the backdrop of increasing global competition, measures such as the development of integration relations, the application of

scientific and technological progress and innovations to production, and increasing the investment attractiveness of export-oriented production create the basis for the stable development of the non-oil economy. In this regard, the task of selecting effective directions for the innovative development of non-oil sectors emphasizes the identification of the optimal option among alternatives.

One of the important areas in the development of the non-oil sector is considered to be green energy, and in recent years, more attention has been paid to this area. According to the magazine "World Energy Outlook", one of the most important sustainable development goals of the world economy for 2030 is ensuring the transition to "green" energy.[11] It should be noted that in "Azerbaijan 2030: National Priorities for Socio-Economic Development", a "clean environment and *"green growth"*[12] country is defined as one of the main goals. At the same time, in addition to the development of renewable energy sources in the country, becoming an exporter of "green" energy is among the main goals.

The current state of the non-oil economy of Azerbaijan necessitates the identification and application of new development models in accordance with global challenges. In this regard, the development of the main directions of increasing the competitiveness of the non-oil economy is considered one of the priorities of the state's economic policy. In connection with the above, it can be noted that the opportunities for increasing the competitiveness of economic activity areas and entities in the non-oil sector are at a sufficient level. Increasing the competitiveness of the non-oil economy at all levels requires the use of rational models that take into account the development status of the economic system as a whole. Thus, the implementation of the above directions to ensure and increase the competitiveness of economic activity areas, entities and products can ensure stable economic development.

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[11] World Energy Outlook 2023: [Electronic resource] / – URL: https://www.iea.org/reports/world-energy-outlook-2023

[12] "Social and Economic Development Strategy of the Republic of Azerbaijan for 2022-2026" // – Baku, – July 22, 2022.

CONCLUSION

Based on the study of the development problems of the non-oil economy in the Republic of Azerbaijan, it is possible to summarize the following results:

1. The formation of an export-oriented non-oil economy is of great importance in terms of ensuring economic development, balancing the balance of payments and optimizing the import-export ratio. This concept aims to increase the sustainability of sectors, expand integration into the international division of labor and ensure comparative advantages. Its successful implementation requires a comprehensive approach that takes into account the interaction of economic and legal mechanisms.

2. The study of export-oriented development models in the non-oil economy requires the efficient use of production and export factors, the optimization of export-oriented production in accordance with the country's needs and the provision of a rational ratio between import-export operations. The concept formulated in this context includes the strategic goals and priorities of foreign trade policy, as well as the directions for achieving these goals, assessing the impact of internal and external environmental factors, the efficient use of export potential and increasing the efficiency of export-oriented sectors.

3. The role of export-oriented production in the development of the non-oil economy and its international specialization depends on the production potential of the sectors. This potential is determined by geographical location, socio-institutional factors and resource capabilities. Its effective use can contribute to the realization of competitive advantages in the world trade system, diversification of export markets and preservation of foreign trade balance.

4. Studies show that there are significant reserves for the realization of export potential in the non-oil sector. In recent years, the provision of the domestic market, the replacement of raw material-oriented exports with finished products, and the increase in the share of export-oriented sectors in production strengthen the development prospects of this sector. State support and incentive

measures, including financing mechanisms, preferential loans, reduction of tax burdens, and provision of marketing support to producers, allow for more efficient realization of export potential.

5. Although investments and state expenditures directed to the non-oil sector have increased, the level of realization of export potential has been variable over the years. Although more efficient results were achieved in the years 2019, 2021 and 2023 when the study was conducted, lower than expected results were recorded in terms of exports in 2018, 2020, 2022 and 2024. The development and stimulation of investment activity is of great importance in terms of renewing the structure of the sector, ensuring the flexibility of export-oriented production and saturating the market with competitive products.

6. Coordination of production and sales activities is important for the sustainable development of export-oriented sectors in the non-oil sector. This requires structural changes in production, effective formation of infrastructure and new production methods. Innovative technology exchange and export-oriented modernization ensure the competitiveness of local products and the acquisition of a sustainable position in foreign markets. These measures allow to increase the quality of production, reduce time losses and ensure the availability of innovative technologies.

7. The study shows that using forecast parameters for the activities of economic activities and entities operating in the non-oil sector, it is possible to optimize the import of products, as well as the substitution of imports with local products in the domestic market. Such an approach allows for systematic control over the dynamics of imports and optimization of the balance of the domestic market, as well as to form the basis of export-oriented production through stable and sustainable development of structures characterized by high competitiveness.

8. The use of production potential on an innovative basis allows for the expansion of the production of high value-added products in the non-oil sector, reducing dependence on imports and increasing market stability. This approach contributes to the identification of promising foreign markets, expanding the scale of exports and

increasing the competitiveness of products. As a result, the efficiency of export-oriented structures increases, a reliable image is formed, and additional foreign exchange revenues are obtained.

9. The formation of a non-oil economy based on innovations necessitates the creation of institutional and financial mechanisms that take into account the real demand for the development of scientific and innovative activities. In this process, state financing of applied scientific projects plays a key role in increasing the effectiveness of innovative activity and the practical application of scientific results.

10. The potential of the non-oil economy acts as the main conceptual basis for the formation of innovation strategies. The efficient use of resources is aimed at expanding export-oriented activities and strengthening competitiveness in foreign markets, while the innovative development strategy is aimed at the implementation of scientific and technological projects and the optimal allocation of resources.

11. It has been determined that the renewal of the product structure, optimization and diversification of production are the main directions in increasing competitiveness. In this regard, strengthening the competitiveness of sectors, entities and products in the non-oil economy requires the application of rational models based on international experience. These models highlight the coordination of components such as supporting producers, expanding the application of innovative technologies and protecting local production.

12. The development of the service sector in the non-oil sector, which plays an important role in the formation of a sustainable and competitive economy, and increasing the specific weight of exported services are of strategic importance. This approach, in addition to contributing to ensuring the balanced development of the country, expands the development prospects of tourism, including educational and health tourism, as well as the transport sector. Ensuring the territorial integrity of Azerbaijan and the implementation of the Great Return process, as well as the restoration of transport and logistics corridors, create favorable conditions for further increasing export opportunities in these areas.

13. The role of green energy sources among exported non-oil products is increasing day by day. In particular, the measures taken to develop this sector in the context of combating climate change are quite noteworthy. By giving importance to the development of the green energy sector, the country's transformation into a green energy space creates conditions for adhering to the concepts of a clean environment and a "green growth" country.

14. The development of the export-oriented non-oil sector directly depends on the institutional reforms implemented to increase export potential and promote investments. In this regard, we can point out the following proposals that are important for the development of the export-oriented non-oil economy in the Republic of Azerbaijan:

- Carrying out certain reforms in the direction of introducing modern technologies and promoting innovations: investing in the development of new technologies and innovative solutions in cooperation with universities and research centers; creating mechanisms for the transfer and application of innovative technologies to local enterprises, establishing technoparks and innovative centers; creating funds that provide financial support from the state and private sectors for innovative projects.
- In the direction of expanding and modernizing infrastructure: modernizing roads, ports and railways, increasing access to international trade routes; ensuring stable and sustainable energy supply for the industrial and agricultural sectors, increasing the use of renewable energy sources; developing high-speed Internet and other ICT infrastructure.
- In the direction of promoting exports and supporting access to foreign markets: signing trade agreements with foreign countries, reducing customs duties and simplifying export procedures; providing preferential loans, insurance and other financial support tools to exporters; organizing the participation of export products in international exhibitions, fairs and presentations.
- In the direction of human capital development and training programs: expanding vocational education and retraining programs for the workforce, improving the knowledge and skills of employees; attracting foreign specialists and ensuring the participation of local

personnel in foreign internship programs.

- Towards improving the business environment: implementing legislative reforms that facilitate business activities and protect the rights of investors; protecting the interests of foreign and local investors and creating conditions that facilitate their activities.

These proposals will support the development of Azerbaijan's non-oil sector, help diversify the country's economy and increase its export potential.

The following scientific articles and theses of the author have been published regarding the main provisions of the dissertation work, the results obtained, and the proposals:

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Scientific Conference of Researchers in the Field of Economics and Management on the topic "Circular Economy and Sustainable Ecosystem" (ISCEMR-2025), – Baku: Azerbaijan State University of Economics, – 12-14 june, – 2025, – p. 481-484.



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