

AZERBAIJAN CUMHURİYETİNİN PETROL DIŐI SEKTÖRÜNÜN GELİŐİMİ VE BU SEKTÖRDEKİ STRATEJİK ÖNEMİ
DEVELOPMENT OF THE NON-OİL SECTOR OF THE REPUBLIC OF AZERBAIJAN AND ITS STRATEGIC IMPORTANCE IN THIS SECTOR

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ABSTRACT

Azerbaijan has succeeded in ensuring economic security through the successful implementation of integration into the world community. It is known in recent years that the Republic of Azerbaijan has changed from a borrowing country to a lending country and this process has been quite successful since the era of globalization. The development of the non-oil sector is considered important both in terms of the effectiveness of socio-economic development of the regions, as well as in terms of increasing state budget revenues and its formation from various sources. The development of the non-oil sector also has a direct impact on increasing export earnings. Taking this into account, the implementation of issues aimed at the development of the non-oil sector by the head of state is given more priority.

Keywords: Non-oil sector, Azerbaijan, economy

ÖZET

Azerbaycan, dünya toplumuna entegrasyonun başarılı bir şekilde uygulanması yoluyla ekonomik güvenliği sağlamayı başardı. Son yıllarda Azerbaycan Cumhuriyeti'nin borç alan bir ülkeden kredi veren bir ülkeye dönüştüğü bilinmekte ve bu sürecin küreselleşme çağından beri oldukça başarılı olduğu bilinmektedir. Petrol dışı sektörün gelişimi, hem bölgelerin sosyo-ekonomik kalkınmasının etkinliği açısından hem de devlet bütçe gelirlerinin artırılması ve çeşitli kaynaklardan oluşması açısından önemli görülmektedir. Petrol dışı sektörün gelişmesi de ihracat gelirlerinin artmasında doğrudan etkiye sahiptir. Bu dikkate alınarak petrol dışı sektörün geliştirilmesine yönelik konuların devlet başkanı tarafından uygulanmasına daha fazla öncelik verilmektedir.

Anahtar Kelimeler: Petrol dışı sektör, Azerbaycan, ekonomi

Introduction

The development of the non-oil sector also plays an important role in preventing the dependence of the Azerbaijani national economy and state budget on oil. The development of the non-oil sector also has a direct impact on the socio-economic growth of the regions and the reduction of poverty. The development of the non-oil sector prevents the dominance of one product in the structure of exports, but also has a direct impact on reducing the dependence of product exports on fluctuations in market conditions. The rapid adaptation of the Republic of Azerbaijan to the system of international relations, as well as ensuring steady growth in the economy, reducing poverty in the country, ensuring economic diversification, as well as exports will depend on the rapid development of the non-oil sector over the next 10-15 years. The constant development of the non-oil sector requires an increase in the competitiveness of products produced in these areas. It is clear that the Republic of Azerbaijan mainly exports oil products as raw materials to the world market. Acceleration of oil exports to the world market in the early days of the independence of the Republic of Azerbaijan marked the beginning of the country's strategic integration into the system of international economic relations.

The growth of the non-oil sector is important for the development of the country's economy. Examples of these are:

- Increases the competitiveness of the country's economy;
- Acts as a guarantor in the country's economy due to the depletion of oil reserves;

- Reduces dependence on imported products to meet domestic demand and, as a result, increases the preference for domestic products;
- Acts as one of the important sources of state budget revenues;
- Prevents unemployment and thus the majority of the employed population works in the non-oil sector.

A closer look at the above factors reveals more clearly the role of the non-oil sector in the national economy, including the economy of the Republic of Azerbaijan for the present and future. The role of the non-oil sector in meeting the general needs of the population, reducing the level of dependence on imported products, and protecting the financial sector from import inflation is irreplaceable. The non-oil sector plays an important role in increasing government revenues. As a result, budget revenues are more dependent on the sustainability of the real sector, ie the non-oil sector, due to the depleted reserves, despite the large amount of revenues from the oil sector. Therefore, the development and diversification of the non-oil sector is a priority for our country. The factors influencing the growth of gross domestic product are as follows:

- Changes in domestic demand infrastructure;
- Investment strategy, volume of attracted investments;
- Production and consumption relations resulting from reforms in the financial and banking sectors and from lending;
- Volume of public expenditures generating domestic production;
- Changes in the institutional and structural forms of the country, the creation of legislation.

All these factors have always been in the center of attention for our country, and as a result of the implemented socio-economic policy, the transition period has been successfully completed, and the process of economic diversification is underway. The policy pursued in the national economy in recent years has had a significant impact on the development of the non-oil sector. The concept of economic development of Azerbaijan until 2020 is \$ 1,000 per capita in the non-oil sector, and a total of \$ 10 billion. has been identified as the target of rising. Another goal of this concept is to make non-oil exports equal to total imports. This will play an important role for the Republic of Azerbaijan in expanding international economic relations, maintaining the balance of payments in the event of oil production depletion, as well as preventing the loss of economic prestige.

Compared to 2015, GDP production decreased by 3.8%. The primary reason for the decline in GDP was a



27.6% decrease in the production of goods and services in the construction sector. At the same time, the value added produced in the information and communication spheres was 4.5%, in agriculture, forestry and fisheries 2.6%, in trade and vehicle repair 1.5%, in industry 0.4%, in tourist accommodation and catering. in other areas it increased by 0.1%.

As shown in the diagram below, in 2016, the industry took a special place in the structure of GDP. 37.40% of GDP in industry, 10.00% in construction, 10.30% in trade and services,

5.60% in agriculture, 6.80% in transport and warehousing 1.80% in the field of information and communication, 18.00% in the field of social and personal services, the share of net taxes paid on products and imports was 7.70%.

Industry – 37,40%

Agriculture – 5,60%

Construction – 10,00 %

Trade and services – 10,30%

Photo 1. The structure of GDP in 2016 [Source: (www.stat.gov.az)]

Table: 1 GDP volume and its real growth for 2017-2020 [Source: . (www.economy.gov.az)]

	2017	2018	2019	2020
GDP, mln. in manats	61419,6	63769,7	67673,9	70539
real growth rate,%	1	1,5	2,8	2,4
GDP in the non-oil sector, million manats	41677,5	44135,3	46135,89	48588,3
real growth rate,%	2,5	2,6	1,7	2,8

Real GDP growth in 2017 is expected to be 61.4 billion manat at 1%. This growth is expected to continue until 2020 and real economic growth is expected to be 2.4% in the same year.

One of the developed sectors of the national economy is industry. Industry accounts for 37.4% of the GDP of the Republic of Azerbaijan in 2016. The industry, which includes engineering, fuel, energy, chemistry, metallurgy, food, light and other industries, has been developing since the middle of the last century. The main object of the state strategy in the field of industry in the long run is the sustainability of industrial production and plays an important role in ensuring targeted growth rates, improving structure and increasing efficiency.

The main measures taken in the field of industry are to increase competitiveness, increase investment and development activities, and ensure the effective development of the non-oil sector. Some of the imported products have started to be produced in our country compared to previous years. As a result, the production of national products in the domestic market has increased, and dependence on imported products has begun to decrease. As a result of the “open door” policy pursued by the President of the Republic of Azerbaijan, Mr. Ilham Aliyev, the number of foreign and corporate entities has tripled. Thus, the growth of economic sectors, the development of entrepreneurial activity, as well as the involvement of individuals in entrepreneurial activities result in an increase in the number of private enterprises.

In 2016, the volume of industrial products and services decreased by 0.4% and amounted to 32.3 billion manat. In the industrial sector, the share of the non-oil sector increased by 5.0% compared to last year, and the share of the oil sector decreased by 1.1%. Industrial production in 2016 was determined by the following percentage.

Table: 2 Structure of the industrial sector for 2016 [Source: (www.stat.gov.az)]

Industrial sectors	%
Mining sector	65,4
Processing sector	28,2
Electricity, gas and steam generation, distribution and supply sector	5,6
Water supply, waste treatment and processing sector	0,8

The establishment of the Sumgayit Industrial Park as one of the steps taken to develop the non-oil sector, as well as to increase the level of non-oil exports, aims to ensure science-based and competitive production for the future. The establishment of the Sumgayit Industrial Park plays an important role in maintaining the long-term development of the non-oil sector, the development of entrepreneurship, increasing employment and, most importantly, the development of the industrial sector.

The development of the industrial sector in the regions is also important. Therefore, the signing of decrees on the construction of Mingachevir Industrial Park and Neftchala Industrial District indicates the development of the non-oil sector in the regions of the Republic of Azerbaijan.

One of the important factors of state support for the development of the non-oil sector is closely related to the increase in the profits of enterprises. In our country, it can be said that an important part of the economy has been privatized. The predominance of private property creates a favorable environment for free competition. The increase in the profits of entrepreneurs operating in the non-oil sector is characterized by

the rapid turnover of goods produced in this area. The development of the non-oil sector leads to an increase in the income of entrepreneurs. Thus, it creates a favorable position for the creation of new jobs in this area, leading to the strengthening of the position of entrepreneurs in the domestic and foreign markets, which is characterized by the successful results of economic, financial and tax policies pursued by the country in this area. Government support for the growth of the non-oil sector is closely linked to the use of tax incentives. Although the implementation of tax incentives has resulted in a decrease in the amount of funds received by the state budget over time, the development of the non-oil sector creates important conditions for domestic demand to meet the demand for products. It plays an important role in preventing the country's economic threat.

These factors include:

- The quality of the product is as superior, affordable and useful for customers as possible;
- Also the general level of prices in this area gives an impetus to determine the general level of demand;
- The range and volume of goods produced must meet the needs of consumers.

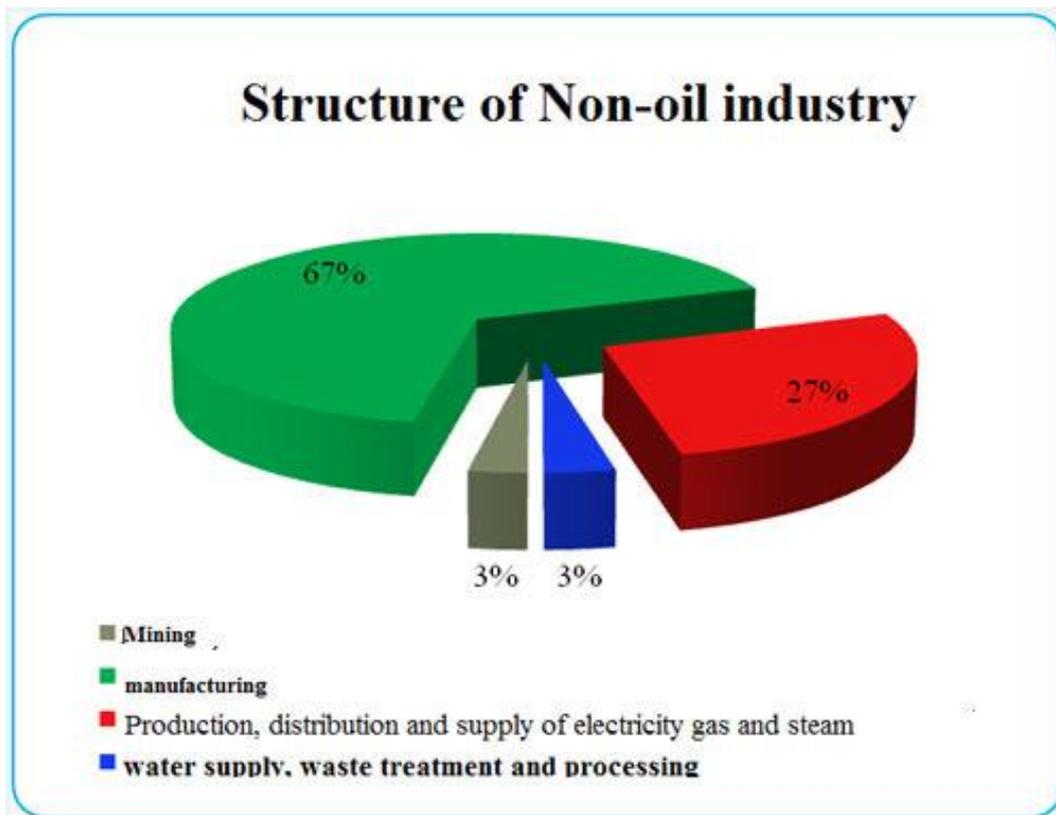


Photo: 2 Structure of Non-oil Industry, Source: (www.economy.gov.az)

State regulation of the development of the non-oil sector is an important step in the development of local industry. Also, the development of local industry creates ample conditions for increasing employment and GDP. In our opinion, the implementation of projects aimed at improving the non-oil sector in the Republic of Azerbaijan is interpreted as one of the areas of state regulation in modern conditions. The realization of the development of the non-oil sector in our country is in the focus of the head of state. In this regard, the State Investment Company, established by the order of the President, focuses on the role of investment in increasing the non-oil sector. The main criterion for state regulation of the development of the non-oil sector is to create favorable conditions for the development of the competitiveness of products produced in this direction. The non-oil sector also has a number of factors influencing the competitive development of its products.

One of the important goals of the Republic of Azerbaijan is to stop dependence on oil and ensure the economic development of agriculture. The development of agriculture in our country affects the reduction

of poverty in the regions. The agricultural sector has its own characteristics and is appropriate in terms of credit efficiency. For the Republic of Azerbaijan, this sector is directly strategically important and promising. This is also mentioned in government documents. There are other arguments for the importance of supporting the credit sector in this sector. First of all, agriculture is a low-level business sector, and in this regard, farmers in developed countries benefit from strong government support. Second, farmers' incomes also depend on climatic conditions. Additional funds are needed to continue operations in adverse weather conditions. Given the important role of food security in agriculture, it is important to address this issue.

Conclusions and Recommendations

The main goal for the Republic of Azerbaijan is to work for the development of the non-oil sector and to ensure the constant reduction of poverty. One of the important points for our country is to prevent inflation and the Dutch Syndrome, as well as to increase economic growth as a result of increasing investment in the non-oil sector and eliminating obstacles to the development of entrepreneurship. In recent years, the non-oil sector has accounted for the bulk of GDP. The main reason for this is the visible growth of the non-oil sector in our country. At present, the development of agriculture and processing industry is of great importance for the Republic of Azerbaijan.

Proceeds from the effective results of the successful non-oil strategy implemented for the economic development of the country are directed to the people, the solution of their social problems, the improvement of living standards. Along with the liberal features of a market economy, it also envisages the implementation of socially oriented measures such as the establishment of an institution of social protection. As we know, the wealth owned by states will be exhausted after some time. That is why the development of human capital, which allows you to earn more, is an important issue for all countries. Important measures are being taken in this direction in almost all countries of the world.

According to research, the non-oil sector in 2017 will account for 50.8% of budget revenues. This means that it is 6.6% more than in 2016 and 11.3% more than in 2015.

The following can be mentioned as directions for achieving diversification for Azerbaijan:

- Deepening the production of import-substituting products in the non-oil sector;
- Ensuring regional development in our country, as well as achieving balanced development between the regions;
- Production of high-tech and competitive products as a result of application of Information Communication Technology and production technology;
- Increasing exports of non-oil sector products and ensuring diversification of non-oil sector exports.

It explains the factors that determine the current quantitative and qualitative indicators of the non-oil sector of the national economy and what methods are preferred in state regulation of its development, the role of the non-oil sector in human capital development, the extent to which international credit can be used in non-oil sector development.

The current state and development prospects of the non-oil sector of the national economy, its role in the development of human capital, in turn, the opportunities for international credit to participate in the development of the non-oil sector are analyzed, studied and highlighted.

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