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Non-oil export challenges of oil countries in case of Azerbaijan

The purpose of the article is to analyze the trade sector of Azerbaijan for the last decades and to determine the competitive advantages of the agricultural sector.

Research methods. Due to analysis current situation, Reveal Competitive Advantage, Herfindahl-Hirschman market concentration index and descriptive statistical analysis are used in this paper.

Research results. The Agricultural sector can be one of the main drivers of economic development in natural resource-rich countries. On the other hand, due to crowding out effect of oil sector, agricultural sector lags behind of its potential. At the same time, trade dependency on oil related sectors and diversification of export products and destinations are very significant for the future economic perspectives of resource-rich countries.

Scientific novelty. Our analysis show that Azerbaijan`s dependency on natural resources affected significantly on export diversification and country need to diversify its exported product and export destinations to ensure trade security. Furthermore, analysis reveals that agricultural products have tremendous potential to be globally competitive in compare to other produced goods in the country.

Practical significance. Current and forward-looking research on export trends, RCA issues and export diversification will help government agencies and government agencies to monitor and develop current strategies to overcome the negative effects of resource dependence in Azerbaijan. Tabl.: 6. Figs.: 4. Refs.: 33.

Keywords: Azerbaijan; oil dependency; agricultural sector; export diversification; non-oil export.

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Scientific problem. Thanks to the political stability, favorable geographical location, and the “Contract of Century” signed in 1994, the country stepped into a new phase of development and managed to maintain economic relations with many regional and neighbour countries. On the other hand, Azerbaijan significantly improved its economic conditions with mega institutional reforms. Following political stability achieved in the mid-1990s, the country managed to secure oil and non-oil sector development, through sustainable economic reforms and policies aimed to diversify the national economy and boost export potential. Over the past two decades, Azerbaijan made progress in eliminating poverty, secured human capital development, achieved a dynamism in socio-economic prosperity, and increased the gross domestic product by more than 10 times (WB, 2020). However, since 2015, Azerbaijan has encountered new chal-

lenges coming from high volatility of crude oil prices (triple fall of prices) all over the world. As a response to these challenges, the government of Azerbaijan defined new objectives for strategic reforms. For this purpose, On December 6, 2016, the President of Azerbaijan approved the Strategic Road Maps, documents that set development objectives and systematic actions covering areas such as finance, agriculture, tourism, transport, logistics, communications, etc. Reforms in these 4-5 years (2016-2020) improved overall condition of Azerbaijani economy. However, exports of both total and non-oil have still not recovered to pre-2015 levels. Albeit, there is an upward trend in non-oil export and reached to 1.83 billion USD in 2020, it is less than the analogical indicators of 2012, which according to statistics of the Central Bank of Azerbaijan was 1,93 billion USD (CBAR, 2012). At the same time, average and total non-oil exports of 2015-2019 period (accordingly, 1.49 billion USD, 7,45 billion USD) is 11 percent

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lower than 2010-4 years analogic indicators (accordingly, 1.67 billion USD, 8,36 billion USD).

In the last 4 or 5 years, import substitution and export diversification and adjacement policy mentioned in state programs and strategic road maps. Especially, in Strategic Roadmap for National Economy Perspective of the Republic of Azerbaijan "the transition to fully floating exchange regime should be implemented and, in this respect, the key strategic target of supporting the import substitution policy may be selected as a priority in the short and medium-term" mentioned clearly. Furthermore, in "Strategic Vision and Roadmap for Azerbaijan Agriculture" special priority was dedicated to promoting and supporting agricultural and industrial exports in the country. This priority consists of 6 main activities, which would be implemented by agricultural, and economy ministries:

- Provide support for geographical expansion of the export markets, and maintaining a stronger presence in the traditional export markets;
- Promote "Made in Azerbaijan" branding;
- Keep farmers informed about potential export markets;
- Identify potential exporter-farmer;
- Improve the certification system, and ensure compliance with international standards;
- Provide support for obtaining export documents (SSRA, 2016).

Mineral (mainly oil) exports took a share of 61.8% in total exports in the period of 1994-1999, but since the oil boom started with Baku Tbilisi Ceyhan in 2008, mining exports have gained a share of about 87% in 2020 (SSCRA, 2020a). Needless to say that, increased oil extraction and exports boosted gross domestic product (GDP), GDP per capita, and government spending. Notwithstanding of some improvements in non-oil export indicators, Azerbaijan has faced with greater challenges in 2020 than 2015. To reach the goals of diversified economic growth and enhanced export potential of the country regain actuality with the negative impact of COVID-19 and world oil prices reduction. Because of the unstable nature of the international commodity markets, oil exporter and small countries like Azerbaijan started to face new economic challenges (Khalilov et al. 2020).

At the same time, to reveal the export potential of Azerbaijani economy, analyzing relations between economic growth and oil resources have a great significance. Being a resource-rich country impacted Azerbaijani economy, trade sector and economic growth through several ways.

At present conditions, Azerbaijani government try to ensure food security of the country, and competitiveness in the economy included agricultural sector is given priority (Food Security SP, 2019). Article seek to deal several questions. Firstly, how Azerbaijani trade sector improved in the last decades? Does Concentration threat trade stability of the country by calculating Herfindahl-Hirschman Market concentration index (HHMCI)? Does Azerbaijani agricultural sector hold competitive advantage by calculating Reveal Competitive Advantage (RCA) ratios for the post-oil price crisis.

To fulfil the paper's aim and intentions, this research contains four main sections. The next section is the literature review which gives conceptual information about the Azerbaijani economy within the development of non-oil sectors and argues about the realities of agriculture and agrarian sectors on the background of resource curse theory and export diversification approaches. Data and applied methodologies illustrated in the second section. While in the third section results are presented, conclusions are given in the last section.

Analysis of recent research and publications. Various scientists and international brain centers examined and revealed that resource-rich countries, generally, have lower long-run growth trends than the other ones, which have a more diversified export structure. For the resource-led economies, economists consider dependence on natural resources as a possible reason of poor long-run economic growth and trade relations the so-called resource curse (Sachs and Warner, 2001). Worse economic trends of resource-rich countries comparing to counterpart countries with fewer natural resources have given rise to a concept of the Resource curse. It is not surprising that since pioneering theoretical work into the so-called Dutch Disease had concluded that resource booms crowded out tradeable non-resource sectors through increased input prices and currency appreciation (Corden and Neary, 1982). Generally,

a low level of economic diversification critically can be harmful, as the concentration of economic activities around natural resources makes resource-rich countries vulnerable to economic shocks related to volatile commodity prices and resource stock depletion (Devlin and Titman 2004; Venables 2016). The main concern pops up about Azerbaijan's economic structure, as oil-rich countries do not tend to develop their agricultural sectors during periods of high dependency on oil revenue (Czech 2018a). As mineral discoveries are being found, increased extraction, production, and exports bring in a high amount of foreign currency, and the associated negative externalities create Dutch disease effects (Czech 2018b). On the other side, in empirical terms, the failure to distinguish between resource and non-resource sectors could also lead to a spurious conclusion since the negative association between resources and GDP could reflect underperformance of the resource sector itself. Structure of the Azerbaijani economy and development strategies for the country was formulated mainly based on natural resource factors. Due to this consistency, advancement in the non-oil economy and export potential was taken into account one of the main priorities of the Azerbaijani government since gaining independence from the USSR.

Observations and analysis show many resource-dependent developing countries carry out short-sighted, economic policies which mainly focus on extracting resources and capturing rents. Some analysis proved that the hydrocarbons have quite similar effects on economies of resource-rich countries even if there is a big difference in the institutions quality (Dina Akyzbekova). However, there are some countries with their own successful policies that proved the possibilities of elimination negative effects of this phenomenon. For instance, Norway can be considered as one of the few countries in the world, which managed to turn natural resources from "curse" into the "blessing". Hence, Norway proves that it is possible to increase the country's wealth and benefit each member of the society by natural resources extraction, while Azerbaijan should pursue its economic diversification policies to reach these goals. Of course, Azerbaijan and Norway have significant discrepancies in economic and social development performances. For example, in development-related indexes Norway is ranked

as one of the top countries, while Azerbaijan is often placed in the middle-ranking. For instance, Norwegian GDP per capita is one of the highest in the world, and it is more sixteen times than the Azerbaijani analogical indicator (Statista, SSCRA, 2020).

It should be noted that international organisations, such as World Bank, USAID and UNDP conducted various research and projects on competitiveness of agriculture of Azerbaijan. It is not coincidence that after independence, the first research on international competitiveness of different crops varies was implemented by the World Bank in 2002 and due to the results of the research, there were not many products which could be internationally competitive (ADPSA, 2003). Furthermore, recently evaluation of economic efficiency of production of agricultural products in Azerbaijan based on DRC, NPC and EPC ratios were researched Huseyn (Huseyn 2018) and by Agricultural Economics Research Center (AERC, 2019).

According to statistics of the State Statistical Committee of the Republic of Azerbaijan, despite occupying a small share of overall economic output (6 percent), agriculture provides the biggest share (36 percent) of employment in country (SSCRA, 2020b). Despite the agrarian sector is considered as one of the key areas for Azerbaijan to participate in the global value chains, Morgan et al. 2019 evaluated the agrarian export potential of Azerbaijan as very low because of the minimal role of Small and Medium-Sized Enterprises in processing industries and small farm sizes (Morgan et al. 2019). It was difficult to restructure agrarian sectors in Azerbaijan due to the low opportunities to utilize modern inputs and the lack of educated farmers (Lamers et al. 2000). Compared to the other Post-Soviet states like Russia and Belarus, agricultural productivity is low (Cornell, 2014). On the other side, Shalbusov et al. found that Azerbaijan's agricultural exports hold a competitive advantage in the Russian and European markets (Shalbusov et al. 2020).

In 2013, computation of Balassa RCA indices for Azerbaijan by local researchers showed that some products of agriculture (tobacco, apple, nuts, tea, vegetables, oilseeds, raw cotton, and pharmaceutical plants growing) and processing (fruit juices, cigarettes, manufactured tobacco, animal skins, cotton linters, carded and combed cotton, cotton-

seed oil, safflower oil), oil industry (kerosene and medium oils, motor spirit and light oils, gas oils, fuel oils), chemical and petrochemical industry (ethylene, polyacetals and polyethers, polyethylene and plastics) have a very big potential. Government policy must support the development of these sectors which are competitive in world markets and will be key sectors for the creation of new jobs (Lal K. Almas, Nazim Uzbey Hajiyev, 2014). There are a lot of agricultural products which have opportunities to boost export potential. According to International Trade Center, the products with greatest export potential from Azerbaijan to the world are tomatoes, fresh, fruits nes, fresh, and polyethene, specific gravity <0,94, in primary forms. Tomatoes, fresh shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth 122.8 million USD (ITC Export Potential Map).

Additionally, it should be taken into account that, there are new trends, and difficulties in agriculture and agrarian sectors that have occurred together with the macroeconomic and technological advancements. For instance, ecologically clean took on new momentum which is a new path to entering the global value chains and green growth will be one of the main priorities of country future economic perspectives (National Priorities, 2021).

The purpose of the article is to analyze the trade sector of Azerbaijan for the last decades and to determine the competitive advantages of the agricultural sector.

Research methodology. Non-oil export value of Azerbaijan and world in USD, export value of the chosen agricultural products have been utilized in this paper. To reveal competitive advantage and analyze export concentration, RCA and HHMCI indexes have been included in the analysis.

Reveal comparative analysis (RCA) is calculated based on the actual export performance of country and shows which products the country has a comparative advantage. The RCA is the ratio of the export potential of a particular product to the sum of the country's exports of the same product to the world. Thus, the discovery of which products the country has a comparative advantage also assist to reveal in which markets these products dominate later. While the metric can be used

to provide a general indication and first approximation of a country's competitive export strengths, it should be noted that applied national measures which affect competitiveness such as tariffs, non-tariff measures, subsidies and others are not taken into account in the RCA metric.

The RCA takes a number between 0 and infinity, and RCA more than 1 indicates that the production of specific good in country has a clear comparative advantage globally and has been calculated as described below:

$$\text{Mathematical Definition: } RCAAZj = \frac{\left(\frac{XAZj}{XAZw}\right)}{\left(\frac{XWj}{XW}\right)}$$

where: XAZj is the export of product j from Azerbaijan to the world; XAZw is the non-oil export of Azerbaijan; XWj is global export of product j; XW is global non-oil export.

Thus, based on the International Trade Center trade map and UN trade statistics RCA of specific products have been calculated.

Additionally, we used the Herfindahl-Hirschman Market concentration index (HHMCI) to measure of the dispersion of trade value across an export partners. HHMCI is a measure of the dispersion of trade value across an exporter's partners. A county with a preponderance of trade value concentrated in very few markets will has an index value close to 1. Similarly, a country with a perfectly diversified trade portfolio have an index close to zero. Thus, it is an indicator of the exporter's dependency on its trading partners and the danger it could face should its partners increase trade barriers. Measured over time, a fall in the index may be an indication of diversification in the exporter's trading partnerships.

$$\text{Mathematical Definition: } HHMCI = \frac{\sum_{j=1}^{n_i} \left(\frac{x_{ij}}{X_i}\right)^2 - \frac{1}{n_i}}{1 - \frac{1}{n_i}}$$

where: X is the total value of exports from reporter i, x is the value of exports from country i to destination market j, and n is the number of partner markets to which country i exports.

Furthermore, descriptive statistics of Azerbaijani export are presented in this article. Export trends of the country (general and non-oil), share of non-oil export in total, groups of exported products (share in total), main export orientations and dynamics of the last years (mainly from 2015) analysed and reported in article. Export indicators were calculated based on product or goods export

and service export except from calculations. RCA, HHMCI indexes calculations and other descriptive trade statistics come from mainly International Trade Center/Trade Map, State Statistical Committee of the Republic of Azerbaijan And the Central Bank of Azerbaijan. There are some minor discrepancies in statistical indicators due to sources and statistics update policies.

- **Research results.**
- **Overall export trends**

Despite the absolute value of non-oil exports increasing, the share of non-oil exports of Azerbaijan has fluctuated in recent years. One

of possible reasons of increasing absolute indicators of non-oil export was the devaluation of 2015. On the other hand, due to COVID-19 pandemics and sharp dropping of oil prices, the total export of country reduced dramatically in 2020. Comparing total export indicators of the country in 2019 and 2020, reveal that there were approximately 30 percent sharp decrease in total export in 2020 (ITC, SSCRA, 2020). Also, As a result of the coronavirus pandemic, Azerbaijan's non-oil exports decreased by 5.3 percent in 2020 compared to 2019, but surprisingly agricultural exports remained stable (Huseyn et al. 2021) (Figure 1).

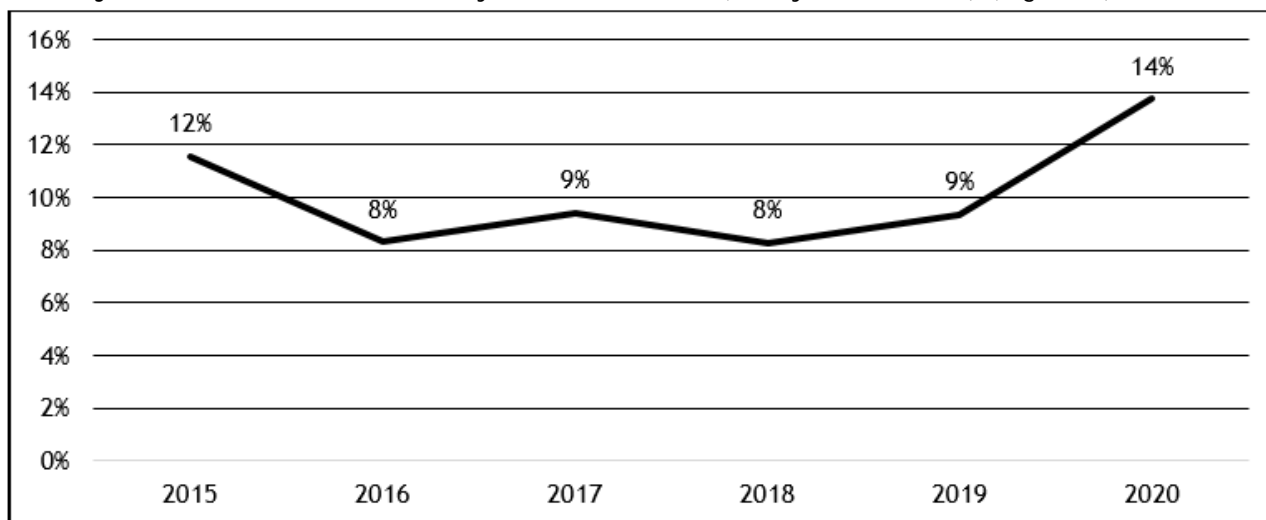


Figure 1. Share of non-oil export in total export of Azerbaijan, 2015-2020

Source: Calculations conducted based on statistics of International Trade Center/Trade Map and State Statistical Committee of the Republic of Azerbaijan.

The analysis revealed that the agricultural sector was resilient during the crisis caused by the pandemic, and there was a slight increase in export of agricultural products (Huseyn et al. 2021). On the other hand, the revival of the national economy started from 2017 and negligible growth trends in non-oil export observed in this period. It can be clearly seen from Figure 2 total export of the country fell from 19.6 billion USD to 13.4 billion USD in 2020. This figure is less than the indicators of 2017-2019 and equal to about 2016's analogical statistics. On the other hand, a sharp reduction in total export was mainly due to the oil-gas export decrement. At the same time, non-oil export has been increased only by 1 percent in 2020, but the share in total export rose by about 5 percent thanks

to the reduction of oil prices (ITC, SSCRA, 2020) (Figure 2).

According to statistics the main export destinations of the products of the country was Italy, Turkey, Russia, Greece, Georgia and others in 2020 (SSCRA, 2020c). At the same time, statistic dynamics varies by year. For instance, Italy, Turkey, Israel, India, Germany, China, Russia, Spain, Czech and Georgia was the top ten export destinations in 2019. However, statistics show that concentration of export markets is very high, regardless of some differentiations in export market orientation. Statistical calculations reveal that the top share of 10 markets was about 83 percent, and 78 percent, accordingly, in 2019 and 2020 (Figure 3).

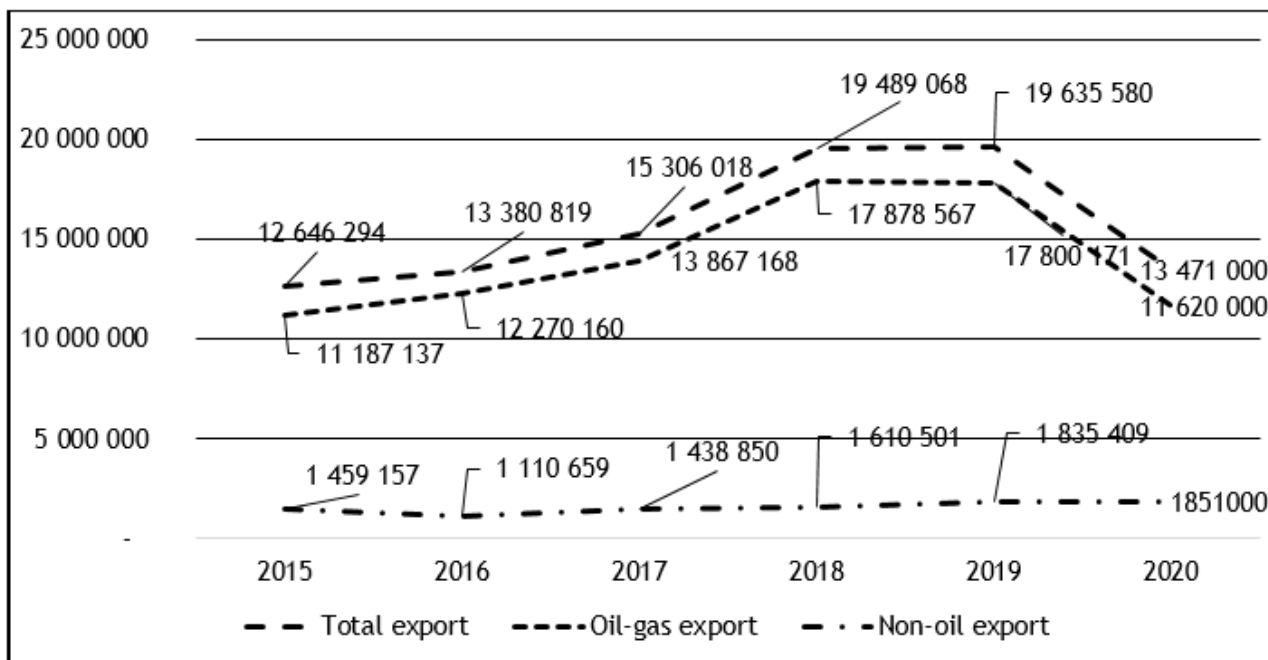


Figure 2. Export trends of Azerbaijan, 2015-2020 (USD)

Source: Calculations conducted based on statistics of International Trade Center/Trade Map and State Statistical Committee of the Republic of Azerbaijan.

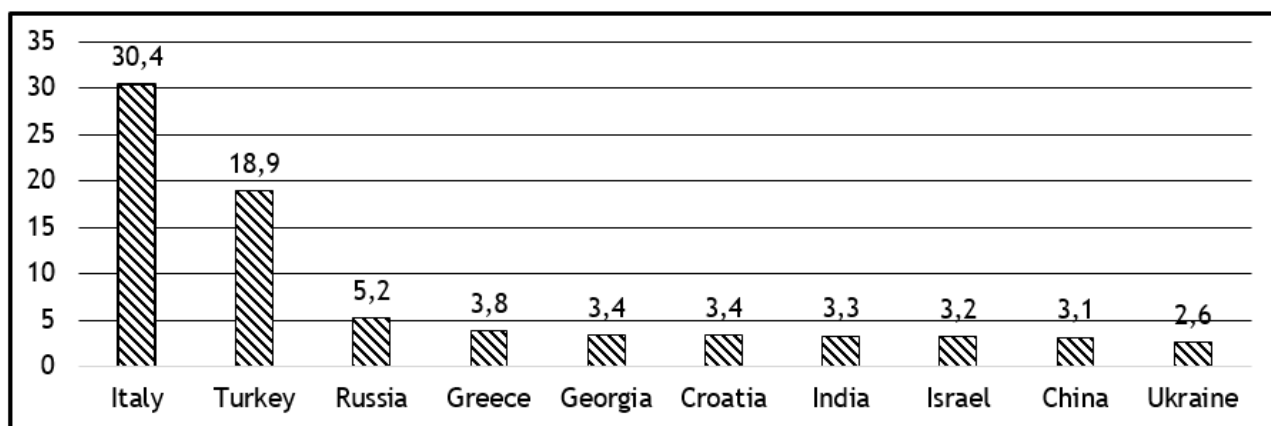


Figure 3. Top 10 export destinations of Azerbaijan, 2020 (share in total)

Source: CAERC, 2020a.

Trends on export destinations for the non-oil sector is similar to the total export destinations. 5 main destinations in non-oil export were as below in 2020 (CAERC, 2020a):

- 691 million USD to Russia,
- 377.8 million USD to Turkey,
- 224.8 million USD to Switzerland,

- 127.6 million USD to Georgia,
- 44.5 million USD to China.

On the other side, due to the calculations of World Bank experts average Herfindahl-Hirschman Market concentration index was 0.12 in the last decade in Azerbaijani export markets (WITS, 2018a) (Figure 4).

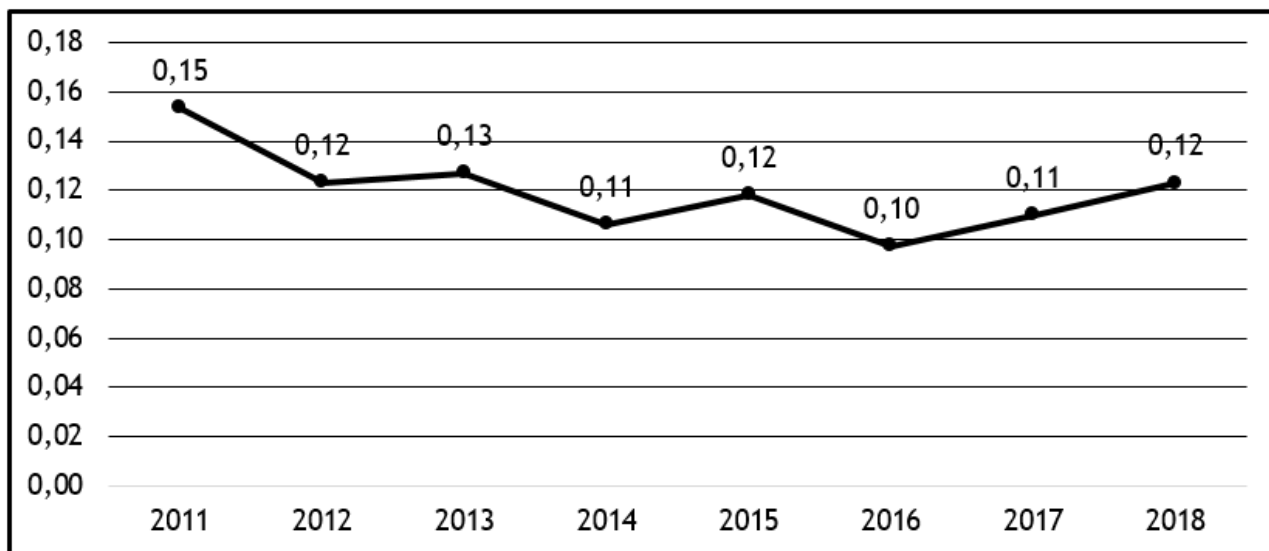


Figure 4. Herfindahl-Hirschman Market concentration index of Azerbaijan, 2011-2018

Source: World Integrated Trade Solution (WITS) database

Although, these calculations heed the lack of threat to stability of trade of the country, some shortages of index, general descriptive statistics on main export destination countries and world average point (HHMCI is 0,04), comparison with region countries show importance of creation new development opportunities in this direction. For instance, analysing the most recent statistics (2017) of the World Integrated Trade Solution (WITS) database, Azerbaijan is in 111th place amongst 155 countries in the world due to the number of export partners (114 export partners). At the same time, analysis of the same database

reveals that Azerbaijan shows poor performance according to the sorts of exported products. Thus, in 2017 Azerbaijan were in 103rd place for the number of exported products with the 1450 sort of products (WITS, 2018b).

Additionally, according to calculations based on statistics of the State Statistical Committee of the Republic of Azerbaijan, it can be clearly observed that oil-gas related sectors were dominant and there was not any change in post-oil crisis period (2015-2020), albeit to several economic reforms (SSCRA, 2020c).

Table 1. Groups of exported products (share in total), 2015-2020

Product categories/Years	2015	2016	2017	2018	2019	2020
Lives animals, animal products	0,0	0,0	0,1	0,1	0,1	0,1
Vegetables products	2,6	2,9	3,4	3,0	3,2	4,5
Animals or vegetable fats and oils	1,2	0,1	0,1	0,1	0,1	0,2
Prepared food-stuffs; beverages, spirits and vinegar; tobacco	2,2	0,9	0,7	0,5	0,5	0,7
Mineral products	88,0	91,4	90,8	92,0	90,9	87,5
Products of the chemical	0,6	0,4	0,5	0,4	0,5	0,6
Plastic and articles thereof; rubber and articles thereof	0,9	0,7	0,7	0,6	0,9	1,2
Raw hides and skins, leather, furskins and articles thereof	0,1	0,1	0,1	0,1	0,1	0,1
Textiles and textile articles	0,3	0,3	0,5	0,7	0,9	1,3
Pearls, precious or non- precious stones, precious metals and articles thereof	0,7	0,6	0,9	0,8	0,9	1,5
Base metals and articles of base metal	1,0	1,7	1,6	1,3	1,2	1,5
Machinery and mechanical appliances, electrical equipment, apparatus	0,5	0,3	0,3	0,3	0,4	0,5
Vehicles, associated transport equipment	0,0	0,5	0,1	0,0	0,1	0,0
Optical, photographic, cinematographic, checking, medical instruments and apparatus; clocks and watches; musical instruments	0,1	0,1	0,0	0,1	0,1	0,1

Source: Calculations conducted based on statistics of State Statistical Committee of the Republic of Azerbaijan.

It can be clearly seen from the Table 1 agricultural products are the main exported products to foreign countries except the mineral products. It is not coincidence that various local economists in different times also pointed to diversify the economic potential of economy especially through enhancement of the existing potential of the agrarian sector. For this reason, to boost agrarian sector of the country, oil revenues should be spent to develop agrarian sector strategies and the sector should be supported by the government through drastic economic measures.

Export value of the top product groups illustrated in below for 2015-2019 years. The

annual average export was 16.9 billion USD in 2015-2019 period. However, 14.6 billion part of this export was from the category of "mineral fuels, mineral oils and their distillation products; bituminous substances and similar products". On the other side, export products of non-oil sector related mainly to the agricultural sector. Dominance of agricultural products in non-oil export need to having a comparative advantage of this sector. In particular, the fact of agricultural products are at the top of the list of non-oil export is a clear example of how investments in this area may prove it (ITC, 2020) (Table 2).

Table 2. Value of the main exported products, 2015-2019

Product label	Exported value in 2015 (mill USD)	Exported value in 2016 (mill USD)	Exported value in 2017 (mill USD)	Exported value in 2018 (mill USD)	Exported value in 2019 (mill USD)
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	11187137	12270160	13867168	17878567	17800171
Edible fruit and nuts; peel of citrus fruit or melons	220248	243755	292654	325525	362573
Edible vegetables and certain roots and tubers	91680	129022	210090	233331	243243
Plastics and articles thereof	112452	98975	101120	118593	179402
Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	380	432	127571	146670	174520
Cotton	19505	24232	51962	108346	158469
Aluminium and articles thereof	86148	98057	117674	112234	128049
Organic chemicals	59932	43070	67262	64589	66871
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	36127	27336	36022	42999	43941
Iron and steel	18303	38990	37749	32902	39416
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	23104	11755	14427	21596	33879
Salt; sulphur; earths and stone; plastering materials, lime and cement	9880	15153	25247	26200	31686
Copper and articles thereof	9890	19445	30698	40357	30069
Sugars and sugar confectionery	212207	62275	40244	25474	27956
Beverages, spirits and vinegar	25829	18731	21923	16249	23706
Other made-up textile articles; sets; worn clothing and worn textile articles; rags	10633	10769	20425	21981	22090
Ores, slag and ash	6430	15907	19579	19485	20811
Preparations of vegetables, fruit, nuts or other parts of plants	10857	11415	15471	17426	20374
Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere ...	1579	2819	8191	8592	20291
Fertilisers	1860	2416	2189	522	19873

Source: International Trade Center/Trade Map.

Competitive advantage of agricultural products

Due to calculations, the highest RCA category in the non-oil sector is in the edible fruit, vegetables and products made from them. Furthermore, in 2016 RCA for cotton export was 5.4, in 2019 this number rise to 24.5, and in average for 4 years was 25.9. If we look at

the list of products with higher export potential, the exported products are mainly exported as primary and intermediate products. Thus, the selection and promotion of products that can be turned into final products would further increase the export potential of these products in the long run (Table 3).

Table 3. RCA index for agricultural products, 2016-2019

Code	Product name	RCA 2016	RCA 2017	RCA 2018	RCA 2019	RCA average (2016-2019)
07	Edible vegetables and certain roots and tubers	21,6	30,0	33,5	29,1	28,6
08	Edible fruit and nuts; peel of citrus fruit or melons	26,2	25,7	26,9	24,6	25,9
52	Cotton	5,4	9,5	18,5	24,5	14,5
17	Sugars and sugar confectionery	16,1	8,6	6,2	6,0	9,2
41	Raw hides and skins (other than furskins) and leather	6,8	6,0	5,7	5,1	5,9
50	Silk	none	2,7	1,4	4,2	2,7
20	Preparations of vegetables, fruit, nuts or other parts of plants	2,3	2,6	2,7	2,8	2,6
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere ...	none	none	none	2,0	2,0
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal ...	2,3	1,8	1,8	1,8	1,9
22	Beverages, spirits and vinegar	2,1	2,0	1,3	1,6	1,8

Source: Calculations conducted based on International Trade Center/Trade Map statistics.

Due to average RCA for 2016-2019 years, the highest potential exported product categories was calculated as fruits, vegetables and cotton. Three of them have subproduct groups. Azerbaijan possesses higher RCA for

tomato, cucumber and gherkins, onions, garlic and other vegetables of this type. But exported products of these categories also exported as primary and intermediate products.

Table 4. RCA index for edible vegetable products, 2016-2019

Code	Product name	RCA 2016	RCA 2017	RCA 2018	RCA 2019	RCA average (2016-2019)
0702	Tomatoes, fresh or chilled	127	174	192	179	168
0701	Potatoes, fresh or chilled	46	62	70	46	56
0707	Cucumbers and gherkins, fresh or chilled	65	45	34	24	42
0703	Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled	2	25	16	11	14

0706	Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots, fresh ...	5	3	7	5	5
0709	Other vegetables, fresh or chilled (excluding potatoes, tomatoes, alliaceous vegetables, edible ...	3	3	3	3	3
0708	Leguminous vegetables, shelled or unshelled, fresh or chilled	1	2	2	1	1
0704	Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled	0	1	1	2	1
0713	Dried leguminous vegetables, shelled, whether or not skinned or split	0	0	1	2	1
0705	Lettuce "Lactuca sativa" and chicory "Cichorium spp.", fresh or chilled	0	0	1	1	1
0711	Vegetables provisionally preserved, e.g. by sulphur dioxide gas, in brine, in sulphur water ...	0	0	0	0	0
0710	Vegetables, uncooked or cooked by steaming or boiling in water, frozen	0	0	0	0	0
0712	Dried vegetables, whole, cut, sliced, broken or in powder, but not further prepared	0	0	0	0	0
0714	Roots and tubers of manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar ...	0	0	0	0	0

Source: Calculations conducted based on International Trade Center/Trade Map statistics.

Diversifying exports and providing access to different markets makes the country's exports safer. Without sufficient diversification, changes due to economic shocks in import countries can reduce the export potential sharply. On the other side, our economic calculations showed that Azerbaijan's non-oil export sector was not diversified properly. For example, due to some arising political issues with the Russian Federation, which is the main importer of Azerbaijani tomato, export values are less about 40 percent in 2021 January-February period in compare to the analogical period of 2020 (CAERC, 2020b). According to dynamic statistics of 3 main products in vegetable categories, RCA of tomato export is increasing from 2016. As noted, if the weight of the export destination is placed on a single market, the export potential becomes fully elastic in trade relations with that country. It should be noted that Russian Federation for vegetable exports is almost the sole export

market for Azerbaijani products. On the other side, these products are in a form of initial and intermediate goods, for this reason, notwithstanding having of high RCA, in different markets they do not have competitiveness. To eliminate this gap and reduce the dependency from one market, it is vitally significant exporting agricultural products as the final product.

"Edible fruits and nuts (cookies)" is another category of products which have export potential with a comparative advantage. In this category, which includes many products and listed in the table 4 below, Azerbaijan has a clear comparative advantage. Despite the fact that average RCA for the first two products are quite high, the market in which these exported is the Russian Federation only. As noted, there is a risk that products in the form of primary or intermediate products may lose their advantage in that market due to potential shocks in a single market.

Table 5. RCA index for edible fruits products, 2016-2019

Code	Product name	RCA 2016	RCA 2017	RCA 2018	RCA 2019	RCA average (2016-2019)
0810	Fresh strawberries, raspberries, blackberries, black, white or red currants, gooseberries and ...	72	73	82	63	72
0809	Apricots, cherries, peaches incl. nectarines, plums and sloes, fresh	62	68	87	71	72
0802	Other nuts, fresh or dried, whether or not shelled or peeled (excluding coconuts, Brazil nuts ...	69	65	53	54	60

Continued table 5

0808	Apples, pears and quinces, fresh	31	33	40	38	35
0806	Grapes, fresh or dried	3	2	2	3	3
0813	Dried apricots, prunes, apples, peaches, pears, papaws "papayas", tamarinds and other edible ...	0	1	3	3	2
0807	Melons, incl. watermelons, and papaws (papayas), fresh	1	1	0	1	1
0805	Citrus fruit, fresh or dried	0	0	0	0	0
0811	Fruit and nuts, uncooked or cooked by steaming or boiling in water, frozen, whether or not ...	0	0	0	0	0
0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried	0	0	0	0	0
0812	Fruit and nuts, provisionally preserved, e.g. by sulphur dioxide gas, in brine, in sulphur ...	0	0	0	0	0
0801	Coconuts, Brazil nuts and cashew nuts, fresh or dried, whether or not shelled or peeled	0	0	0	0	0

Source: Calculations conducted based on International Trade Center/Trade Map statistics.

However, the product coded 0802 is exported not only to the Russian market, but also to other European and CIS countries and in the table 5 below, it is clearly seen well-diversification of export market. Although the

Russian Federation is the main market for exports of this product, providing access to other markets can easily increase exports to these markets in the future (ITC, 2020) (Table 6).

Table 6. Export destinations of 0802 coded products, 2019

Importers	Exported value in 2019 (US Dollars, thousand)	Share in total export
World	125627	-
Russian Federation	58845	47%
Italy	33211	26%
Germany	20938	17%
Poland	2197	2%
Georgia	2116	2%
Lithuania	1617	1%
Belarus	1369	1%
France	1153	1%
Switzerland	903	1%
Ukraine	827	1%
Estonia	697	1%

Source: Calculations conducted based on International Trade Center/Trade Map statistics.

There are 3 products with export potential as intermediate products and final products in the category of "Alcoholic and non-alcoholic beverages". Notwithstanding of obvious comparative advantage of these products is not very high, it is possible to further increase the export potential each of them to bring country more advantages in the long term perspectives.

Conclusions. The analysis show dependency level of Azerbaijan's non-oil export on just three countries is 68 percent and it is a quite poor performance indicator for the export geography diversification. Furthermore, the

findings emphasize the classification of export products applied in international practice based on their technological level and complexity, almost all exported products from Azerbaijan are included in low and medium-low technological level classification groups. From this point of view, the selection and promotion of products that can be turned into final products would further increase the export potential of these products in the long-run.

Considering the general export dynamics of recent years (2015-2020), the Azerbaijani trade sector depends mainly on oil-gas sector

and these negative trends were not changed dramatically in recent years, notwithstanding of various reforms were conducted to boost non-oil export potential. At the same time, reduction of oil prices created opportunities (through reduction of crowding out effect) for the non-oil sector advancement and enhancement its share in non-oil sector, and economic policymakers should catch up these chances appropriately.

According to the calculations based on RCA, mainly agricultural products remain as having a high export potential in the non-oil sector of Azerbaijan. On the other side, our economic calculations showed that Azerbaijan's non-oil export sector was not diversified properly. The fact that the destination coun-

try for the categories of products with high export potential is mainly the Russian market creates a need to diversify export destinations of these products.

Generally, notwithstanding of calculations heed the lack of threat to stability of trade of the country related to export diversification, some shortages of HHMCI, general descriptive statistics on main export destination countries and world average point show new trade strategies should be designed in this direction. Current and prospective studies regarded export trends, RCA and export diversification issues will guide government institutions and public entities to monitor and develop the current strategies, to tackle with the adverse effects of resource dependency in Azerbaijan.

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Валиева Сабина Иззет гизи. Ненафтові експортні виклики нафтових країн на прикладі Азербайджану

Мета статті - проаналізувати торговий сектор Азербайджану за останні десятиріччя та визначити конкурентні переваги аграрного сектору.

Методика дослідження. Для аналізу поточної ситуації здійснено виявлення конкурентних переваг (Reveal Competitive Advantage), використано індекс концентрації ринку Херфіндала-Хіршмана та описовий статистичний аналіз.

Результати дослідження. Аграрний сектор може бути одним з основних рушіїв економічного розвитку в країнах, багатих на природні ресурси. З іншого боку, через ефект витіснення нафтового сектору аграрний сектор не використовує повністю свій потенціал. Водночас торговельна залежність від галузей, пов'язаних із нафтою, диверсифікація експортної продукції та напрямів експорту надто важливі для майбутніх економічних перспектив багатих на ресурси країн.

Елементи наукової новизни. Авторський аналіз засвідчив, що залежність Азербайджану від природних ресурсів суттєво вплинула на диверсифікацію експорту, тому країні необхідно диверсифікувати свою експортну продукцію та напрями експорту для забезпечення торгової безпеки. Крім того, за результатами аналізу сільськогосподарська продукція має великий потенціал, щоб бути конкурентоспроможною на світовому ринку порівняно з іншими товарами, які виробляються у країні.

Практична значущість. Поточні та перспективні дослідження, що стосуються експортних тенденцій, питань RCA та диверсифікації експорту, дадуть змогу урядовим установам і державним структурам контролювати й розробляти поточні стратегії для подолання негативних наслідків ресурсної залежності в Азербайджані. Табл.: 6. Рис.: 4. Бібліогр.: 33.

Ключові слова: Азербайджан; нафтова залежність; аграрний сектор; диверсифікація експорту; ненафтовий експорт.

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Валиева Сабина Иззет гызы. Ненефтяные экспортные вызовы нефтяных стран на примере Азербайджана

Цель статьи - проанализировать торговый сектор Азербайджана за последние десятилетия и определить конкурентные преимущества аграрного сектора.

Методика исследования. Для анализа текущей ситуации осуществлено выявление конкурентных преимуществ (Reveal Competitive Advantage), использован индекс концентрации рынка Херфиндала-Хиршмана и описательный статистический анализ.

Результаты исследования. Аграрный сектор может быть одним из основных двигателей экономического развития в странах, богатых природными ресурсами. С другой стороны, вследствие эффекта вытеснения нефтяного сектора аграрный сектор не использует полностью свой потенциал. В то же время торговая зависимость от отраслей, связанных с нефтью, диверсификация экспортной продукции и направлений экспорта очень важны для будущих экономических перспектив богатых ресурсами стран.

Элементы научной новизны. Авторский анализ показал, что зависимость Азербайджана от природных ресурсов существенно повлияла на диверсификацию экспорта, поэтому стране необходимо диверсифицировать свою экспортную продукцию и направления экспорта для обеспечения торговой безопасности. Кроме того, по результатам анализа сельскохозяйственная продукция имеет большой потенциал, чтобы быть конкурентоспособной на мировом рынке по сравнению с другими товарами, производимыми в стране.

Практическая значимость. Текущие и перспективные исследования, касающиеся экспортных тенденций, вопросов RCA и диверсификации экспорта, дадут возможность правительственным учреждениям и государственным структурам контролировать и разрабатывать текущие стратегии для преодоления негативных последствий ресурсной зависимости в Азербайджане. Табл.: 6. Илл.: 4. Библиогр.: 33.

Ключевые слова: Азербайджан; нефтяная зависимость; аграрный сектор; диверсификация экспорта; ненефтяной экспорт.

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