

Foreign economic development strategy of Azerbaijan in the context of global economic trends

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Abstract

The modern global economy is in a state of profound transformation caused by both internal factors (digitalization, technological changes, energy transition) and external challenges (geopolitical instability, global crises, changes in the balance of power in world trade). The ongoing changes have increased tension in the international situation, uncertainty in the global economy and finance, the number of wars, conflicts and terrorist attacks has increased. The nature of this instability cannot be understood without identifying and analyzing new trends in the global economy and without clarifying their essence. For Azerbaijan, which has a unique geostrategic position and rich energy resources, foreign economic strategy is one of the key instruments for sustainable development. It is focused on diversifying the economy, integrating into world markets and strengthening the country's position as a transit and energy hub in the region. The purpose of the study is to identify the main trends in the world economy and determine the strategic directions of Azerbaijan's foreign economic policy in the context of global changes.

Key words: global economy, economic strategy, foreign economic development, global economic trends

Introduction

In the context of globalization, scientific and technological progress and changes in international trade and financial relations, the foreign economic strategy of states acquires special significance, becoming not only an instrument of integration into the world system, but also the most important factor in sustainable national development (Khubiev and others, 2017).

For Azerbaijan, foreign economic policy issues are a priority. Since the restoration of independence, the country has been consistently formulating a strategy aimed at diversifying the economy, reducing dependence on the hydrocarbon sector and strengthening its position in global markets. In the context of growing competition, changing energy prices and a more complex geopolitical situation, Azerbaijan is faced with the task of finding new directions for the development of foreign economic relations, which makes the study of this topic particularly relevant.

The scientific novelty of the work lies in the comprehensive analysis of the foreign economic strategy of Azerbaijan, taking into account modern trends in the world economy. Particular attention is paid to the influence of global processes - such as digitalization, the transition to "green" energy and the formation of new regional unions - on the prospects of the national foreign economic policy. The purpose of the study is to identify the features and priorities of Azerbaijan's foreign economic strategy, as well as to assess its compliance with modern global trends. To achieve this goal, it is necessary to solve the following tasks:

- to consider the historical stages of the formation of the country's foreign economic relations;
- to analyze the impact of global economic trends on national policy;
- to assess the current state of Azerbaijan's foreign economic activity;
- to determine the main directions for its improvement in the long term.

Research Methodology

The methodological basis of the work is built on a combination of general scientific and special methods of analysis, allowing for a comprehensive consideration of Azerbaijan's foreign economic strategy in the context of global trends.

1. Systems approach. Foreign economic policy is analyzed as part of the overall socio-economic strategy of the state, which allows for the interrelation of macroeconomic, political and institutional factors to be taken into account.

2. Historical and logical method. Used to trace the evolution of Azerbaijan's foreign economic policy - from the first years of independence to the present stage, which allows for the identification of patterns and trends in its development.

3. Comparative analysis. Used when comparing the experience of Azerbaijan with the practice of other states in similar conditions (for example, the countries of the Caspian region and Eastern Europe). This helps to identify the strengths and weaknesses of the national model.

4. Statistical and economic-mathematical methods. Based on data from the State Statistics Committee of Azerbaijan, the World Bank, the IMF and other international organizations, an analysis is made of the dynamics of foreign trade turnover, the structure of exports and imports, as well as macroeconomic indicators.

5. Content analysis method. It is used in the study of strategic documents - "Azerbaijan 2030: National Priorities of Socioeconomic Development", "Strategy for Socioeconomic Development for 2022-2026", as well as reports of international organizations.

The use of these methods ensured the comprehensive nature of the study and made it possible to formulate practical conclusions.

The limitations of the study are related to the fact that some of the statistical data are available only in an averaged form, and the influence of global trends is probabilistic in nature and does not always lend itself to accurate quantitative assessment. Nevertheless, the use of an integrated approach allows us to draw conclusions about the main directions for improving Azerbaijan's foreign economic strategy and its compliance with global trends.

1. Formation and development of foreign economic strategy of Azerbaijan

One of the key indicators determining the level of economic development of a country is the development of foreign economic relations. Increasing the competitiveness of national production, export of quality products to world markets, as well as import of goods necessary for the domestic consumer market, ultimately affect the growth of the economic power of countries. Acceleration of the country's economic development is largely due to the expansion of interstate trade relations, the implementation of successful import-export operations and the establishment of a balanced relationship between them in accordance with national interests (Amosha et al., 2021).

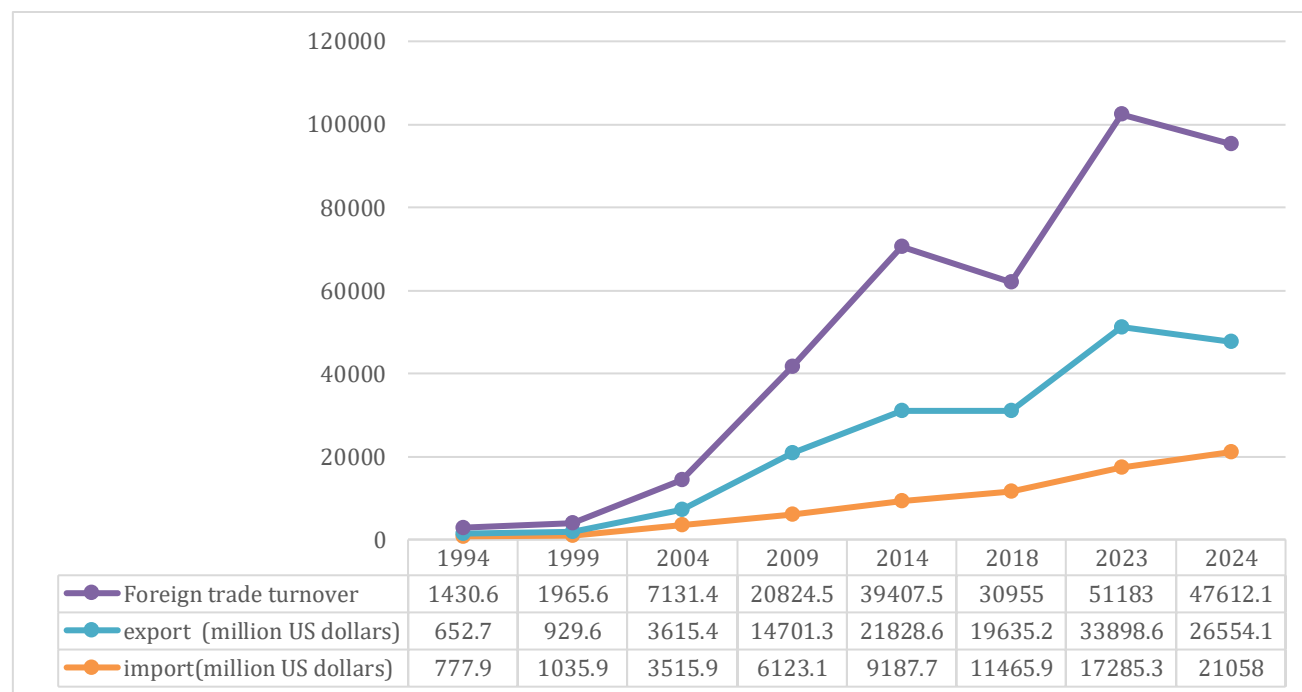
Foreign economic relations are of key importance in the economic development of the country, its participation in the international economic system. These relations provide the necessary conditions for interaction between countries, attracting foreign investment, exchanging technologies and innovations. For Azerbaijan, the development and diversification of foreign economic relations are of strategic importance both for economic growth and for ensuring sustainable development of the country (Galandarova, 2025).

The main purpose of foreign economic relations is the effective distribution of economic resources, specialization of production and optimization of the import-export balance. Access to world markets, technology transfer and opportunities for participation in the international division of labor are also realized within the framework of foreign economic relations. For this reason, the development of foreign economic relations is one of the priority areas of the economic strategy of Azerbaijan. Before gaining independence, Azerbaijan was part of the former Soviet Union, so the country's foreign trade policy was under strong state control, and trade operations were mainly carried out with the former member states of the USSR. Strong state control created restrictions on the establishment of trade relations with other countries of the world. Due to these

restrictions, Azerbaijan could not pursue its own independent foreign policy, and trade relations served the interests of the Union, and not its own economic interests and needs. In this regard, after gaining independence, Azerbaijan gained economic freedom and new opportunities for the development of the national economy opened up. Azerbaijan's independence gave impetus to the growth of its economic and foreign trade relations with both neighboring and non-CIS countries. The growth of economic potential led to the expansion of ties with other countries, an increase in the number of partners and the strengthening of Azerbaijan's position in the region. During these years, the economic development of Azerbaijan was unique and after the stagnation observed at the first stage, it entered a phase of rapid development, which contributed to the achievement of high results. The measures taken in the sphere of foreign trade led to the transformation of the foreign trade sector into one of the leading sectors of the country's economy and the expansion of foreign trade relations (Galandarova, 2025). The free economy in the country, the development of the private sector, the political and economic influence of the republic, and the favorable geographical conditions of its location also created great opportunities for increasing the volume and scale of foreign trade relations. Relations with international financial, credit and economic institutions began to develop. Over the past period, much work has been done in this direction. Azerbaijan was accepted into almost all influential international institutions, including the International Monetary Fund, the World Bank, the European Bank for Reconstruction and Development (1992), the Islamic Development Bank (1999), and the Asian Development Bank (1999). With the formation of a new independent economic environment, a new page has opened for Azerbaijan's trade relations, which in its essence and effectiveness is fundamentally different from the previous period. However, in the first years of independence, political instability, economic difficulties, disruption of traditional economic ties, occupation of Azerbaijani lands by Armenia and the existence of military conditions created major obstacles to the development of foreign economic relations. These conditions had a significant impact on the volume of foreign trade turnover, which is reflected in Graph 1.

According to statistical data, for the period under review from 1994 to 2024, Azerbaijan's foreign trade turnover increased by 33.3 times, including exports - 40.7 times, imports - 27.1 times. A detailed analysis of statistics shows that the maximum balance of foreign trade turnover was observed in 2008 and amounted to 40586.0 million US dollars, and the minimum balance of foreign trade turnover was in 1998 (-470.4 million US dollars).

Graph 1. Dynamics of foreign trade turnover of Azerbaijan for the period 1994-2024



Source: <https://www.stat.gov.az/source/trade/>

A number of legislative acts were adopted to form the legal basis for foreign economic relations. Thus, on January 10, 1994, the President of the Republic issued the Decree "On Increasing the Efficiency of Foreign Trade in the Republic of Azerbaijan". Later, on April 5 of the same year, the Decree "On the Liberalization of Foreign Trade in the Republic of Azerbaijan" allowed the export of important goods by all legal entities. In accordance with this decree, the Cabinet of Ministers adopted the Resolution "On the Liberalization of Foreign Trade in the Republic of Azerbaijan" dated November 15, 1995. According to this decision, licensing and quotas for export operations were abolished, and a new Regulation on the Organization of Foreign Trade was approved. This decision was aimed at reducing state control over trade in accordance with the requirements of a market economy and implementing its liberalization. On December 17, 1996, the decrees "On the Rules for Regulating Foreign Trade in the Republic of Azerbaijan" were issued, and on June 24, 1997 - "On Further Liberalization of Foreign Trade in the Republic of Azerbaijan". On July 23, 1999, the decree "On Approval of the State Program for the Development of Trade in the Republic of Azerbaijan for 1999-2000" was signed. This program envisaged measures to regulate trade, protect the rights of producers and consumers, and create favorable conditions for import and export.

Along with these reforms, the Republic of Azerbaijan further expanded its trade ties by establishing close relations with the International Monetary Fund, the European Bank for Reconstruction and Development, the Islamic Development Bank, the World Trade Organization, the Commonwealth of Independent States, the European Union and other influential international organizations, as well as joining a number of international agreements and treaties. The introduction of the free market model in accordance with the demands of the time soon turned Azerbaijan into a strong state in the region due to its economic potential. The signing of the “Contract of the Century” in 1994 not only played a vital role in the overall economic development of Azerbaijan, but also directly affected trade ties. Oil contracts opened Azerbaijan to the countries of the world and made a significant contribution to the development of trade relations, increasing foreign trade turnover many times over (Dashdamirova, 2024).

As a logical result of the successful policy pursued by Azerbaijan in the economic sphere, today our country has managed to achieve significant success in foreign trade relations with world countries, and the scale of these achievements is growing every day.

2. Foreign economic development strategy of Azerbaijan in the context of global trends

Foreign economic relations between countries largely depend on global trends affecting the world economy. These global trends are the basis for the research of many authors. In particular, global economic trends are considered in the studies of Khubiev et al. (2017), Bruno S. (2024), Amosha et al. (2021). The authors analyze the current conditions, identify pressing problems and further development paths, and note the impact of these trends on national economies.

The impact of global trends on the economic development strategy of Azerbaijan is considered by Galandarova (2025), Ashamsi (2021), Dashdamirova (2024), Talibova (2024) and other authors.

It should be noted that on February 2, 2021, the President of the Republic of Azerbaijan I. Aliyev approved the “National Priorities of Socio-Economic Development: Azerbaijan 2030” (<https://president.az/ru/articles/view/50474>).

The document specifies the country's economic role in the region as an initiator of major economic projects and the orientation of the country's socio-economic development towards five national priorities:

- competitive, sustainable economy;
- dynamic and inclusive social society;

- human capital and technological innovation;
- return to territories liberated from occupation;
- clean environment and development of a green economy.

2.1. Digitalization and technological innovation

These national priorities largely correspond to global trends in the world economy. According to Park, S., (2024), the most important trend in the development of the world economy is digitalization and technological innovation. According to the World Bank, the introduction of digital technologies increases labor productivity by an average of 1.5-2% annually. In the context of global competition, digitalization is becoming a factor not only in economic growth, but also in the international positioning of countries. Countries lagging behind in digital transformation risk finding themselves on the periphery of the world economy.

Let's analyze the development of digital technologies in Azerbaijan (Table 1).

Table 1. Key indicators for the ICT sector

Name of indicators	2005	2010	2015	2020	2021	2022	2023
Output of products (services) in the ICT sector, million manats	461,7	1 146,2	1 589,2	2 158,2	2 249,7	2 514,8	2 988,8
The volume of added value created in the ICT sector, million manats	320,5	715,8	970,7	1 600,9	1 663,8	1 822,2	2 144,9
Share of added value created in the ICT sector in GDP, in percent	...	1,7	1,8	2,2	1,8	1,4	1,7
Investments in fixed capital by ICT enterprises, million manats	150,1	204,0	338,4	177,2	135,0	392,7	385,8
Import of ICT products*, million manats	145,8	180,2	268,6	1 055,9	1 083,2	998,7	1 510,2
computer and peripheral equipment	34,3	52,3	60,0	287,0	299,8	345,0	417,8
telecommunications equipment	92,3	92,7	99,8	503,8	543,8	384,9	777,3
electronic equipment	6,5	15,0	34,0	176,3	190,5	205,2	245,0
other ICT products	12,7	20,2	74,8	88,8	49,1	63,6	70,1
Share of imported ICT products in the value of all types of products imported into the country, in percent	3,2	3,5	2,8	5,8	5,4	4,0	5,1
Specific weight of ICT products exports in total exports, in percent	...	...	...	0,143	0,023	0,060	0,053
List of employees working in the ICT sector,	17,3	18,3	20,1	20,5	21,1	22,5	23,5

thousand people							
Ratio of employees working in the ICT sector to the list of employees in all sectors of the economy, in percent	1,4	1,3	1,3	1,4	1,4	1,3	1,4
ICT development index	2,58	3,78	6,23	6.64	6.67	6,88	7,09

Source: https://www.stat.gov.az/source/digital_development/

As we can see from the analysis of the ICT sector indicators, the output of products (services) increased by 6.5 times in the period from 2005 to 2023, The volume of added value created in the ICT sector increased by 6.7 times, Investments in fixed assets by ICT enterprises increased by 2.6 times, imports of ICT products increased significantly (10.4 times), the number of workers employed in the sector increased by 1.4 times, the ICT development index increased by 2.7 times. These data indicate the development of digitalization in Azerbaijan, but we note that there are a number of problems in this area. The share of added value created in the ICT sector in GDP is only 1.7%, a very low indicator of Specific weight of ICT products exports in total exports - 0.053%. Although there are a large number of Internet providers in the country, the quality of the services they provide is not high, and the prices for the services provided are quite high.

2.2. Energy transition and "green economy"

According to the World Energy Outlook 2023, by 2050 the share of renewable energy sources in the global energy sector will exceed 60%. This reduces long-term dependence on hydrocarbons, which is a challenge for Azerbaijan as an oil and gas exporter. However, at the same time, it opens up opportunities for investment in "green" projects.

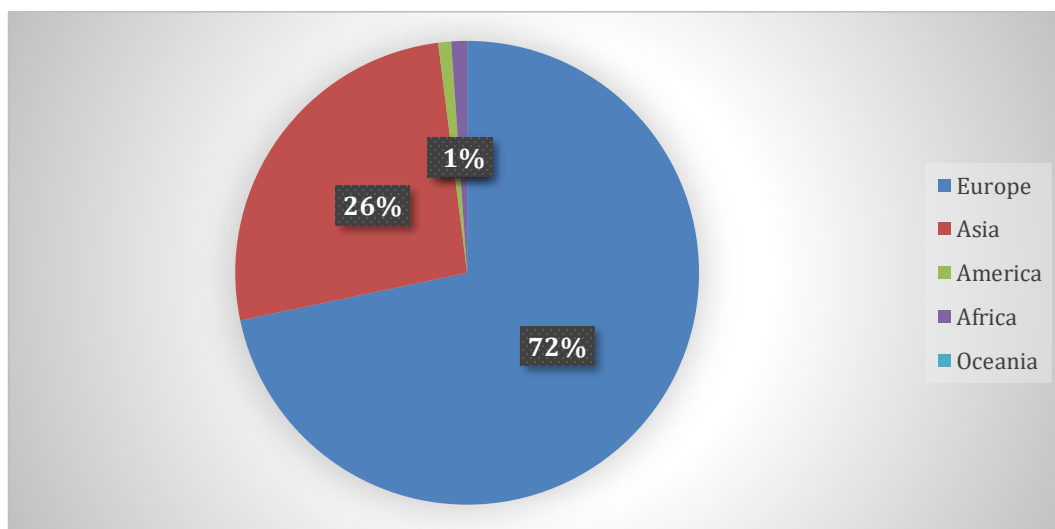
The development of a green economy is one of the national priorities for the development of the economy of Azerbaijan. A number of measures are being taken in the country to develop an environmentally friendly economy, but our country is traditionally an oil and gas producer, which affects the low level of greening. In recent years, a number of documents have been adopted for the development of a green economy, such as "Azerbaijan-2030: National Priorities of Socio-Economic Development" and "The Strategy for Socio-Economic Development for 2022-2026". Undoubtedly, special attention should be paid to the modernization of technologies, the introduction of innovations, diversification of the economy and the development of the non-oil sector. (Mammadov, 2023),

The use of non-traditional sources of electricity generation is also important. Unfortunately, the indicators of energy supply from renewable energy sources in the total energy supply of the country are low. According to the indicators of 2023, Share of energy supply from renewable sources in total energy supply 1.44 percent, including, Specific weight of hydropower in total energy supply 0.8 percent, Share of biomass and waste in total energy supply 0.5 percent, Specific weight of wind power in total energy supply 0.04 percent, Share of solar electricity in total energy supply 0.1 percent.

2.3. Regionalization and new trade unions

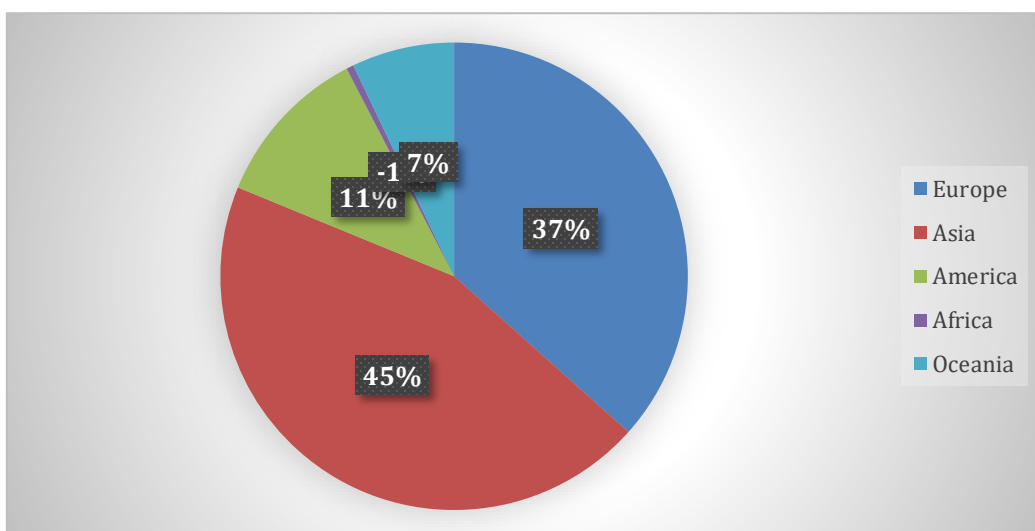
With the strengthening of integration processes (EU, SCO, BRICS+), the architecture of world trade is changing. Countries are striving to form regional blocs, which increases the importance of Azerbaijan's strategic position at the intersection of transport routes between the East and West. As a result of the establishment of effective trade relations, cooperation with foreign countries has expanded, new allies have emerged, and Azerbaijan's political positions in the region have further strengthened. One of the main priorities of Azerbaijan's foreign economic strategy is active inclusion in modern global economic processes and adequate response to new trends emerging in the global geo-economic space.

Graph 2. Geographical structure of exports, 2024



Source: <https://www.stat.gov.az/source/trade/>

Graph 3. Geographical structure of imports, 2024



Source: <https://www.stat.gov.az/source/trade/>

2.4. Growth of Emerging Economies

The contribution of developing countries to global GDP in 2023 was about 59% (IMF). Asia, the Middle East and Africa are becoming centers of global growth, forming new markets and partnership opportunities for Azerbaijan. In recent years, the country, along with traditional ties, has been developing foreign economic relations with the countries of Central Asia and China.

2.5. Geopolitical Instability

Sanctions, trade wars and military conflicts have strengthened the role of economic security. For Azerbaijan, this means the need to diversify foreign economic relations, reduce dependence on a limited number of partners, and search for new economic markets and reliable partners.

3. Main directions of development of foreign economic strategy of Azerbaijan

3.1. Diversification of economy

According to the State Statistics Committee, the share of the non-oil sector in Azerbaijan's GDP in 2023 exceeded 60%, and the export of non-oil goods increased by 15%. The key areas are agriculture, agro-industry, chemical and light industry, IT sector.

3.2. Energy policy

Azerbaijan acts as an important supplier of gas to Europe via the Southern Gas Corridor. In 2023, the volume of gas exports amounted to more than 22 billion cubic meters. In parallel, projects in the field of "green energy" are being implemented - in particular, joint initiatives with Masdar (UAE) and ACWA Power (Saudi Arabia).

3.3. Transport and logistics infrastructure

The Baku-Tbilisi-Kars and Trans-Caspian International Transport Route projects have strengthened Azerbaijan's role in international logistics. The port of Alat has become one of the largest transport hubs in the Caspian region. This allows the country to claim the status of a "logistics bridge" between Europe and Asia.

3.4. Investment attractiveness

Azerbaijan occupies a leading position in the region in terms of business conditions (Doing Business 2020 - 34th place). The country annually attracts significant amounts of foreign direct investment, especially in the energy and transport sectors.

3.5. Innovation and human capital

An important area has become the development of the digital economy. The country is implementing the Digital Azerbaijan program, aimed at introducing electronic services, supporting start-ups and creating innovative clusters.

4. Prospects and development scenarios

Based on the analysis, three scenarios for the development of Azerbaijan's foreign economic strategy can be identified:

Basic scenario - maintaining focus on energy exports with gradual growth of the non-oil sector.

Innovative and diversification scenario - accelerated development of IT, "green energy" and logistics, which will allow Azerbaijan to take a stable position in the global economy.

Negative scenario - maintaining dependence on oil and gas in the context of declining global demand and geopolitical instability.

Conclusion and recommendation

The conducted study showed that Azerbaijan's foreign economic strategy is being formed in the context of profound changes in the global economy and reflects the country's desire to adapt to new global challenges. Since the first years of independence, the main focus was on the development of the oil and gas sector, which ensured sustainable growth and strengthened its position in the international arena. However, in modern conditions, one of the key tasks is to diversify the economy and reduce dependence on hydrocarbon exports.

The analysis showed that the national strategy for foreign economic development is gradually transforming towards a more comprehensive approach: along with the energy sector, priorities are given to the development of transport and logistics potential, agriculture, information technology and services. Integration into global trade and

financial structures is of great importance, which opens up new opportunities for attracting investment and expanding export markets.

At the same time, Azerbaijan still faces serious challenges. Among them are fluctuations in world energy prices, growing competition in international markets, the need to adapt to the requirements of the "green economy" and digital transformation. These factors require not only adjustments to the foreign economic strategy, but also strengthening the institutional framework, improving legislation and developing human capital.

Thus, it can be concluded that the successful implementation of Azerbaijan's foreign economic strategy is possible provided that global trends are actively used in the interests of national development. This involves strengthening the innovative potential, expanding diversified exports and deepening cooperation at both the regional and international levels. In the future, these areas will form the basis for sustainable economic growth and strengthening the country's competitive advantages in the global economy.

The global economy is entering a phase of structural changes, within which digitalization, energy transition and regionalization are becoming key factors. For Azerbaijan, these are both challenges and opportunities.

The combination of the traditional energy role with the development of transport and logistics potential, support for non-oil exports and innovative technologies forms the basis for the long-term sustainability of the country's economy. Azerbaijan's foreign economic strategy is focused on integration into global value chains and strengthening the state's position as a regional leader in the South Caucasus and the Caspian region.

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