

# REPUBLIC OF AZERBAIJAN

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## ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

### **EVALUATION OF THE LOANING MECHANISMS' IMPACT ON EXPORT STIMULATION**

Speciality: 5310.01 - The World Economy

Field of science: Economic sciences

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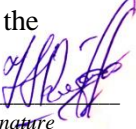
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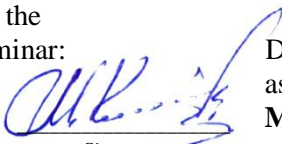
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## THE WORK'S GENERAL CHARACTERISTICS

**The topic's relevance and stage of development:** We experience that foreign trade relations play a significant role in assessing each country's economic development. Exports are more important in international trade, according to research. In general, increasing exports help each country address a variety of socioeconomic issues, such as reviving local production, increasing foreign currency inflows, improving population welfare, strengthening the national currency, and reducing reliance on imports. Many countries around the world use a variety of incentives to boost exports and implement a variety of supportive policies to boost the global competitiveness of domestically produced goods.

Other countries' experience reveals that in order to boost exports, insurance of loans to enterprises engaged in foreign trade activities and increased attention from financial institutions to import-export activities can help the sector grow. The correct use of a variety of financial instruments is critical to the effectiveness of organizations and companies operating in Azerbaijan. When entering overseas markets, countries have a significant demand for financial and credit services, and they are seeking to develop export loans and establish adequate financial institutions to address these needs. The dissertation is significant in its relevance due to the importance of establishing an appropriate mechanism in this direction and the organization of its effective operation.

In national and international economics, the problem of export stimulation, its socioeconomic significance, the formation and improvement of assessment methods, as well as the impact of export stimulation on economic growth including its role in socioeconomic development processes, have all been extensively studied. It is no coincidence that A.Smith and D.Ricardo, the founders of classical economics, established fundamental theories in the fields of foreign commerce and import-export, and that later researchers such as A.Marshall, J.Hicks, P.Samuelson, and others performed study on the international economy.

Azerbaijani economists have conducted a variety of fundamental studies on current theoretical and practical issues related to the formation and development of foreign trade relations, as well as the identification

and resolution of existing problems related to the structure and geography of Azerbaijan's foreign trade relations, including exports. We can mention some of the scholars among them including T.S.Valiyev, A.J.Muradov, D.A.Valiyev, E.M.Hajizada, Sh.H.Hajiyev, Q.A.Ganjyev, I.A.Karimli, F.A.Qanbarov, M.Y.Quliyev, Sh.S. Qafarov, F. Mustafayev, A.Q. Alirzayev, M.M. Baghirov, T.Huseynov, Y.Kalbiyev and others.

The following scientists have provided considerable attention to their scientific efforts and accomplished major breakthroughs in this area in relation to this challenge in the international economy: Malcolm Stephens, Delio E. Gianturco, Delphos A. William, Lederman D., Olarreaga M., Payton L, Krauss M., Yeskomb E.R., Zharinov A.A., Zhuravleva G.P., Zhiryayeva E.V. ., Kamalov M.I., Ovchinnikov A.A.

However, in the current situation, a thorough examination of important theoretical and practical issues is required, such as how to assess and improve export stimulation mechanisms, the current state and prospects of Azerbaijan's exports, and how to identify areas for improving export promotion mechanisms.

The construction of a suitable legal framework for the provision of financial services to firms engaged in export activities in compliance with international regulations is currently one of the most pressing challenges. Furthermore, the establishment of the Export Credit Agency (ECA) is one of the most critical issues in international trade. As a result of ECA's activities, economic and political risks are reduced, which leads to the implementation of export operations, increased business activity, domestic production expansion, and export development. Exporters can get a competitive advantage in global markets by implementing more efficient finance and insurance projects thanks to these agencies' effective insurance and financial support.

**Object of the research:** The loan mechanism's driving tools have been chosen to boost exports.

**Subject of the research:** The creation of potential prospects to improve the role of the lending mechanism in relation to export stimulation is the subject of this research.

**Goals and objectives of the research:** The goal of the study is to draw conclusions from the concepts of lending mechanisms to stimulate exports and to improve the mechanism of financial support for

Azerbaijani companies' export operations and its elements in accordance with modern features of international trade. The following objectives have been assigned to help attain this goal:

- Determine the causes and increasing importance of the patterns of exports in the global economy in the age of globalization;
- A categorization of theoretical perspectives on export promotion;
- Research into lending systems to boost exports;
- Examine the various types and methods of export stimulation mechanisms in use around the world;
- State assistance for export stimulation, as well as the classification of the necessary measures system;
- Research international economic organizations' proposals in the sphere of export support, as well as the economic and legal standards they have accepted;
- Evaluate the existing situation of Azerbaijan's exports and forecast future growth;
- Making recommendations for enhancing Azerbaijan's credit framework in order to boost exports.

**Research methods:** In the research, scientific abstraction, deduction, induction, synthesis, observation and comparison, logical judgment, systematic analysis, and other techniques have been employed.

**The main provisions of the defense:**

1. As exports are such an important part of the country's economic development, there are specific financial and credit mechanisms in place to encourage them.
2. The fundamental requirement for understanding the general principles of expanding exports and disclosing export potential is the state's participation, according to a comparative analysis of theoretical ideas in the field of export stimulation.
3. To boost exports, Export Credit Agencies would cover long-term, low-interest bank loans up to 75-95 percent.
4. The financial and credit mechanisms used in the globe to diversify and stimulate exports should be researched, with the most essential ones kept in mind.
5. When preparing the state strategy in the field of financial and credit support to stimulate exports, it is necessary to take into account the

relevant instructions and recommendations of the OECD at the level of the requirements of the time.

6. To enhance exports, Azerbaijan's finance system must be improved in order to assist exporters in strengthening the competitiveness of export-oriented items, expanding the product range, and creating the necessary conditions for the development of new products.
7. In order to increase the activities of funds and agencies aimed at stimulating exports in Azerbaijan, it is thought that merging them and forming a single Credit Insurance Agency would be preferable.

**The research's scientific originality:**

- Specific management adjustments are proven to strengthen the present loan mechanism in connection with the stimulation of exports in Azerbaijan's national economy;
- There were concrete suggestions on how to discover prospective export opportunities in Azerbaijan and how to increase their potential;
- Specific recommendations were made to strengthen the financial and credit instruments used to boost exports in Azerbaijan;
- Ways to use more flexible and efficient financial and credit instruments in connection with the diversification of Azerbaijan's export-oriented national industries are scientifically substantiated;
- The implementation of ways of efficient use of credit mechanism tools in export promotion in Azerbaijan was proposed with evidence;
- Methods for carrying out necessary reforms to stimulate the production and sale of export-oriented products in priority areas of Azerbaijan's non-oil sector, as well as to broaden the scope of the Import-Export Bank and the Export Credit Agency's activities, are justified;
- In places where long-term investment is required, the use of lending mechanisms to boost exports has also been advocated as a way to develop an ideal ratio between the periods of big and medium-sized loans.

**Theoretical and practical significance of the research:** The study looked into some of the dissertation's most important theoretical and practical issues, such as how to assess and improve export stimulation mechanisms in the current situation, the current state and prospects of Azerbaijan's exports, and how to identify areas for improving export promotion mechanisms in our country.

**Approbation and application of research work:** The main provisions of the dissertation work and practical proposals: “Imports and exports as a result of the establishment of techno and industrial parks: Providing financial support from the state and financial organizations to the residents of the parks”, Institute of Economics of the Azerbaijan National Academy of Sciences. Materials of the national scientific conference titled “The economy of Azerbaijan during a moment of global economic transition”, Baku, 2018; “Azerbaijan’s current export situation and future prospects”. Materials of the international scientific-practical conference titled “Economic growth and social welfare” dedicated to the 60th anniversary of the Institute of Economics of ANAS. Baku, 2018; “Prospects for the Development of Azerbaijan-Russian Economic Relations.” Economics and management in the twenty-first century: methods for long-term growth IX International scientific-practical conference collection of papers, organized on July 5, 2019, Penza, 2019. 8 papers and 1 book have been published in domestic and foreign journals, covering the content and key results of the dissertation work, provisions, and proven proposals and recommendations.

**Name of the organization where the dissertation work has carried out:** Institute for Scientific Research on Economic Reforms of the Ministry of Economy of the Republic of Azerbaijan

**Logical and structural bases of the dissertation work:** The subject, object, goals, and objectives of the research determine the logical foundation of the dissertation. The introduction (13487 marks), three chapters (Chapter I -92765 marks, Chapter II -57169 marks, Chapter III -70356 marks), eight paragraphs, results (4235 marks), list of used sources and literature, two appendices, and a list of abbreviations and symbols make up the dissertation work (230812 marks). The dissertation is 144 pages long, with 6 diagrams, 2 schemes, and 11 tables organized according to the logic and essence of the work.

## **MAIN CONTENT OF THE STUDY**

The relevance of the subject is established in the dissertation’s introductory section, and the degree of study, subject, goals, and objectives of the research have been defined, as well as the theoretical and methodological foundations of the work, scientific uniqueness, and

practical significance.

**1. Because exports are such an essential part of the country's economic development, there are specific financial and credit systems in place to encourage them.**

Although the economic literature adequately explains international factoring, forfeiting, and foreign leasing operations, a comprehensive analysis of export stimulation as a fundamental aspect of the financial and credit mechanism is required in all circumstances. To this end, more attention must be paid to the financing activities of the Export Credit Agency (ECA), which combines the major elements of a specific financial and credit mechanism to boost exports, as well as research in this field.

When applying for financing through the Export Credit Agency (ECA), it is important to consider the collaborative efforts of government agencies that support exports in the country, as well as private sector economic enterprises that give state support for exports.

The Export Credit Agency's (ECA core) duties include insurance and financing of export operations for national exporters, as well as finding new markets for their products, decreasing export risks, and ensuring producer' participation in overseas bids.

Export Credit Agency (ECA) is a state-owned organization that provides loans on behalf of their country's exporters or proposes appropriate methods to mitigate the risks faced by financial institutions that provide funds to support overseas importers in order to boost the country's export development.

Exporters are more interested in selling on more flexible terms due to the usage of financial services by such firms (agencies) and the switch to cash advance payments to local exporters.

As the Export Credit Agency (ECA) is so vital to Azerbaijani exporters, activating the loan mechanism to boost exports is one of its top goals. Since exporters' insurance is the foundation for increasing agencies' activity in this area, ECAs collaborate with a number of banks and financial institutions within the existing regulatory framework to provide valuable guarantees and insurance against potential risks to exporters. Many exporters are more likely to insure against these risks because they confront dangers that are detrimental to their interests, and



as a result, they provide guarantees and insurance to cover practically all of the risk they assume. In this regard, the risk rate covers a variety of risks, including completion risk, commercial risk, and finally political risk.

Along with the general rules for using credit mechanisms to stimulate exports in Azerbaijan's economy, specific rules characteristic to our country are considered, and a structure of the effect of organizations providing export credit insurance and other financial support is created, meeting long-term needs.

**2. As a result of a comparative analysis of theoretical views in the field of export stimulation, it has been determined that the main condition for learning the general principles of increasing exports and revealing export potential is the participation of the state.**

The significant impact of exports on a country's economic development, as well as the fact that export potential is the primary source of income, naturally it pushes governments to expand their export potential, study other countries' production capacity, and research demand for their products. Products that are in high demand in the market have been identified as a result of this study, and it has been made critical decisions to strengthen their export structure.

According to the mercantilist school's beliefs, which were the first major school to explore the importance of foreign commerce, particularly exports, in economic development, a state's strength is determined by its wealth, which may be increased through overseas trade. The development in wealth in the country was seen by supporters of the Physiocrat school not in foreign trade, but in the production of agricultural products, which is a specific field of production within the country.

The founders of the classical school of economics, Adam Smith and David Ricardo, extended the principles of the mercantile and Physiocratic schools, showing all the facts of a country's higher gain from international trade, particularly exports, by recognizing the source of wealth wholly in production.

Developing the ideas of the classical school of economics in line with scientific and practical realities, modern economists grouped the factors that determine the advantages of exports in the country's foreign trade, and gave a comprehensive analysis of the use of financial and credit

instruments to stimulate exports. Both Swedish economist E.Heckscher and his student B.Olin, as well as US economists M.Posner, R.Vernon, M.Porter, and others, believe that identifying chances to expand each country's export potential and foreign markets is strategically vital.

Delphos William Arthur was an American author who authored publications with thorough information on modern export credit processes. He prepared a data collection from over 40 nations' Export Credit Agencies, and published a book in 2014 in a simple language for every economist.

In his book "World Economy and Azerbaijan", published in 2018, Azerbaijani economist Elshan Hajizadeh examined the export potential and position of Azerbaijan in the global market, as well as important strategic directions for achieving the medium-term development of all types of production, social, market, and business infrastructure. To boost the economic efficiency of foreign commerce, export subsidies will be provided to the EITI, appropriate "Export Funds" will be established in the field of the enterprise alliance, and thus the range of export resources will be expanded. All of this will help to not only raise each country's export potential, but also to activate all of the incentives for that potential's export. It will also play a key role in bolstering the country's global market position. As a result, the country's non-oil sector resources, such as export potential and competitive infrastructural communications, as well as enhanced production and export capacity to diversify its economy, will define Azerbaijan's global competitive advantages.

From all of these theoretical notions and ideas, it can be determined that when a country's foreign commerce does not meet its export potential, the efficiency of foreign trade is negligible, and important export and import activities do not produce good results.

### **3. Export Credit Agencies are authorized to cover long-term, low-interest bank loans up to 75-95 percent in order to boost exports.**

Export-oriented support programs are connected with concessional loans, insurance, and guarantees offered by the state to provide financial help to exporters. The correct and efficient use of financing instruments administered by the Export Credit Agency (ECA) should be given more consideration in this regard. The Agency's core duties might include financing and insurance of export operations for national exporters, as

well as the establishment of new markets for export products, the reduction of export risks, and ensuring participation in international trends. In this view, ECAs are a governmental institution that allocates funds to support foreign importers in order to encourage exports, and makes suitable proposals to mitigate the dangers that these funds may encounter.

Each country's Export Credit Agencies assess export funding on a case-by-case basis. They gather as much information as possible about the customer in order to assess both commercial and political risks. During the assessment, the political risks, the country in which the importer operates, the country's military situation, the country's currency exchange opportunities, the importer's scope of commercial risks, and the importer's and exporter's bank's financial condition are all examined and assessed. The Export Credit Agency insures 75-95 percent of the loan, with risk loss accounting for the remaining 5%.

Insurance premiums are ECA's main source of revenue. As a result, export-credit agency insurance premiums (including payments made by the export-credit agency responsible for full payment or payment of political risk) may be substantial. They pay before the date of financial document registration and cover the risk throughout the financing duration. The cost of an insurance premium is determined by the risk that each country faces as well as the method of payment used.

There are three different funding and insurance structures for ECAs. In light of the more optimal and efficient of these models, a low-risk third model for Azerbaijan would be preferable.

The following model is presented in connection with foreign trade financing to shield a foreign bank from default risks associated with financing products purchased from an exporter on the basis of an insurance-letter of credit payment by the importer (see Figure 1).

Based on the foregoing, we can conclude that the export agency's primary goal should be to develop a long-term Azerbaijani model of export stimulation and to establish a support mechanism to boost the competitiveness of domestically manufactured goods. In line with international standards, the new organization must be able to tackle the obstacles that export agencies face.

This organization's competitiveness is determined primarily by its

decision-making flexibility, quality, and activity transparency, as well as support for domestically produced product exports, active participation in the introduction of Azerbaijani products into foreign markets, a comprehensive and flexible approach to export deal analysis, and small and medium enterprises. It also depends on the quality of risk management and the depth of relationships with regional enterprises. Without a doubt, the new structure that will be built and developed in our nation will encounter significant challenges. Their successful implementation has the potential to improve the country's international competitiveness in the financial and industrial sectors.

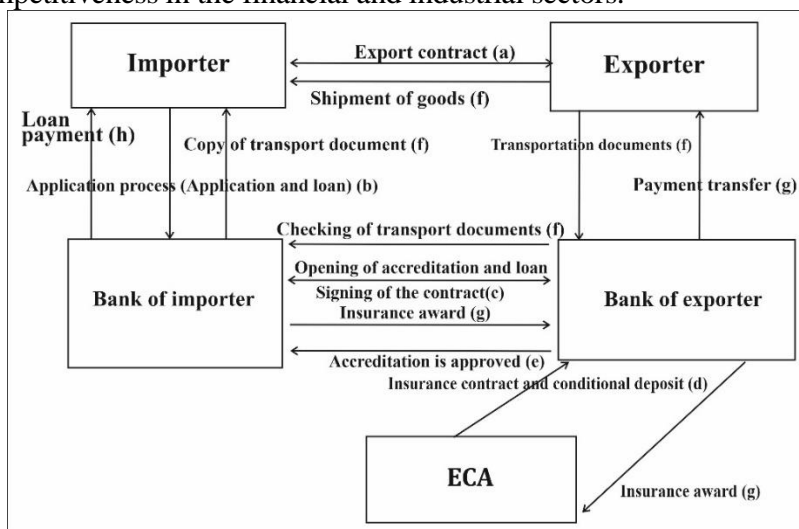


Figure 1. Insurance scheme on trade financing

\*Source: [<https://keg.kz/> "Kazakh Export" Export Insurance Company [Electronic resource] // «KazakhExport» 2020]

#### **4. The financial and credit mechanisms of export diversification and stimulation in practice around the world should be investigated, with the most essential ones kept in mind.**

In order to enhance exports, more attention should be paid to the process of diversification of economic activity, both by particular countries and by individual enterprises. First, they should prefer to establish new brands and extend the range of items supplied to foreign nations in order to find new approaches to new markets. The paper

evaluates the positive elements of diversification policy in Norway and Venezuela, concluding that diversification of exports and the economy as a whole is the most critical requirement for attaining sustainable development in the country's economy. State assistance has a bigger impact on the process of promoting and diversifying exports. More attention should be made to the selection of items for future export orientation in order to provide state support. The favorable results of government loans to encourage exports, according to our research, are based on true facts.

During government loans, exports are stimulated. In the process of selling exported products in foreign markets, the government pays for existing expenses and risks.

The government acts as a mediator in assisting new businesses by providing required loans, insurance, and guarantees as well as other financial instruments to help them expand their exports. Firms suffer considerable costs as they join global markets, both in the production process and in organizational areas.

Export loans; issuing of state guarantees to banks insuring loans; application of tax and customs duty exemptions to foreign importers are all examples of measures to pay these costs and further promote exports. Financial and credit support, such as assuring exporters' access to information, should receive more focus.

Export credits are mostly given to exporters who produce finished goods and equipment for use in the country's most promising industries. These loans come in a variety of forms, including long-term and short-term. The policy of giving state guarantees to banks that insure loans on favorable terms is primarily executed through ECAs in order to boost exports. As a result, funds set aside for this purpose are channeled through ECAs to local enterprises engaged in export activity.

In this regard, it can be inferred that the increase of exports is given high priority in most countries around the world in order to ensure economic development. The countries we investigated accomplished economic development primarily through two strategies: first, broad state assistance, and second, the development of new technologies in the country and widespread adoption. Exports, as a dynamic component in defending the economy, have made substantial contributions to these

countries' socio-economic development.

**5. When preparing the state strategy in the sphere of financial and credit support to promote exports, it is necessary to take into account the relevant instructions and suggestions of the OECD at the level of the requirements of the moment.**

The necessity to pay more attention to the issue of export insurance has been underlined by recent economic and political turmoil in numerous regions and nations throughout the world. Various types of risks are protected as a result of export insurance, and the state supports and implements more incentives for local enterprises' export activity. These include how to implement successful financial, economic, administrative, and strategic initiatives, as well as how to encourage the government to provide low-interest loans to national exporters and international consumers who would buy their goods. The study clarified the method for giving partial loan payment concessions to enterprises that produce export-oriented items and overseas importers who are their customers. Such assistance increases business connections between national exporters and overseas importers and supports national enterprises' activities in other countries (investment, import and export operations, etc.).

When looking at countries' export promotion policies, the importance of their participation in international organizations like the World Trade Organization and the Organization for Economic Cooperation and Development (OECD) becomes clear. The Agreement incorporates the WTO-approved norms, subsidies, and compensation measures for export promotion. The guidelines for the application of subsidies in WTO member countries are outlined in this agreement.

The applicable OECD agreement in relation to governmental support of export credits is a vital tool for the development of a fair playing field for all and the removal of market imbalances. More concrete measures, such as the allocation of a special area within the country's customs borders, the creation of favorable conditions for concrete production in the area for export purposes, and measures such as the use of low-cost infrastructure, should be implemented to ensure the rapid expansion of foreign trade. The study of export support measures took into account the WTO's, OECD's, and UNECE's instructions and guidelines on these measures, as well as the rules governing each country's level of

participation in international competition and the degree of support provided to national firms in foreign markets.

The agreement reached in 1978 in connection with official assistance for export credits in the OECD framework includes provisions on the definition and application of uniform state lending criteria for exports. This Agreement is currently being implemented on the basis of specific revisions made on January 2, 2019. The terms of formal state-backed export loans are limited under this arrangement (maximum repayment terms of export credit, minimum credit risks, minimum interest rates).

The legal rules and suggestions of international economic organizations in this area should be thoroughly evaluated and widely employed in the formation of a state strategy in the field of export promotion and export assistance, based on the above.

**6. It is necessary to expand the activities of ECAs in our country in order to increase exports, just as it is necessary to improve Azerbaijan's credit system and create the necessary conditions for the production of new products in order to strengthen the competitiveness of export-oriented products and diversify them.**

The expansion of the non-oil sector has been at the forefront of numerous initiatives to expand our country's exports in recent years. According to several international estimates, global fuel demand will not be sustainable in the coming years, and prices for such products on global markets will not remain at current levels. Furthermore, our country's future economic growth is expected to be between 2% and 3%. All of this is thought to be necessary in order to focus more emphasis on more promising sectors in order to fulfill Azerbaijan's top priorities.

Despite the fact that we do not have enough non-oil items for export at the moment, there is still a lot of promise. As a result, in order to boost exports, the manufacturing of these products must be boosted. Thus, in order to improve the country's competitiveness, increase the volume and range of products produced for export, and improve the quality of products produced for export, it is critical to improve the banking system and expand the activities of ECAs in order to create the necessary conditions for new products.

According to our analysis, our country has numerous promising regions. The export of saffron and other plants is one such area.

Azerbaijan has a long history of producing and exporting saffron. Saffron was once farmed and exported in enormous quantities in our country. However, for some reason, particularly the growth in oil output, the cultivation of this sort of product has suffered. Interest in this product has grown in recent years, and companies have sprung up to cater to it. To improve these enterprises' worldwide competitiveness, proper incentives must be implemented.

While our country is seeking to grow its export potential, it has greater expertise in saffron production, is superior to many places in terms of natural climate, and, most significantly, is ahead of other European and worldwide countries.

On world markets, a gram of saffron costs \$ 10 at the moment. If our republic's saffron harvest is 11 kg per hectare each year that implies our republic will receive \$110,000 per hectare. It should be highlighted that processing and selling grown saffron in the form of jam or jam without analogues, rather than raw materials, might be more profitable.

Loans to help agriculture are offered by state or commercial banks operating in our nation for a maximum of 5 years, with a maximum sum of AZN 10 million and a minimum interest rate of 8%. These loans have a two-year grace period. The loan's terms do not allow for the development of a new production project. As a result, interest rates are high while the amount is tiny. As a result, it would be prudent to extend the Export-Credit Agency's efforts in order to attain this goal. As a result, any bank would no longer offer a high margin on loans, instead opting for a lower (6-month) Libor (November 22, 2021 -0.24388 percent) + 1.5 percent -2 percent (annual margin) rate.

The bank will no longer be at danger because the loan is covered by the Export Credit Agency. In terms of the differences between the provided concept and the Entrepreneurship Development Fund, it is worth noting that both state-owned and commercial banks operate as lenders. As a result, lending to Azerbaijan's banking system is expected to expand. In the second model we propose, local banks give loans to importers, while the Export Credit Agency guarantees the risks. Loans to foreign counterparts, as we all know, carry a considerable risk. In this manner, the majority of these loans are backed by the government rather than existing banks. It should be emphasized that in most countries where



ECAs operate, the government insures up to 75-95 percent of bank loans, protecting banks from certain risks. As a result, export activity will expand, stimulating the expansion of the country's exports and resulting in a foreign cash influx.

**Table 1.**

**Bank loan repayment schedule and Premium insurance to be obtained by the Export Credit Agency**

Loan payment date	Main debt	Currency	interest debt	Number of days	6 Libor	Margin	Total interest rate	Remain	Start date
05.12.2021	250.000,00	USD	11.455,29	183	0,2535%	2%	2,2535	1.000.000,00	05.06.2021
05.06.2021	250.000,00	USD	12.550,42	182	0,4825%	2%	2,4825	750.000,00	
05.12.2022	250.000,00	USD	10.620,10	183	0,7856%	2%	2,7856	500.000,00	
05.06.2023	250.000,00	USD	6.387,44	182	0,5269%	2%	2,5269	250.000,00	
Cəmi	1.000.000,00	USD	41.013,25						

Buyer country	amount of exporting loan	Insured share	Duration of insurance (including delivery and grace period)	Insurance premium (One time payment)			
				Insured amount	Low interest rate	Medium interest rate	High interest rate
USA	1.000.000,000	90%	24 month	900,00	0,778%	1,597%	3,557%
				In the amount of insurance premium	7.002,0	14.37300	32.013,00

*\*Source: It has been developed by the author.*

Furthermore, Azeraluminum LLC is a crucial firm in the Republic of Azerbaijan's non-ferrous metallurgy industry, as well as the only primary producer of aluminum in the South Caucasus. In 2019, the world's population was 63.690 million people, and 63.690 million tons of aluminum was produced. China, North and South America, Europe, the Persian Gulf countries, and Russia are the top producers. Azeraluminium LLC produced 50.13 thousand tons of aluminum in 2019, accounting for 0.078 percent of global aluminum output. The manufacture of liquid metal is one of Azeraluminum LLC's strengths. Azeraluminium LLC, like most other manufacturers, does not import ingots for the creation of semi-finished products; instead, the facility produces this product utilizing raw materials during the electrolysis process (clay soil, anode blocks, fluoride, etc.). This lowers our costs, which improves our capacity

to compete in the global market with other manufacturers. It is based on international standards and is widely utilized in a variety of fields. For numerous years, Azeraluminium LLC has been able to access the world's greatest markets with its products, utilizing all of its skills. 90 percent of the company's output is exported to more than 15 nations. The United States is Azeraluminium's most important customer.

Prices in the US market:

- Azerbaijan - 2700 US dollars + 13% (customs duty) = 3051 US dollars
- Turkey - 2650 US dollars + 20% (customs duty) = 3180 US dollars
- China - 2500 USD + 30% (customs duty) = 3250 USD

Because of its low price, the product is in considerable demand in the United States. There are now clients and orders for this product to be exported. Azeraluminium LLC, on the other hand, does not have the capacity to complete the 20,000-ton order. As a result, it requires a low-interest financing. A bank loan insured by the government can be used to give low-value loans. Another option for solving this problem is for the Export Credit Agency to insure the loan, and the bank to provide a loan to Azeraluminium LLC. As a result, the company has generated an additional 20,000 tons of goods, which it may now export. Azeraluminium LLC has the potential to make \$ 61 million.

After reviewing the current economic scenario, it can be stated that the state concentrates on business support, export support, and the growth of the non-oil refining industry in order to boost export-oriented production in Azerbaijan. If these regions expand quickly, it will be built on tight cooperation, the strengthening of the manat, the reduction of unemployment, and, most significantly, the improvement of bilateral foreign trade contacts.

**7. It is regarded more expedient to unite and establish a single Credit Insurance Agency in order to strengthen the activities of funds and agencies aimed at stimulating exports in Azerbaijan.**

In recent years, a number of organizations have been founded in Azerbaijan to promote exports, both in terms of assessing the country's export potential and the adjustments that are required to boost exports. Along with the work these organizations have done and will continue to

do, our economy desperately needs the revitalization of the activities of new and current agencies, as well as more effective work to encourage and finance exports. As a result, in order to grow exports in our country, we must draw on the experience of other countries. As a result, there is a pressing need in Azerbaijan to develop a larger circle, drawing on the experience of Import-Export Banks and ICAs that have existed for many years in most countries throughout the world. It would be beneficial to examine Russia's experience in this area, as our near neighbor and colleague. ROSEKSIMBANK is a state-owned specialized export-import bank that was founded in Russia in 1994. The bank serves as Russia's state agent for the execution of state guarantees in the export sector. Export operations are guaranteed and credited by ROSEXIMBANK. In addition, in 2011, Russia formed the Export Credit Agency. This Agency was founded on the experience of ECAs functioning in other countries, with the goal of ensuring the export of non-raw goods produced in Russia. The major goal of this organization is to provide insurance for supply loans, buyer loans, letter of credit risk, export credit insurance, and guarantee insurance.

Based on our findings, we believe that government assistance is required to boost exports in the country, and this assistance should be focused on export financing. According to foreign country experience, commercial bank aid in boosting exports is impossible to be satisfied with. The establishment of relevant Import-Export Banks in the country is an essential requirement for the country to make significant progress and development in this regard. As we all know, economic development entails the growth of all sectors of the economy as well as the improvement of the country's position in the worldwide economic system. The most important thing is to secure the country's economic progress and to consistently improve people's well-being. As we all know, the primary purpose of every state, including Azerbaijan's, is to maximize the wellbeing of its citizens.

**The following are the groups of findings and recommendations made during the research process:**

The current situation of export development in Azerbaijan is examined in this paper. The research allowed for an examination of the dynamics of the development of Azerbaijan's export potential from 1991

to the present.

During the time under review, particularly from 2000 to 2018, Azerbaijan's average annual GDP growth reached 16.9% as a result of a successful oil strategy, allowing for the expansion of all sectors and the successful export of products and technologies.

For example, the \$300 million loan that our country provided to the Serbian government was used to construct roads with the help of the Azerbaijani road construction business "AzVirt" LLC. A new contract was signed with the Serbian government for the construction of roads worth \$475 million in 2019-2022 as a result of the successful completion of the job. The Azerbaijani company AzVirt has enhanced the inflow of foreign revenue to Azerbaijan by implementing high-tech road construction projects. At the same time, AzVirt's high-tech construction equipment is sold to Ukraine and Kyrgyzstan, where the business works on road construction.

Based on the research conducted in the dissertation, the following results have been obtained:

- Theoretical and methodological research on lending mechanisms in export stimulation has led to the scientific conclusion that one of the most important prerequisites for expanding a country's export potential is the government's stimulus measures. As a result of the introduction of new innovative technologies in the relevant domains, these steps can ensure the creation of competitive products;
- Based on a comparative analysis of leading countries' export policies and on this experience, it has been determined that the Export Credit Agency should be established in order to strengthen the country's economy through exports, taking into account the requirements of international economic organizations. As a result, the Import-Export Credit Bank, Commercial Banks, and the Export Credit Agency should all be able to provide insured loans;
- Based on the experience of industrial and other firms based on our country's raw material basis, a cooperative mechanism to stimulate export diversification should be identified by analyzing the crediting system of export stimulation used by highly developed nations;
- When developing a state support strategy to stimulate exports at the state level, all requirements and recommendations of all

international organizations, particularly the WTO (World Trade Organization) and the OECD (Organization for Economic Cooperation and Development), should be taken into account, and the export policy strategy should be based on these requirements;

- In order to improve the quality and range of export products produced in the country, scientific research conducted by the government must be solved at the level of techno parks and startups, while adapting it to advanced countries' experience;

- The primary instruments of foreign trade settlements have been systematized, the scheme of operation of each instrument has been devised, and the shortcomings and strengths of each instrument have been identified, in accordance with international practice. As a result, the study was able to develop a scientifically sound classification in the field of export promotion;

- According to research, there are promising areas in our country for increasing exports, and the Export Credit Agency might play a key role in their development;

- During the current pandemic, research shows that all efforts in Azerbaijan should be focused on government support for entrepreneurship, export support, and other goals, such as non-oil sector refining development. The manat will strengthen, unemployment will fall, and Azerbaijan's foreign trade links, export potential, and export competitiveness will all improve if these areas improve.

**The following articles and books have been published on the topic of the dissertation:**

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