

Digital Solutions for Digitalization of Non-Oil Exports

Aykhan Gadashov
Azexport.az internet portal
Center for Analysis of Economic

Reforms and Communication
Baku, Azerbaijan
aykhan.gadashov@ereforms.gov.az

Keywords—*EU4Digital, Shipping, Cargo, e-commerce, digitalization, post service, creative industry, digital transformation, Azexport, Amazon, ebay, non-oil export*

I. INTRODUCTION

At present, multidimensional reforms are being carried out in Azerbaijan. One of the important aspects of the Reforms is to support the production of export-oriented products and to provide easier access to new export markets. As a result of planned and wide-ranging reforms, Azerbaijan's export geography has expanded, and opportunities have been created for the delivery of manufactured products and services to traditional and new markets. At the same time, one of the priorities of the country's economy is the digital transformation of the economy. For this purpose, serious steps have been taken in digitalization by applying modern technologies in various fields. The broadband Internet network has been further developed to ensure the efficiency of the economy and public administration and information security. Widespread use of digital solutions such as G-Cloud, Smart City and Smart Village has begun. In order to systematize the digitalization process, President of the Republic of Azerbaijan Ilham Aliyev signed the "Decree on Improving Governance in the Field of Digital Transformation" on April 27, 2021. According to the decree, it is important to effectively coordinate the management of modern telecommunications and digital architecture in the country, as well as to develop a platform for digital services and solutions in various fields [1]. The export of products produced in Azerbaijan for the food, agriculture and creative industry (CI) to foreign markets is also supported through e-commerce platforms. Various state programs are being adopted and new projects are being implemented in this direction. In projects carried out by influential international organizations in the field is closely concerned. One of these projects is the EU4Digital project [2]. A digital warehouse was established within the scope of the EU4digital project to facilitate the export of products produced in the Republic of Azerbaijan to the European Union and Eastern Partnership countries via e-commerce platforms. This article examines the working principle of the automatic information exchange process created within the EU4Digital project for easier export of Azerbaijani products to the European Union and Eastern Partnership countries and offers suggestions for solving the problems.

II. ELECTRONIC SOLUTIONS AVAILABLE FOR NON-OIL EXPORT IN AZERBAIJAN

Today, 27.2% of the 7.8 billion people in the world, or 2.1 billion people, use e-commerce. Traditional commerce is rapidly replacing e-commerce. In some areas, e-commerce has completely surpassed traditional commerce. The interest in the field has had a positive impact on the development of e-commerce in our country. Strengthening Azerbaijan's position as a digital trading center, increasing access to new markets through e-commerce platforms and diversifying digital infrastructure are among the priorities of the state's economic policy. Many projects are being implemented to support e-commerce. One of the steps taken in this direction is the adoption of the Electronic Commerce Law in 2005. Then, the website *Azexport.az* was created according to Order by Mr. Ilham Aliyev, the President of the Republic of Azerbaijan about "Creation of a unified database of goods produced in the Republic of Azerbaijan" on September 21, 2016 [3]. As a result of the successful operation of the portal, the representation of entrepreneurs in international e-commerce platforms has increased more than 100 times and the representation of local products more than 500 times. During the operation of the portal, it received more than \$ 2 billion worth of export orders from about 150 countries and provided them to entrepreneurs free of charge.

As a continuation of the reforms carried out for the development of the e-commerce sector, the Digital Commerce Center was established by the Decree of the President of the Republic of Azerbaijan dated February 23, 2017. The Digital Trade Center allows entrepreneurs to obtain all necessary permits by applying online for a single export application. Interest in e-commerce is growing in many countries around the world. E-commerce platforms account for 18% of global retail sales in 2020. In 2019, this figure was 13.6%. By the end of this year, 19.5% of retail sales are expected to be made through e-commerce. Azerbaijan is also experiencing growth in this field. Thus, 1.8 billion manats were paid in e-commerce in the first five months of 2021. This figure is 34.3% higher than the same period of the previous year. Also, in the first five months of 2020, e-commerce accounted for the largest share of non-cash payments at 52.9%. The statistics presented give us reason to say that the interest of the population in e-commerce is increasing. The increasing interest of consumers in the use of e-commerce platforms also directs manufacturers to this area. At the same time, the fact that most shopping centers and stores will be closed for some time from 2020 due to the coronavirus pandemic has had a positive impact on the faster development of e-commerce in Azerbaijan.

III. AUTOMATION OF INFORMATION EXCHANGE IN POSTAL SERVICES.

One of the fastest growing sectors of the world economy is the creative industry (CI). In developed countries, CI products make up 6 percent of the economy. This figure is expected to rise to 10-15 percent in the coming years. Approximately 50 percent of CI employees are women [4]. This has a positive effect on maintaining the gender balance in employment. Today, about 30 million people around the world work in the creative industry. Most of the people working in the field of CI are young people aged 15-29 [5]. In recent years, various studies have been conducted to study the impact of CI on the world economy, employment and social welfare in the categories of theater, fine arts, music, design, film, video and photography, advertising, games and creative technologies. According to the research, the UN document "UNCTAD Review of Creative Economy for 2002-2015" was published [6]. According to the document, the CI sector has grown at an annual average rate of 7.3 percent worldwide over the years. At the same time, exports of CI products and services have tripled. Thus, this figure, which was 208 billion dollars in 2002, increased to 509 billion dollars in 2015. According to research in Germany, France, the United Kingdom and other advanced countries, CIs require less investment than other sectors of the economy and grow twice as fast. According to a report released by BMWI in 2019, 1.8 million people in Germany work in the field of CI [7]. Music, books and handicrafts stand out here as CI's most developed fields. Most countries adopt various strategic documents for the development of the sector. In Azerbaijan, concrete work has been done in this area, various support mechanisms have been established. The Azerbaijan Culture Development Indicators Report, prepared in 2017, is one of the key documents determining the share of CIs in the Azerbaijani economy [8]. According to the document, the share of CIs in GDP is 1% (\$ 374 million for 2016).

As the people of Azerbaijan are a creative people, CIs are constantly evolving. Arts, music, handicrafts, literature, film, painting and other fields are widespread among the population. Taking into account the existing potential of Azerbaijan in this area, we can say that in the future CI participants have the opportunity to attract an additional \$ 1-1.5 billion to the country. One of the mechanisms provided by the state for the development of CI products is the introduction of their products to foreign markets using modern digital infrastructure. For this purpose, CI products are posted on the Azexport.az internet portal. One of the main goals in the creation of the portal is the creation of a single database of products and services produced in Azerbaijan and their delivery to potential customers in foreign markets. CI products posted on the Azexport.az internet portal are integrated into platforms such as etsy.com, kickstarter.com, amazon kindle and sotheby's. Sales of CI products are mainly between B2C and C2C segments. This makes it necessary to transport these products by mail. One of the directions of the project implemented with the support of EU4Digital is the creation of a virtual warehouse between the European Union and the Eastern Partnership countries and the automation of information

exchange in postal services. The project envisages long-term cooperation between the EU and the EU in the fields of communications, postal services, digital infrastructure, trade, security and the economy. The created digital market meets the most modern standards and works on the principle of one-time data entry only. When the order is received, the information entered by the seller is automatically transmitted by the system to the customs and postal authorities of both countries (buyer and seller). This allows orders to be processed more conveniently and faster. 44% of worldwide mail costs less than 25 euros and 86% weigh less than 2 kilograms [9]. Such transactions generally occur between buyers and sellers from the B2C and C2C segments. Such transactions generally occur between buyers and sellers from the B2C and C2C segments. The virtual warehouse project implemented by EU4Digital also aims to support buyers and sellers in this segment. There are many SMBs in Azerbaijan in this segment. The virtual warehouse project also plays an important role in the fast and safe delivery of food, industrial and creative cultural products. The virtual warehouse project also plays an important role in the fast and safe delivery of food, industrial and creative industry products.

IV. THE PROBLEM OF INTEGRATION INTO INTERNATIONAL PAYMENT SYSTEMS.

According to the State Program "Expansion of Digital Payments in the Republic of Azerbaijan in 2018-2020" approved by the Decree of the President of the Republic of Azerbaijan Ilham Aliyev dated September 26, 2018 and numbered 508, the application of new digital payment technologies was established in the country. But there are some factors that hinder the development of the sector. Thus, in the world practice, B2C and C2C products are mainly made to small individual orders and sold through platforms such as Etsy, Kickstarter, Sotheby's and Amazon, Amazon Kindle, Ebay, Alibaba. Payments for sales made through these platforms are made through payment systems such as Paypal, Payline, Google Pay, Apple Pay, 2Checkout. Payment systems listed in Azerbaijan work unilaterally (only for external payments). This makes it difficult to sell B2C and C2C products on European and American portals. Thus, in order to purchase a handmade souvenir, the customer must conclude a purchase agreement, draw up an invoice and pay by bank transfer to the account specified in the agreement. Some vendors use various methods to solve the problem indirectly. One of them is that the seller goes to one of the neighbouring countries and opens a bank account there, or opens a bank account in the name of a relative living abroad and connects Paypal, Apple Pay or other payment systems to this account. In this case, the value of the product produced in Azerbaijan is transferred to a foreign bank account.

V. RESULTS AND SUGGESTIONS:

B2C and C2C segments creates products that are more intelligent. In addition, this area is the most rapidly developing area in the world and has more immunity to digitalization. In Azerbaijan, the state and society pay special attention to CI. Throughout history, the people of Azerbaijan have been known as a nation distinguished by their creativity. The country's geographical location and the preservation of

multicultural values have also had a positive impact on the development of the CI sector in various directions. Currently, the main problem hindering the development of the industry in the country is the one-sided operation of various high-speed payment channels such as Paypal, Payline, Google Pay, Apple Pay, 2Checkout. By solving this problem, it is easier to export Azerbaijani-made CI products to foreign markets through e-commerce platforms.

REFERENCES

- [1] Decree of the President of the Republic of Azerbaijan on “Improving Governance in the Field of Digital Transformation”, Baku, April 27, 2021, <https://president.az/articles/51299>
- [2] [https:// www.eufordigital.eu/countries/azerbaijan/](https://www.eufordigital.eu/countries/azerbaijan/);
- [3] “Creation of a single database of goods produced in the Republic of Azerbaijan”, Baku, September 21, 2016, <https://president.az/articles/21139>;
- [4] https://www.britishcouncil.org/sites/default/files/gender_equality_and_empowerment_cci_eastern_partnership_2018_en-compressed.pdf;
- [5] https://en.unesco.org/creativity/sites/creativity/files/info-kit_brochure-final-en-web.pdf
- [6] https://unctad.org/system/files/official-document/ditcted2018d3_en.pdf;
- [7] https://www.bmwi.de/Redaktion/EN/Publikationen/Wirtschaft/2020-cultural-and-creative-industries-monitoring-report.pdf?__blob=publicationFile&v=5;
- [8] <http://mct.gov.az/medias/media/other/285/hesabat-2016.pdf>;
- [9] <https://index1520.com/en/analytics/elektronnaya-kommertsiya-i-ee-vliyanie-na-transevraziyskie-zh-d-gruzoperevozki/>