

REPUBLIC OF AZERBAIJAN

On the right of the manuscript

ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

**DEVELOPMENT DIRECTIONS OF EXPORT-ORIENTED
AGRICULTURAL PRODUCTION**

Speciality: 5312.01 – Field economy

Field of science: 53 – Economic sciences

Applicant: **Matanat Samik qizi Hasanova**

BAKU – 2022

The dissertation work has been carried out at the Research Institute for Agricultural Economics the under the Ministry of Agriculture of the Republic of Azerbaijan.

Scientific supervisor: Professor, Doctor of Economic sciences
Sakit Mamadi Yagubov

Official opponents: Professor, Doctor of Economic sciences
Natig Ali Javadov

Doctor of philosophy in economics, assistant professor
Kamran Nuraddin Abdullayev

Doctor of philosophy in economics, assistant professor
Sevda Aghababa Badalova

Dissertation council ED 2.10 of Supreme Attestation Commission under the President of the Republic of Azerbaijan operating at Azerbaijan State University of Economics.

Chairman of the
Dissertation council:



Signature

Doctor of economic sciences, Professor
Mahish Alish Ahmadov

Scientific secretary
of the Dissertation
council



Signature

Doctor of philosophy in economics
assistant professor
Zohrab Hasan Ibrahimov

Chairman of the
scientific seminar:



signature

Doctor of economic sciences,
assistant professor
Ramil Zahid Huseyn

WORK CHARACTERISTICS IN GENERAL

Relevance of the topic and the degree of development: One of the most important issues in modern times is the establishment of new agrarian policy concepts and priorities based on practical approaches that can improve the agricultural sector's competitiveness as well as the village's social development. The "Strategic Roadmap on Production and Processing of Agricultural Products in the Republic of Azerbaijan" adopted by the President of the Republic of Azerbaijan's decree of December 6, 2016, outlines the AIC's short-, medium-, and long-term development goals in our country. These objectives cannot be met without a significant infusion of capital into the agricultural sector that is the economy's most important sector and its modernization. All of them are, at the same time, vital prerequisites for efficient state control and agricultural support.

In the framework of globalization, Azerbaijan's chances for integration into international economic space will be greatly enlarged if it becomes an equal member of the World Trade Organization in the future, which will differentiate agricultural producers in terms of competitiveness. Implementing an innovative agrarian development strategy based on new world realities and principles aimed at increasing competitiveness, forming an export-oriented agricultural production network, and creating favourable conditions for the export of AIC manufacturing industry products also necessitates the creation of a mechanism for better protection of domestic producers' imports in the domestic food market while adhering to international regulations. Taking into account the country's export potential, these issues highlight the importance of the country's widespread participation in foreign economic activity, the development and implementation of a sound agricultural foreign economic strategy, a systematic approach to state regulation and support of foreign economic activity, and the improvement of the country's export indicators.

Several local scholars, including E.A. Quliyev, S.V. Salahov, S.M. Yaqubov, R.A. Balayev, S.Sh. Movlamov, N.E. Aliyev, Kh.B. Heydarov, R.M. Qambarova and others studied various theoretical and methodological aspects of evaluating agriculture's role in the

development of the country's economy and ensuring its food security, as well as its regulation and state support for increasing competitiveness, enhancing export and innovation opportunities, and developing export-oriented agricultural production.

Foreign scholars including M.Porter, E.I.Kendyuk, E.N.Antamoshki, T.I.Antonova, M.V.Andreevna, I.M.Qoqolev, P.N.Mixaylushkin, O.V.Sobolov, S.E.Sarsembekova also investigated the agrarian sector's role in the global economy, the characteristics of agribusiness in the context of the food crisis, the improvement of the sector's competitiveness and innovation activity, and the expansion of the agrarian sector's foreign economic activity, as well as the monitoring and evaluation of agrarian policy outcomes.

Although certain aspects of the selected issues have been studied by economists from around the world and in Azerbaijan, the versatility of this process, the achievement of strategic goals set at the current stage of development, the strengthening of cooperation, specialization, and integration processes in AIC, export-oriented agriculture to ensure sustainable agricultural development, the growing role of Azerbaijan's economic regions in foreign economic relations, and the improvement of the country's export performance allow us to say that there are aspects of the topic that have not been studied in detail. All of the aforementioned influenced the research topic's relevance and selection, as well as the research's goals and objectives, as well as its theoretical and practical significance.

Goals and objectives of the study: The study's goal is to justify the role of export-oriented production in ensuring the agricultural sector's long-term viability, to identify its modern development features based on an analysis of the country's current agricultural situation, and to identify export-oriented agricultural production priorities.

The following objectives were determined in order to attain the desired aim.

- Examine the theoretical underpinnings of export-oriented production in the context of long-term economic development,
- Establish the key agrarian policy directions in the framework of food security,
- Examine how other countries have boosted export-oriented

agriculture production,

- Analyse the current situation of Azerbaijan's agrarian sector and establish its development characteristics,

- Establish a framework for monitoring and evaluating agrarian policy outcomes,

- Determine how agrarian policy affects agricultural development,

- Prepare the best ways to improve the effectiveness of the agricultural sector's state regulation in Azerbaijan,

- Identify priority areas for enhancing agricultural institutional capacity and accelerating innovation processes,

- Determine the best ways to improve the agricultural sector's competitiveness and export potential in the country.

Object of the research. Agrarian sector of the Republic of Azerbaijan

The subject of the research is the process of identifying the development elements of agriculture and the issues of developing export-oriented agricultural production.

The theoretical and methodological foundation of the research includes laws and regulations adopted in the field of their regulation, state programs and concepts for long-term socio-economic development of the country, including its agricultural sector as well as policy, strategic road maps, and scientific works of foreign and local scientists who study the theoretical and practical aspects of the problem.

In the study process, methodologies such as comparative analysis, graphs, time series analysis, regression-correlation, averages, and others have been used.

The research database has been built using annual summaries from the State Statistical Committee of the Republic of Azerbaijan, relevant reports and analytical reports on the development of the agrarian sector from the Ministry of Agriculture, report information on the socio-economic development of the regions from the National Fund for Entrepreneurship Support, reports on the development of world agriculture, official Internet sites, and information published on a regular basis in the press.

The main scientific provisions of the defence:

1. The establishment of a sustainable agricultural sector must be approached in the perspective of the development of export-oriented output.

2. The priorities of agrarian policy are closely linked with ensuring food security.

3. Significant developments in the growth of Azerbaijan's agriculture sector have been evaluated.

4. Improved agrarian policy efficacy necessitates the establishment of a mechanism for monitoring and assessing its outcomes.

5. Agriculture's impact on the country's economic development has been examined, and the preference for quality characteristics in this sector has been justified.

6. Azerbaijan's government has identified ways to improve state regulation and assist the development of export-oriented agricultural products.

7. Improving the agriculture sector's competitiveness and growing export potential necessitates the implementation of a comprehensive strategy.

The following is the research's scientific novelty:

- To ensure the agricultural sector's long-term viability, opportunities for export-oriented production have been justified,

- Agrarian policy priorities have been established in the context of ensuring food security,

- Characteristics of international experience in encouraging export-oriented agricultural production are exposed, and their implementation in the country's reality is supported,

- The current state of Azerbaijan's agrarian sector was examined in several areas, and its development characteristics were assessed,

- The necessity of establishing a system for monitoring and evaluating the outcomes of agrarian policy as well as the key concepts has been established,

- Agriculture's contribution to the country's economic development was evaluated,

- The directions of state control and support of the agrarian sector's foreign trade, as well as its effectiveness, are outlined in

Azerbaijan,

- Priority areas for boosting agricultural institutional capacity and intensifying innovation processes, increasing agricultural sector competitiveness, and expanding export potential are substantiated.

Practical significance of the study: A number of theoretical provisions, methodological recommendations, and practical recommendations provided in the dissertation work can be used to develop strategic directions for the development of export-oriented agricultural production in the country, the priorities of agrarian policy in the context of existing realities, as well as the preparation of specific projects to increase agriculture's competitiveness and strengthen its innovation activity, and to justify the expansion of for-profit agriculture.

Approbation of research work: The dissertation's key points, findings, and recommendations were presented at a Republican scientific-practical conference dedicated to National Leader Heydar Aliyev's 95th birthday, international scientific-practical conference titled "Strategic economic reforms: Preventive tax policy" and published in scientific journals and collections recommended by Supreme Attestation Commission under the President of the Republic of Azerbaijan. In a volume of 5.0, 6 scientific publications and 2 theses have been published on the study's topic.

The structure and scope of the dissertation: An introduction, three chapters, a conclusion, and a list of references make up the dissertation. It has a total of 145 pages. There are 8 tables, 5 schemes, and 2 graphs in total. 106 scientific literature titles have been used in the dissertation writing process.

STRUCTURE OF THE DISSERTATION WORK

Introduction

Chapter I. Theoretical foundations for the establishment of export-oriented agricultural production

1.1. The importance of export-oriented production in long-term economic growth, as well as its theoretical foundations

1.2. The most important aspects of agrarian policy in terms of food security

1.3. Export-oriented production stimulation and global experience

Chapter II. Analysis of Azerbaijan's current status of agricultural growth and the establishment of a monitoring system

2.1. Examination of Azerbaijan's current situation of agricultural production

2.2 The importance of agro-monitoring in agriculture sector management

2.3. Methodology for evaluating the influence of agricultural policy on development

Chapter III. Development directions of competitive and export-oriented agricultural production in Azerbaijan

3.1. Directions for improving the state regulation and support of the agrarian sector in Azerbaijan.

3.2. Priority areas for strengthening institutional capacity and activating innovation processes in agriculture

3.3. Directions for improving the country's agricultural competitiveness and expanding export potential.

The result

References

MAIN PROVISIONS PROVIDED FOR DEFENSE

1. The establishment of a sustainable agricultural sector must be approached from the perspective of the development of export-oriented production. One of the necessary conditions for ensuring the sustainable economic development of the country is its active participation in the international division of labour. Establishing effective relations with the global economic system, ensuring economic stability, strengthening the country's position in the global market, and increasing foreign exchange earnings necessitate significant structural and technological changes which in turn require export-oriented production, including agriculture and long-term production development.

It is the most advanced and widely practiced instrument of international relations. Foreign trade growth allows the economy to become more efficient, to intensify output, to deepen specialization, to increase the load on production capacity, to introduce new technologies, to diversify and balance the economy, and to better fulfil consumer demand.

One of the key directions of the country's participation in the global economy is export orientation. Its foundation is exports. Export earnings are a significant source of revenue for a variety of purposes, including meeting imports, regulating the foreign exchange market, expanding the country's export and investment potential, and so on. Export orientation is a very complex process. The nature of the country's export-oriented character reflects the nature of its economic interactions with other countries as well as the country's increasing position in the global market. In essence, the export-orientation strategy manifests itself in the country's economy's openness on the one hand, and the promotion of economic relations and rapprochement with the global economy on the other. The purpose of an export-oriented policy is to produce high rates of economic growth and production efficiency by releasing a specific range of products that are adequate to the international market's potential and expanding demand. The problem may be solved in two ways: first, by accurately identifying the elements that boost production efficiency, and second, by selecting the priority regions that can develop an export base with a competitive edge in the global market. By capturing more of the global market as a result of the development of competitive products, export-oriented production increases the country's competitive position and produces a reliable supply of currency.

2. The priorities of agrarian policy are closely linked with ensuring food security. For the proper growth and regulation of agriculture, the state creates and implements agrarian policy. Agrarian policy is a policy that aims to improve the social development of the village, employment, and living standards of the rural people in addition to the efficient and dynamic growth of agriculture and other areas of agribusiness. The country's agrarian policy must establish effective procedures to promote long-term agricultural development and a high level of competitiveness in the agricultural sector. To put it another way, establishing a long-term food security system in the country and its many areas necessitates an objective scientific approach, the establishment of an appropriate agriculture sector economic reform strategy, and improved governance.

There are two views to the nature of agrarian policy in the economic literature. Agrarian policy, in its limited concept, refers to a

set of goals and policies aimed at advancing the agricultural sector of the economy. Under this concept, agricultural policy is defined as the state's and its approved socio-legal institutions' efforts to shape the rural population's cultural, socio-legal, and economic situations. Agrarian policy, in a broad sense, encompasses the agrarian sector's development policies, such as food policy for basic segments of the population, production of agricultural means of production, trade, agrarian-industrial policy for agricultural services, including recycling, and agrarian policy for foreign trade.

Many researchers believe that the main directions of agrarian policy in modern times are the regulation of food market's dimensions, the provision of the necessary amount of food to the population, the creation of modern competitive production in the agro-industrial complex, its staffing, small agribusiness (agricultural production), and the formation of cooperatives to solve the problems of agricultural product production, processing, and sale. Thus, agrarian policy is an integral part of the state's economic policy in the field of agriculture and agro-industrial production. The goals, objectives, orientations, and degree of implementation of agrarian policy influence its substance. Modern agrarian policy prioritizes food security, the use and development of innovations, and the preservation of this sector's resource potential.

The state's agrarian policy must foster the long-term development of agricultural production. Sustainable agricultural development entails stable socioeconomic development of the village, increasing the volume of agricultural production, increasing its efficiency, achieving full employment and raising the rural population's living standards, and efficient land use.

Agrarian policy components include, in general, the development of the agrarian sphere, the provision of food products, agricultural product foreign trade policy, and the development of agricultural infrastructure.

The country's agricultural policy aims to ensure food security, increase agricultural sector competitiveness and innovation activity, meet population food needs and expand production, eliminate reliance on food imports, and provide agricultural export opportunities to ensure normal social conditions and a high standard of living for the rural

population. Recently, the transition of the country's economy, particularly agriculture, to the path of innovation has been recognized as one of the primary conditions for increasing the economy's efficiency and competitiveness. However, research shows that agricultural products' high competitiveness is not guaranteed, and the level of efficiency does not allow for expansion of production based on innovation and increased export potential. The modernization of spheres that truly increase efficiency and competitiveness, as well as the transition to an innovative path of development, necessitate radical changes in the national economy's existing model of liberal development.

In practice, two types of economic strategies have been worked on and developed: import substitution, which entails developing domestic production to replace imported products in the domestic market, and export-oriented, which entails encouraging export development and providing foreign exchange inflows to finance economic development.

The essence of the export stimulation strategy is the development of export-oriented manufacturing and the export of goods to foreign markets. The increase in the share of exports in GDP is an effective indicator of the implementation of the export development strategy. The second indicator is the dynamics of export development, which includes not only the increase in national income. The increase in the value of industrial goods in exports is the third indicator.

The organization of efficient national production and its sustainable growth is one of the important factors of the country's food security and sustainable economic growth. Therefore, import substitution should be managed, and first of all, it is important to choose more priority areas in accordance with the country's long-term economic strategy. Replacement of imports necessitates new, higher technological development of agriculture and its various branches, as well as improvements in management methods for these processes. Simultaneously, in order to boost public trust in the quality of local food products, a modern quality control system at all stages must be developed and implemented (production, manufacturing, storage and sale).

3. Significant trends in the development of Azerbaijan's agricultural sector have been identified. Food production is the most

important and necessary aspect of human life. The characteristics of the agrarian sector and the situation in the agricultural sector, as well as the magnitude and urgency of the food security problems, have prioritized active state support for this sector. State assistance is primarily intended to create a legal framework for the agricultural sector, agricultural producer activities, and the investment system, to ensure favourable conditions for the development of agricultural infrastructure, to stimulate export-oriented production, the application of scientific achievements and new technologies, and to ensure the safe development of the food system.

Azerbaijan's agricultural sector has great potential in providing the population with quality food products. In 2020, the physical volume index of agricultural production at comparable prices was generally 102.0 percent, with crop products accounting for 100.8 percent and livestock products accounting for 103.1 percent. Compared to 2010, in 2020, individual entrepreneurs, family farms, and households saw a 43.7 percent increase, while agricultural enterprises and other organizations saw a 2.8-fold increase.

Although the agricultural sector, which is an important socioeconomic sector for Azerbaijan, has experienced rapid expansion, per capita agricultural output is characterized with indicators of 842 manats per year, 70 manats per month, and 2.33 manats per day expressing low productivity and efficiency. Despite the fact that agriculture has expanded on the basis of an extended economic model and has not become a more profitable sector of the economy, Azerbaijan's agrarian sector has had a stable development trend and has played an important role in economic development over the past few years (Table 1).

The agricultural sector's percentage of total goods and services output climbed from 7.1 percent to 8.7 percent during the comparison period, while the part of value added in agriculture, forestry, and fisheries in the country's value added increased from 5.9 percent. Agriculture, forestry, and fisheries now account for 6.9% of the country's GDP, up from 5.5 percent previously. In comparison to 2019, the proportion of these indicators has increased in 2020.

Table 1. Indicators describing the role of the Republic of Azerbaijan's agriculture industry in the country's economic development between 2010 and 2020

Indicators	2010	2015	2017	2018	2019	2020
Gross output of goods and services in agriculture, forestry and fisheries, million. manat	4117,0	6 270,6	7260,5	7693,4	8600,8	9259,1
The volume of intermediate consumption of agriculture, forestry and fisheries, million. manat	1772,4	2 885,3	3316,4	3518,6	3931,1	4242,8
The amount of value added in agriculture, forestry and fisheries, million. manat	2344,6	3 385,3	3944,1	4174,8	4669,6	5016,4
The share of agriculture, forestry and fisheries in the total output of goods and services of the country,%	7,1	7,9	7,1	6,9	7,4	8,7
The share of intermediate consumption of agriculture, forestry and fisheries in the intermediate consumption of the country,%	11,2	9,8	9,1	9,2	9,6	10,5
The share of value added in agriculture, forestry and fisheries in the value added of the country,%	5,9	6,3	6,0	5,6	6,3	7,7
The share of value added in agriculture, forestry and fisheries in the country's GDP,%	5,5	6,2	5,6	5,2	5,7	6,9

Source: State Statistical Committee of the Republic of Azerbaijan

According to the official statistics, the gross agricultural output will continue to grow between 2011 and 2020. *At the same time, the share of livestock products in the gross agricultural output increased during the period investigated.*

As the study shows, the key trend in the field of individual agricultural product production is the construction of the sector's production structure on the basis of the production of food-grade agricultural goods. At the same time, some food manufacturing industry goods have seen a growth in output during the last few years. According to government figures, production of most manufacturing industrial products, such as butter, cheese and cottage cheese, cream, confectionary, mixed fodder, vodka, and grape wine, increased in the Republic of Azerbaijan between 2011 and 2020.

The small size of farms involved in agricultural product production, as well as the lack of infrastructure serving agriculture,

greatly impedes the successful development of agricultural output, in our opinion. Much of the arable land in modern times is not utilised for its intended function for a variety of reasons. As a result, one of the most significant strategic responsibilities should be to execute focused programs to improve land use efficiency. At this time, increasing the level of industrialization, including the introduction of modern technologies and management methods, is required for the development of agriculture.

The establishment of a market for agricultural products is one of the most challenging issues. Export diversification is required due to the unfavourable structure of agricultural products in the commodity structure of international trade. To put it another way, boosting the volume of agricultural exports, as well as improving the trade balance and its structure, is critical in modern times. As a result, it is critical to consider them at all stages of agricultural development as strategic aspects.

The necessity to construct a system for monitoring and assessing the results of agrarian policy is one of the goals of the “Strategic Roadmap on Production and Processing of Agricultural Products in the Republic of Azerbaijan” at the current stage of development of the agrarian sector. Monitoring provides for early detection of produced concrete dynamics as well as deviations from the anticipated development path.

4. Improved agrarian policy efficacy necessitates the establishment of a mechanism for monitoring and assessing its outcomes. Monitoring encompasses key management responsibilities such as observation, analysis, evaluation, and forecasting, and is a critical component of the management process's information providing. The process of gathering, storing, processing, and storing information in order to turn it into a management decision is known as management.

Monitoring analysis is a quality management database. The results of the monitoring allow for the development and implementation of a more effective agricultural development strategy. The major directions of agro-monitoring activity are observation of the elements influencing agricultural activity, appraisal of its current state, substantiation of future agrarian production development, etc. Without a well-developed system of international economic ties, any country's economy cannot function effectively. The development and support of agricultural and processing

exports is one of the priorities in the Strategic Roadmap on Production and Processing of Agricultural Products in the Republic of Azerbaijan. This is contingent on identifying issues with the growth of export-oriented agricultural production and enhancing agrarian policy in this regard. Agro-monitoring should increase the export and innovation potential of certain sectors, introduce a mechanism of state support and incentives for them, increase the competitiveness of agricultural products, and make it easier for producers to access foreign markets in order to develop export-oriented agricultural production, while it needs to improve the business climate, institutional capability etc. It should serve as the information foundation for effective agrarian policy. The establishment of an effective system for monitoring and evaluating for the outcomes of socioeconomic changes in agriculture and agrarian policy, as well as the results obtained through it will in our opinion allow the state to more efficiently allocate investment and innovation resources, as well as support export-oriented agricultural production. It has the potential to enable agricultural control, the production of dependable and high-quality forecasts, and the construction of an accurate and reasonable agrarian development strategy as a whole.

5. Agriculture's impact on the country's economic development has been investigated, and the preference for quality characteristics in this sector has been justified. There are four main reasons for the importance of this issue to the country's economy. To begin with, agriculture is one of the most heavily subsidized sectors of the national economy in Azerbaijan, as it is in many other countries. Agriculture expenditures are distinct from other sorts of budget expenditures. The second reason for the problem's seriousness is that it necessitates a unique way to analysing the effectiveness of budget spending. The third factor is the country's substantial regionalization of agrarian policy. When assessing the efficacy of agrarian policy, regional differences must be taken into consideration. Fourth, accomplishing the objectives outlined in the agricultural sector's strategic roadmap will necessitate significant financial resources. In this situation, it is critical to improve the efficiency with which budget funds are used.

Increase the efficacy of state regulation in the agricultural sector and improve the business environment is one of the strategic goals stated

in the “Strategic Roadmap for the production and processing of agricultural products in the Republic of Azerbaijan”.

It is possible to assess the achievement of the performance indicators defined for each state program measure, etc by implementing and monitoring the effectiveness of the state program on agricultural development and regulation of the agricultural product market using various methods, such as statistical methods (regression-correlation, factor, cluster analysis, grouping method, etc.), survey, questionnaire, etc. The results of state support measures are evaluated using these methods, the relationship between the amount of state support and changes in the indicators that characterize agricultural producers’ financial and economic activities is revealed, and the degree of impact of state support on these indicators is explained. When the processes are altered, the sympathy system is modelled, and the perspectives of various groups of agrarian market participants are assessed, among other things.

The successful execution of agrarian reforms and large-scale initiatives in the country has aided the development of this sector significantly. In other words, the groundwork for the transition to a qualitatively new stage has been built by the strengthening of official support for agricultural development, the formulation of strategic goals, and institutional adjustments in the field in response to new problems. Modern agro-parks and huge farms are being developed across the country, and a modern infrastructure network is being formed in the regions in order to assure food security and improve the agricultural sector’s export potential. Official figures show that the country’s gross agricultural output and value added are gradually increasing. The condition, however, cannot be regarded adequate. This industry has grown at a slower rate than others in recent years. Consequently, despite a considerable growth in the amount of gross domestic product generated by agriculture, the country’s GDP share has declined by about three times since 2000. In general, the tendency to change the share of the country’s agricultural expenditures in budget expenditures between 2011 and 2020 is more clearly shown in column 1.

There is also a link between the budget funds allotted for agricultural development and the sector’s primary aggregate metrics. As a result, the findings of the regression-correlation analysis of gross

output and value-added indicators with expenditures on agriculture, forestry, fisheries, hunting, and environmental protection demonstrate that they are closely linked. The coefficient of elasticity was 0.67 percent, and the correlation coefficient between the total output of goods and services in the agricultural sector and the amount of funds given to this sector from the state budget was $R = 0.91$. This suggests that a 1% increase in budgetary allocations for agricultural development will result in a 0.67 percent rise in total output in this sector.

The elasticity coefficient was 0.72 percent, while the correlation coefficient between agricultural value added and budget allocations was $R = 0.925$. In other words, we can expect a 0.72 percent increase in this sector's value added in exchange for a 1% increase in agricultural development budget allocations.

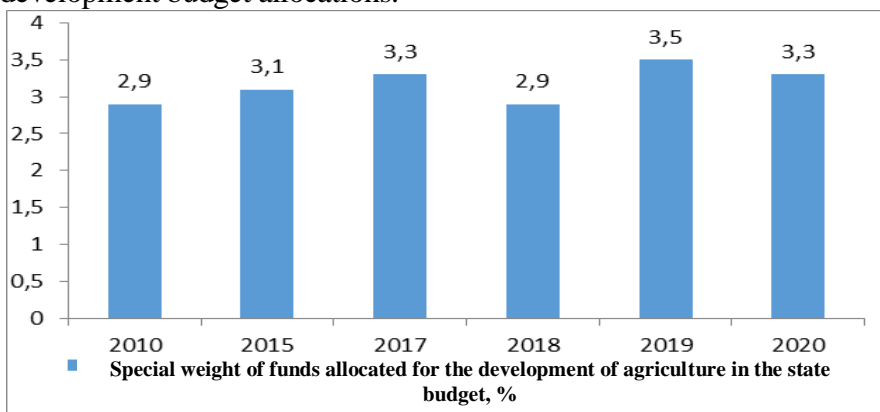


Fig.1. the share of funds allocated for the development of agriculture in Azerbaijan between 2011 and 2020 in the state budget expenditures, %

Thus, assessment of the impact of agrarian policy on agricultural development aims to detect the effectiveness of the whole and separate activities implemented, study the impact of agrarian policy on agriculture indicators and the market of different types of products, as well as evaluation of benefits received from allocated means. In order to analyse the impact of agrarian policy on agricultural growth in accordance with the goals set at the current stage of economic development, we believe that it is necessary to boost agricultural innovation and competitiveness, increase export potential, etc. It is also critical to consider quality characteristics such as.

6. Directions have been identified for improving state regulation and support for the development of export-oriented agricultural production in Azerbaijan. One of the most important criteria for the country's economy to run well is state regulation of the agriculture sector. The creation of favourable conditions for genuine economic activity is an important responsibility in the process of regulating the agrarian field.

The agro-industrial complex (AIC) is one of the country's most important economic sectors. This industry accounts for 7% of the country's GDP, 25% of fixed assets, and 75% of consumer products.

Increase the efficiency of state regulation in the agricultural sector is one of the main strategic goals of the "Strategic Roadmap for the production and processing of agricultural products in the Republic of Azerbaijan," approved by the decree of the President of the Republic of Azerbaijan dated on December 6, 2016.

During the previous period, an acceptable system of governmental support for agricultural producers was established, and consistent attempts were done to strengthen and raise the transparency of the system. Agriculture assistance measures are classified into three categories: general, agricultural production support, and animal husbandry support.

At the moment, steps are being conducted to improve the targeting of state agricultural support measures as well as the application methods. The use of tax incentives in the context of creating relationships between agricultural farmers, processing businesses, and trade networks is necessary. Simultaneously, one of the jobs ahead is to appropriately assess existing needs and identify places where applicable support measures might be expanded. It is impossible to implement such large-scale projects and raise their scale efficiency without appropriate state assistance and control.

One of the key avenues of development based on new quality metrics should be improving the state's participation in agrarian policy. All techniques of state influence on the agricultural sector must be coordinated with the interests of agricultural producers and society. Only by such an approach would it be feasible to improve its competitiveness, efficient resource usage in accordance with activity rules, the interaction

of all entities, and investor attractiveness. Implementing measures aimed at improving state regulation and support in the agricultural sector of the economy will aid in avoiding a decline in the economic efficiency of the state's regulatory role, as well as intensifying the solution of food security and social problems in the rural population's best interests.

The government regulates the economy through a variety of direct, indirect, administrative, and legal measures. Market self-regulation and coordination of government agencies' active impact are the guiding principles of AIC regulation and support. The proposed model for forming an effective system of state regulation of the agrarian sector to coordinate all stages of analysis, regulatory measures selection, and financial support for the development of the agrarian sector in a single system to determine the forms and methods of state regulation allows to assess the effectiveness of state regulation of the sector, to justify priority areas, measures, and scale of state support in a single system.

Strengthening institutional capacity to provide sustainable food security is one of the primary strategic goals of the Strategic Roadmap for the Production and Processing of Agricultural Products in the Republic of Azerbaijan. This necessitates improving the AIC's institutional transformation forms and methods.

According to the study, certain agricultural firms in the country have the financial means to update their production processes. However, most agricultural and small agricultural firms are deprived of chances due to inadequate financial resources and inaccessibility of budget funding, a substantial overhaul of the material and technological base, and the employment of sophisticated technologies in agricultural output.

In modern times, the main task of agrarian policy is to increase the volume of agricultural production by making efficient use of production resources, to supply raw materials to relevant sectors, to develop the food market, to develop crop and livestock sectors, and to expand export opportunities by using advanced technologies. It comprises of providing incentives to export-oriented sectors, increase the country's food security, etc. The speed and efficiency, with which the agricultural sector adjusts to changing internal and external economic conditions, as well as the level of development of innovation processes, determine the success of these objectives. Innovation processes foster the constant

renewal of technical, biological, and chemical means, technologies, and farm management practices, as well as the adaptation of agro-industrial production to agro-climatic elements and market demands. As a result, the efficiency and competitiveness of agricultural entrepreneurial activity, investor attractiveness, and labour productivity all improve.

At this time, the situation of agricultural innovation processes in the country is practically problematic in every way. To overcome the current circumstances and handle the issues facing the country's agricultural policy in line with the aims of innovative growth, we believe it is vital to coordinate the efforts and activities of government agencies and enterprises (public-private collaboration).

7. Improving the agriculture sector's competitiveness and growing export potential necessitates the implementation of a comprehensive strategy. Increasing the competitiveness of the agriculture sector of the country's economy remains a critical concern in the context of globalization of the world economy. The availability and nature of demand for products produced in domestic and foreign markets, the availability of supply areas or other similar areas of international competition, and the innovative development of the AIC in the country are all factors that contribute to the country's competitive advantage. Four aspects are identified, including the creation of conditions for its passage.

Agrarian production competitiveness can be defined as a strategy direction of agricultural firms' activity aiming at increasing production efficiency and improving their competitive edge in the agrarian market. In this regard, achieving a competitive edge in the agricultural market is reflected in competitiveness, which is defined by cost, price, profit, and profitability. According to government statistics, the average selling price of most agricultural products has increased at a faster rate than their cost in recent years. As a result, they were able to maintain their commercial prosperity.

Recently, there have been certain changes in the country's foreign trade dynamics. This includes improving the country's economic, scientific, technical, and transit capacity, as well as active involvement in integration processes, diversification of economic and commercial linkages with other nations and the world market (Table 2).The

agricultural sector's foreign trade balance was negative from 2011 to 2020. In 2011, exports accounted for 34% of the whole foreign trade turnover of AIC products, while imports accounted for 66%. In 2020, these percentages were 28.5 and 71.5 percent, respectively. As can be observed, there has been a downward trend in agricultural product exports in recent years.

As can be seen from the table, there has been an increase in the dynamics of food imports. As a result, the volume of imports in 2020 grew by 36.7 percent as compared to 2011.

In 2011, AIC products accounted for 2.7 percent of total exports, 14.3 percent of imports, and 5.5 percent and 17.7 percent, respectively, in 2020. As can be observed, agricultural exports have increased in proportion to total exports as a result of steps made to improve agriculture. This shows that the sector's export potential is being used more frequently. At the same time, the proportion of this sector's products in imports has risen.

Table 2. Structure of import and export of agricultural products in the Republic of Azerbaijan between 2011 and 2020

Indicators	2011	2015	2017	2018	2019	2020
Foreign trade turnover of AIC products, million. dollars	2110,2	2136,5	2358,5	2407,9	2698,3	2663,8
Export	717,1	770,5	659,0	704,4	772,2	760,0
Import	1393,1	1366,1	1699,6	1703,5	1926,1	1903,8
AIC foreign trade balance (+;-)	-676,0	-595,6	-1040,7	-999,1	-11538,6	-1143,9
Specific weight in total exports, %	2.7	6.1	4.3	3.6	3.9	5,5
Specific weight in total imports, %	14.3	14.8	19.4	14.9	14.1	17,7

Source: State Statistical Committee of the Republic of Azerbaijan.

The specialization of agricultural output and the growth of the AIC processing industry are also key factors in the sector's export orientation. As the processing industry is a structural component of the economy, it must be developed through innovative ways. Cluster development is crucial for enhancing the agriculture sector's competitiveness and export potential. The major goal of forming agro-clusters is to provide a complete and balanced supply of local products to the home market while also considerably increasing exports. The state must determine the economic development of places that may have

growth points at a given time in order to build a real and effective cluster.

The primary points of the dissertation, as well as the findings and recommendations, are represented in the author's published articles and theses.

1. "Aqrar sektorunun innovasiyalı inkişafının bəzi məsələləri" Azərbaycan Respublikası kənd təsərrüfatı nazirliyi, Aqrar elm və informasiya məsləhət mərkəzi, Kənd təsərrüfatının iqtisadiyyatı elmi-tədqiqat institunun elmi əsərləri. Bakı 2017 (Səh.81-86).

2. "Dayanıqlı iqtisadi inkişafda ixrac yönümlü kənd təsərrüfatı istehsalının rolu" Azərbaycan Milli Elmlər Akademiyası İqtisadiyyat İnstitutu, Elmi Əsərlər toplusu, Bakı 2017(Səh. 103-109).

3. "İxrac yönümlü kənd təsərrüfatı istehsalının stimullaşdırılması və dünya təcrübəsi" "Azərıtifaq" Azərbaycan Kooperasiya Universiteti, "Kooperasiya" elmi-praktiki jurnal. Bakı 2017(Səh.35-42).

4. "Ölkənin aqrar sektorunun dayanıqlı inkişafının təmin edilməsində rəqabətqabiliyyətin yüksəldilməsinin və ixracat potensialının artırılmasının rolu": "Strateji iqtisadi islahatlar: Qabaqlayıcı vergi siyasəti" mövzusunda Beynəlxalq elmi-praktiki konfransın materialları. Bakı 2017(Səh.426-428).

5. "Aqrar sektorun idarə edilməsində aqromonitorinqin rolu" Azərbaycan aqrar elmi. Bakı 2017(Səh. 219-222).

6. "Azərbaycanda aqrar sektorunun müasir vəziyyətinin statistik təhlili". Statistika xəbərləri, elmi-praktik jurnal. Bakı 2017(Səh 14-21).

7. "Развитие Аграрного сектора экономики Азербайджана и его экспортных возможностей в конкурентных условиях. "Экономика и управление: проблемы, решения Пресса России-2018 (ст 13-16).

8. "Azərbaycanın aqrar sektorunun rəqabətqabiliyyətliliyinin və ixracat imkanlarının artırılmasının bəzi məsələləri". Ümumimilli Lider Heydər Əliyevin anadan olmasının 95-ci il dönümünə həsr edilmiş Respublika elmi-praktiki konfransı (s.9).



The defense of the dissertation will be held on "20" April on 2022 at 14:00 at the meeting of the Dissertation Council ED 2.10 operating under the Azerbaijan State University of Economics.

Address: AZ 1001, Baku, Istiglaliyat street 6

The dissertation is accessible at the Azerbaijan State University of Economics Library.

Electron versions of dissertation and its abstract are available on the official website of the Azerbaijan State University of Economics.

Abstract was sent to the required addresses on *"18" march 2022.*

Signed for print: 16.03.2022. Paper format: 60x84 1/16.
Order 10/03. Volume 1 pst. (36550 symbols)
Offset paper №1. Number of hard copies:100.

“AA – Polygraph” Production and Commercial Association
e-mail: capevi@internet.ru Tel.: (+99455) 201-28-09