



## Advantages of Export Promotion Policy in Rural Farming and Factors Conditioning It

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**Abstract:** As is known, agriculture is considered one of the crucially important sectors of the economy. Therefore, ensuring food security is directly dependent on the continuous development of agriculture. It should be noted that in developing countries, especially for oil-exporting countries, the role of agriculture is significantly elevated in the development of the non-oil sector and the implementation of alternative export policies. Given all these considerations, the implementation of export promotion policies in agriculture plays a particularly significant role. Export promotion policies in agriculture are understood to involve measures aimed at stimulating producers domestically and providing practical assistance to agricultural producers for the increase of export sales. In general, the promotion of exports is directly dependent on the implementation of trade policies domestically and the enhancement of business attractiveness. The experience of developed countries indicates that measures aimed at promoting exports, such as providing export credits to agricultural producers and offering necessary guarantees to them, directly contribute to increasing the volume of purchases domestically, thus reflecting measures aimed at increasing the level of economic activity.

**Keywords:** global markets; global competitive environment; agriculture; export promotion; export stimulation; export development

Factors conditioning the promotion of exports in agriculture are primarily significant in the development of the non-oil sector, particularly crucial for countries specialized in the export of oil products, and all of these play an important role in ensuring the country's economic security. In developing countries, the promotion of agricultural

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product exports plays a crucial role in stimulating economic development. Therefore, this article discusses the specific advantages of export promotion policies in agriculture. It is noted that the superiority of export promotion policies is primarily conditioned on creating favorable conditions for attracting foreign investment and supporting a free competitive environment. All of these create favorable conditions for agricultural entities engaged in export-oriented production activities. One of the advantages of export promotion policies is the liberalization of the economy and the provision of support to agricultural producers in foreign markets under favorable terms. Generally, the most significant advantage of export promotion policies is their contribution to economic growth. Export promotion policies primarily contribute to accelerating economic growth by stimulating the production of export-oriented goods, particularly evident in Southeast Asian countries, including Singapore, Malaysia, and others. Taking all of this into account, the article discusses the advantages of export promotion in agriculture in the Republic of Azerbaijan and emphasizes that the implementation of export promotion policies in agriculture not only creates favorable conditions for preserving food security but also can generate significant foreign currency revenues for the state budget from alternative sources.

## **1. Introduction**

Export promotion policy is considered one of the most important priorities of the state's foreign trade policy. Export promotion policy is a key instrument in supporting and stimulating free competition in developed countries. It should be noted that export promotion policy is generally regarded as a primary means of expanding access to foreign markets for various sectors based on global trends. Providing practical assistance to participants in foreign economic activity, as well as implementing measures aimed at realizing exported products and increasing the efficiency of this process through the use of modern information technology tools, constitute the main direction of export promotion. Export promotion policy in agriculture not only creates favorable conditions for reducing dependence on imports but also aims to support a free competitive environment in the field and ensure the access of products produced in this area to foreign markets with wide consumer base. Therefore, the use of export promotion policies is directed towards enhancing the comparative advantages and competitiveness of agriculture, which is an important component of the non-oil sector.

The socioeconomic aspects of export promotion in agriculture. As is known, export activity aims to export the products and services produced by various economic entities to foreign markets for profit, and foreign trade is considered one of the most important types of international economic relations. Foreign trade is considered one of the most widely used methods of integrating into the international economic relations system. When approaching the issue from this aspect, it is possible to

conclude that since foreign trade in agricultural products has developed to a significantly lesser extent compared to other sectors of the economy, in fact, there is a greater need for the implementation of measures aimed at promoting exports. Export promotion policy has its own specific characteristics regarding the trade of agricultural products. When applying these specific characteristics, a different approach should be taken to the trade of agricultural products. For example, if until 1960 agriculture accounted for more than 30% of trade in agricultural services, currently, their share has averaged close to 9% since the early 21st century.

The promotion of exports, considered one of the priorities of foreign trade, has been one of the direct forms of state intervention in the economy, and it plays a significant role in enhancing the effectiveness of foreign trade activities. Specialization of production and the application of intensive technologies are considered one of the most important factors in enhancing the effectiveness of the export promotion process. The application of intensive technologies is based on the more efficient use of production capacity, and all of this plays a crucial role in boosting the economy. The enhancement of the economy leads to more thorough fulfillment of consumer demand and simultaneously aims to eliminate dependence on the sale of a single product for the economy and the state budget.

Since export promotion policies are more oriented towards stimulating free competition, it is possible to evaluate these processes as a priority direction of liberal foreign trade in terms of their nature. Analyzing the spatial aspects of world trade, it can be concluded that until the 1950s, elements of protectionist policies prevailed in the agricultural sector of developed countries, and this process is currently manifested in new industrializing countries in one form or another. It can be inferred from the author's ideas that although industrialized countries, especially those that have chosen the Anglo-Saxon model, such as the United States, the United Kingdom, Australia, Canada, predominantly prioritize free trade in their policies, they also occasionally resort to protective measures in various forms when necessary, particularly in supporting the economy, such as in the promotion of agricultural sectors. This process has not only been a predominant trend since the early 1950s but also continues, especially in times of crisis, particularly when it comes to supporting agricultural sectors. It is precisely as a result of all these factors that modern agricultural production has been established in the aforementioned countries, leading to the expansion of exports of agricultural products to foreign markets, and the developed countries of the world have become major exporters of agricultural and food products.

It can be argued that the promotion of exports in the agricultural sector, while being one of the most crucial elements of foreign trade policy, can also be evaluated as agricultural and industrial policy. The promotion of agricultural products in foreign markets is aimed at expanding the participation opportunities of all economic actors

in foreign markets, regardless of ownership. Global experience shows that if, until the late 20th century, measures aimed at promoting exports were primarily structured to enhance the economy's resistance to unemployment and provide avenues for economic recovery, in the early 21st century, such policies are formulated not only to serve the takeover of markets but also as objectives without economic limits.

It can be inferred from the author's perspective that while measures aimed at promoting exports were primarily focused on addressing unemployment and providing avenues for economic recovery until the late 20th century, in the early 21st century, export promotion measures, especially in developed countries, are structured as significant elements subject to the effects of globalization. It is a known fact that in the early 21st century, measures aimed at promoting exports in the agricultural sector were primarily implemented by developed countries. However, later on, other Western countries, including those participating in economic cooperation and development organizations, also began to utilize these measures. Currently, measures aimed at promoting exports in agriculture support the export of agricultural products to foreign markets and aim to maximize their existing advantages in this area while ensuring food security. It should be noted that the policy of promoting exports in agriculture can yield positive results when comparative advantages exist for agricultural production in those countries. In exchange for these comparative advantages, measures aimed at promoting exports contribute to greater recognition of these products in the global market, facilitate their sale, and ultimately assist the representative producer of the country in establishing a strong position in the market.

The implementation of measures aimed at promoting exports is not only considered a crucial component of the state's foreign trade policy but also of its economic policy. In this regard, the state can restrict or stimulate processes related to export promotion in accordance with prevailing economic conditions. Measures to stimulate export promotion arise primarily from the need to establish a foothold in foreign markets and develop alternative export sectors. In certain economic conditions related to export promotion, the state may prefer restrictive policies. Restrictive policies are implemented when different situations arise in food markets and ensuring food security and addressing social problems of the population become imperative.

Research by the International Trade and Sustainable Development Center notes that concerns about food security in countries at all times lead to restrictions on export promotion. Therefore, these measures prevent or limit price increases, restrict the impact of uncontrolled inflationary pressures on domestic market prices in international markets. It is possible to agree with the author's views, and the agreed issue can be explained with this argument: for example, the Republic of Azerbaijan historically specialized in the production of agricultural products, and former union

republics, including Russia, played a significant role as the country's traditional foreign trade partners. For example, despite certain problems arising on the borders between Russia and the Republic of Azerbaijan, such as interruptions or delays in the export of agricultural products at certain times, fluctuations in prices of agricultural products, including perishable vegetable products, were observed in the country's food markets. In general, considering these or other arguments, especially in natural climate conditions where food crises occur, problems arise, particularly when agricultural productivity declines due to dry or frosty weather, exporters not only restrict their export promotion activities but also face restrictions in export itself in some cases.

As mentioned above, the export promotion policy, a significant component of foreign trade policy, yields positive results when it ensures national competitive advantages. Overall, national competitive advantage is only realized when there is an increase in labor productivity, leading to the ability of enterprises to access foreign markets. Here, one of the government's important tasks is to expand opportunities for national firms to access foreign markets. Foreign trade policy should be directed towards creating conditions for all firms to have free access to markets everywhere. Efforts to increase competitive advantage should focus not on directly regulating exports and imports but on eliminating financial barriers.

We agree with the author's views that export policy should aim to preserve competitive advantages and, regardless of ownership, eliminate existing barriers for enterprises to access foreign markets. In this regard, it can be considered that export promotion policy carries a more complex character, and financial assistance in any form for export promotion plays a significant role in stimulating enterprise. However, other organizational measures should also be implemented to ensure that exporters and the products they offer maintain and strengthen their position in the global market.

Factors that shape the advantages of export promotion policy in agriculture. Foreign trade policy combines two directions in terms of a free competitive environment and protectionism. One is the export promotion policy, which has a liberal character and supports free competition, while the other reflects protectionism and is a policy of replacing imports, tying the country's economic borders to certain products, especially those produced domestically. Therefore, we consider it appropriate to analyze the advantages of export promotion policy based on the foundation of import substitution policy.

It is essential to particularly emphasize on a matter that if a certain number of products were previously imported in the country's economy, this process cannot be considered as import substitution policy. Furthermore, if a range of new product types begin to be exported in the country, it does not constitute export-oriented or export promotion policy. Global practice demonstrates that the fundamental

characteristic of import substitution policy is to create necessary stimuli for the development of domestic production sectors to enhance competitiveness in the domestic market. In other words, import substitution policy essentially forms a domestic production arena as a rule for local producers, enabling them to comfortably produce and sell their products domestically without significant external influences or competition, thus fostering elements of protectionism. During import substitution policy, any producer offers their products to the domestic market without restrictions or interference, ensuring their products can be realized in the market, as there are no foreign analogs.

On the other hand, export promotion policy is typically aimed at increasing export potential. In practice, the implementation of this policy is not achieved through extensive changes in export subsidies or mass subsidies, but rather through the expansion of a free competitive environment. Massive export subsidies are not aimed at increasing the number of exporters or strengthening the position of exported products in the global market. In fact, export promotion policy is more closely aligned with the nature of liberal foreign trade policy. In general, it is not possible to categorically differentiate countries or groups of countries throughout history as exclusively implementing import substitution or protectionist policies, as well as free trade policies. Most countries have occasionally utilized these policies, which have been significantly influenced by prevailing economic conditions, global crises, and domestic and international environmental factors affecting national economic development. Particularly, the unique characteristics of the agricultural sector and changes in natural climatic conditions and other similar factors have sometimes necessitated the implementation of protectionist policies. The adverse effects of foreign competition on the domestic market, primarily due to dumping prices, resulting from the importation of goods, lead to disruptions in the interests of local producers. In conditions where the domestic market is poorly defended, market interventions weaken the country's economic and food independence and inevitably lead to continuous dependence on the import factor of the national economy. We agree with the author's views that such measures are sometimes implemented. Thus, we support our previous argument by also aligning with the author's views that it is not possible to consistently apply the mentioned policy in any country. This is more dependent on economic conditions.

When implementing export promotion policy, it is commonly done through the indirect means of government regulation. On the other hand, import substitution policy relies more on direct methods such as administrative measures, currency controls, import insurance, administrative allocation of finance and material resources, etc. Especially when considering the aspect of globalization, it can be concluded that a policy directed towards promoting exports in agriculture may be more beneficial compared to import substitution policy. This is because in agriculture, direct manifestations of government regulation are not feasible, and

indirect influence is exerted through the use of indirect tools. Furthermore, a significant advantage of export promotion policy in agriculture lies in the formation of production and export-oriented groups, preparing them for competition in the international market. In conditions of external competition, such producers are capable of facing international competition, thus creating favorable conditions for both domestic and foreign markets to realize their products in a globally competitive environment.

One of the most important advantages of export promotion policy lies in ensuring the access of exporters to foreign markets not only through increased financial assistance from the state budget but also through the provision of necessary measures for their entry into foreign markets. Various measures such as participation in exhibitions, removal of export barriers, etc., strengthen the position of exporters in the global market. The realization of export promotion policy encourages producers to continuously improve their products, reduce costs, and increase product quality. In this regard, producers are more incentivized to improve product quality and reduce costs, which ultimately enhances their competitiveness. These elements are not present in import substitution policy. In other words, import substitution policy establishes conditions similar to a “shelter” for producers, shielding them from any adverse external manifestations and ensuring sales opportunities regardless of the quality or type of product. This protects producers from free competition and prevents them from competing in foreign markets.

Lastly, one of the most important advantages of export promotion policy is that countries implementing it undergo continuous structural changes in the economy. Structural changes in the economy are primarily aimed at improving product quality and increasing competitiveness, which provides products with higher competitiveness compared to their foreign analogs in the international market. In our opinion, the implementation of measures aimed at promoting exports in our economy, including agriculture, is of strategic importance. Import substitution policy may be implemented from time to time. However, the main tendency, the main priority direction, is oriented towards promoting exports. It cannot be denied that import substitution policy can be implemented under certain conditions. Naturally, using this policy within the necessary conditions can be significant for protecting domestic markets, effectively eliminating adverse manifestations of foreign competition. However, in our opinion, the main priority direction, especially in agriculture, should be directed towards promoting exports. In this case, creating large-scale agricultural enterprises, ensuring their scientific and technical progress with the latest achievements, and simultaneously utilizing modern digital technologies, expanding the capabilities of artificial intelligence, can create favorable conditions for continuous development of agriculture.

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