

**REPUBLIC OF AZERBAIJAN**

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**ABSTRACT**

of the dissertation for the degree of Doctor of Philosophy

**IMPROVEMENT OF THE ECONOMIC MECHANISMS OF  
THE WINEMAKING AND VITICULTURE COMPLEX IN  
AZERBAIJAN**

Speciality: 5312.01 “Field economy”

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## GENERAL CHARACTERISTICS OF THE WORK

**Relevance of the topic and degree of elaboration.** In the current conditions, where the Republic of Azerbaijan has entered the post-oil era, the need to further accelerate the development of the agricultural sector, which occupies an important place in our economy, is intensifying. Taking into account that the agricultural sector will play an important role in the foreign currency income of the country, the problems of efficient use of the sector-specific export potential are on the agenda. In the mentioned direction, the dynamic development of the field of viticulture and winemaking in the country is of exceptional importance.

In restructuring the national economy after regaining independence, viticulture and winemaking, with their unique role, require a focus on the level of a new view of the agrarian sector. As in other areas, the new qualitative level of development here is connected with the name of National Leader Heydar Aliyev. With his idea and direct initiative, the Law of the Republic of Azerbaijan "On Viticulture and Winemaking" was adopted (in 2002), it was included in the state programs of socio-economic development of the country's regions, as well as with food products of the population of the Republic of Azerbaijan in 2008-2015 support of grape production is envisaged in the State Program for providing. A worthy and creative follower of the ideas of the great leader, the President of the Republic of Azerbaijan Ilham Aliyev approved the "State Program for the Development of Viticulture in the Republic of Azerbaijan in 2012-2020" (order dated December 15, 2011), as well as the "2018" approved by the head of the country. - In the State Program for the development of winemaking in the Republic of Azerbaijan in 2025 (order dated May 3, 2018), a complex system of measures that forms the development strategy of the field is defined.

In the third decade of independence, grape plantations were established based on advanced technologies in viticulture, giving preference to varieties with higher productivity. Serious and comprehensive steps have been taken in the production of a wide variety of wine products using the new technical support and

modernized technological lines and equipment complex, which are qualitatively the same. Due to the listed and a number of other innovations, the signs of the financial, economic, and structural crisis observed for objective reasons in Azerbaijan were partially prevented, and the processes of stagnation and decline in the field of viticulture and winemaking in the post-Soviet space were stopped.

At the same time, it should be taken into account that the current potential in the field of viticulture and winemaking development has not yet been fully realized. In our country, the continuous trend of removing grapes and products from processing at the necessary speed has not been decided. There is a need to solve the existing structural problems in the field, increase the competitiveness of winemaking products, and expand access to foreign markets.

The economic problems of the development of viticulture and winemaking, including the issues arising in connection with the implementation of systemic changes in the economy, have been studied by scientists of Azerbaijan and foreign countries. In this direction, Z.Samadzade, I.Aliyev, B.Atashov, V.Abbasov, M.Salmanov, I.Ibrahimov, I.Garayev, A.Nadirov, S.Salahov, H.Khalilov, foreign economists V.Berzin, M.A. Khailimagemedov, A.Zolataryev in the works of separate issues related to the development of viticulture and winemaking in modern conditions were investigated, a number of interesting ideas were put forward in theoretical and practical direction, and proposals were prepared.

In addition to what has been explained, it should also be noted that in the aforementioned studies, the problems of regulation of the development of the grape grower and winemaking were not presented separately and as the subject of a complex study. Therefore, the main directions of the creation of efficient economic mechanisms of regulation in that field have not been comprehensively investigated.

**The object and essence of the research.** The object of the research is enterprises operating in the field of viticulture and winemaking in the country. The essence of the dissertation research is the direction of improving the economic mechanism of regulation in viticulture and winemaking.

**Research purposes and objectives.** The purpose of the research work is to reveal the characteristics of state regulation in the field of viticulture and winemaking and the factors that determine them, to examine the main directions of the formation of economic means and mechanisms of the regulation of the economy in the viticulture and winemaking sector at the modern stage, as well as to develop and present scientific recommendations aimed at improving the main parameters of the economic regulation system.

The following are defined as tasks related to the achievement of the main goal, the priority of which is justified by the applicant:

- to explain the features of state regulation in the field of viticulture and winemaking and the factors determining them;
- to examine the structure of the mechanism of economic regulation of viticulture and winemaking;
- to study the process of formation of the regulation system of viticulture and winemaking in the conditions of a post-socialist economy;
- to determine the current trends in the formation of the mechanism of economic regulation of viticulture and winemaking;
- to explain directions for improving the regulation of viticulture and winemaking by economic means;
- to investigate ways of improving the investment provision of viticulture and winemaking;
- to study the issues of the creation of efficient mechanisms of dynamic increase of production and export of viticultural products.

**Research methods.** The conceptual theoretical and methodological bases of the research work are the development of the agro-processing sector of the national economy, including the development of viticulture and winemaking, the important results of the scientific research of economists studying the problems of economic regulation in this field, the relevant laws of the Republic of Azerbaijan, the decrees and orders of the head of the country, as well as other legal norms organized acts. Observation, monographic, comparative analysis, systematic approach, economic statistics, and other methods were used in the research process.

**Main clauses defended.** Taking into account the scientific innovations obtained from the dissertation research, the following basic propositions are defended:

there is a need to generalize and evaluate aspects of economic regulation mechanisms in the field of viticulture and winemaking;

- it is necessary to present the modern characteristics of the functional structure of the economic regulation mechanism in the field;
- determining the priorities of establishing a state patronage system for viticulture and winemaking has become a necessary condition;
- the justification of the main stages of the formation of the regulation mechanisms of the field products market has not been researched at the modern stage;
- increasing and stimulating the role of economic mechanisms for increasing the production and competitiveness of viticulture and winemaking products, and its improvement is guaranteed;
- the preparation of proposals for improving the system of stimulating investments in the field in the direction of realizing the strategy for the development of viticulture and winemaking is derived from the requirements of economic development;

**The scientific novelty of the research.** The scientific novelty of the dissertation is as follows:

- the factors determining the characteristics of regulation in the field of viticulture and winemaking and their mechanisms of influence are explained;
- the functional structure of the mechanism of economic regulation in viticulture and winemaking is explained, regulation models are separated, and their main features are indicated.
- the main directions of the establishment of the system of state aid to viticulture and winemaking have been determined;
- the main stages of the formation of grape and wine market regulation mechanisms are justified;

- by the tasks of the implementation of the strategy defined by the state for the development of viticulture and winemaking, substantial proposals and recommendations were put forward to improve the stimulation of investments in this field.

**The theoretical and practical significance of the research.** As a logical conclusion of the study, the proposals and recommendations put forward by the applicant form efficient economic regulation mechanisms in the field of viticulture and winemaking. It creates a favorable experimental environment for strengthening the stimulation of investments in this sector, increasing the role of economic tools in increasing the competitiveness of manufactured products and increasing their export.

The scientific-theoretical and empirical propositions and the results obtained in the dissertation research can be used in the process of developing and implementing state programs with relevant goals and objectives, as well as strategic decision projects on the sustainable and dynamic development of viticulture and winemaking.

**Approval and application.** 5 articles and 5 theses were published according to the topic of the dissertation work. The main results of the presented dissertation research were "Factors determining the development of the viticulture cluster", a scientific conference dedicated to the 97th anniversary of the national leader Heydar Aliyev's birth, "Heydar Aliyev and Azerbaijan's national economic development model", "Increasing the competitiveness of local wine products" held at the Azerbaijan University of Architecture and Construction issues" were discussed and approved at the international scientific-practical conferences jointly organized by the Confederation of Trade Unions of Azerbaijan and the Academy of Labor and Social Relations of Azerbaijan on the topic of "Problems of the impact of the pandemic on the socio-economic development of the countries of the world". The following articles can be mentioned among the published scientific works: "Characteristics of the Viticulture and Winemaking Complex and Factors Determining the Regulation of the Area" (Baku, 2019), "Mechanisms for the formation of state aid for the development of

viticulture and winemaking" (Baku, 2020), "Development of viticulture and winemaking in Azerbaijan" (Baku, 2020), "Functions and models of the mechanism for economic regulation of viticulture and winemaking" (Moscow, 2021), "Improving export stimulation mechanisms in the viticulture and winemaking complex" (Baku, 2021).

The results, recommendations, and suggestions made of the scientific research carried out by the author within the framework of the dissertation research were accepted for use by the Scientific Research Institute of Viticulture and Winemaking of the Ministry of Agriculture of the Republic of Azerbaijan. (reference dated 05 April 2022)

**The name of the institution where the dissertation work was performed.** The dissertation was completed at the Agrarian Research Center under the Ministry of Agriculture of the Republic of Azerbaijan.

**The total volume of the dissertation with a sign indicating the volume of the structural sections of the dissertation separately.** Dissertation consists of introduction, three chapters, conclusion and list of used literature. The total volume of introduction (11163 tokens), chapter I (48245 tokens), chapter II (78577 tokens), chapter III (67387 tokens), conclusion (9976 tokens) and bibliography (17120 tokens) is 243746 tokens. The number of marks of the dissertation is 215348 marks, excluding tables, schemes, diagrams, the list of used literature.

## **THE MAIN CONTENT OF THE RESEARCH**

In the introductory part of the thesis, the relevance and degree of development of the topic, goals and tasks, object and subject, methods, main propositions defended, scientific innovation, theoretical and practical importance of the research, testing and use of the results, etc. are reflected.

**In the first chapter** of the study entitled "**Theoretical-methodological foundations of the regulation of viticulture and winemaking**" first of, the essence of state regulation in the field of



viticulture and winemaking was explained, its unique features were characterized, and the factors determining those features were determined.

In the modern era, when innovations have become a leading factor in the competitiveness of this or that field of activity, the importance of production and business approaches in the regulation of viticulture and winemaking from a single perspective can create a synergistic effect if they complement each other. For the investor, this is a decisive factor. The characteristic aspects that are visible in the field of viticulture and winemaking can manifest themselves in the investment demand. First of all, it should be noted that viticulture and winemaking, especially viticulture, have historically been characterized by high investment capacity. The development of viticulture and winemaking fields has significant potential for increasing the level of employment and improving its structure. Currently, globalization processes are taking on new features under the severe influence of pandemics and regional conflicts. The vectors of integration are changing, new factors, sanctions, and embargoes have a greater impact on international economic cooperation and the development of international trade. However, the regulatory measures that serve to increase the competitiveness of wines in the relevant segments of foreign markets, require compliance with high-quality indicators of the exported product according to international standards.

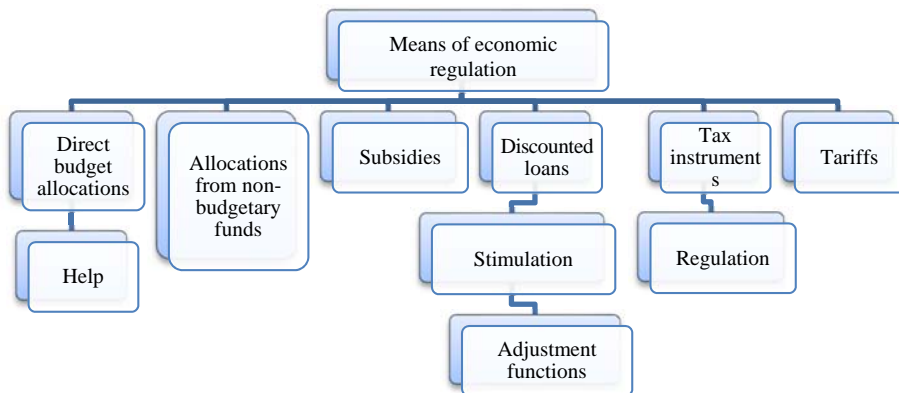
The pandemic has increased problems in viticulture and winemaking, as in all fields of activity. This is primarily related to sales and logistics. Although the consumption of wine has increased in general, the difficulties in the process of its delivery to the consumer have not decreased. In general, the COVID-19 pandemic has somewhat slowed down the development of viticulture and winemaking.

The practice of supporting the competitiveness of local wine products in foreign markets within the framework of financial assistance or targeted tax incentives for export promotion programs is widely applied. In general, the possibility of using economic methods and tools is always in focus in order to gain a position of

local wines with high export potential in foreign markets. Promotion of the export of winemaking products by economic means allows them to increase their price competitiveness in international markets.

The support function is implemented through the solution of any problem related to the expansion of production or development in the field without compensation or on concessional terms, by allocating financial funds and other resources for those purposes. The stimulation function serves to realize the goals of directing the development of the field in the necessary directions. The regulatory function also has an important role in the economic regulation of viticulture and winemaking. This function is mainly aimed at regulating the market of winemaking products.

It should be taken into account that the specified functions of the economic regulation of viticulture and winemaking can be realized in an interconnected manner, as well as in parallel or sequentially. Implementation of functions can be provided by the same or different tools. All this makes the functions of economic regulation into elements of a single system. That system can be shown in the following block diagram (Scheme 1).



**Scheme 1. Functions and means of economic regulation in viticulture and winemaking**

*Source: Compiled by author.*

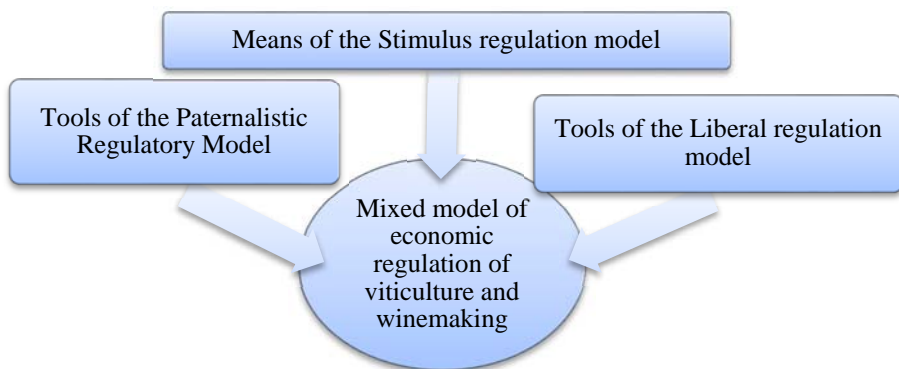
It is possible to distinguish different models of regulation, depending on which of the functions of the economic regulation of viticulture and winemaking is dominant and in which direction the economic means are used more actively. In this direction, paternalistic, stimulating, liberal, and mixed models can be distinguished. The paternalistic model is based on providing strong state patronage to the development of the field. The necessity of applying such a model is primarily because viticulture is an area with a high investment capacity. In many cases, as a rule, in order to ensure the competitiveness of viticulture, there is a need to implement effective state assistance for financing the costs related to the establishment of plantations and bringing them to fruit-bearing age, as well as for the reconstruction and modernization of vineyards.

During the application of the paternalistic model, the state creates conditions for the formation and expansion of viticulture, and the organization and modernization of raw material processing through direct regulatory means, including direct financing. At the same time, in some cases, the state takes measures to protect the internal market. The paternalistic model of economic regulation is applied in conditions where there are not many opportunities to attract external financial resources to the development of viticulture and winemaking, as well as the development of the field has an important socio-economic role for the country. The main basis for the realization of this model is that the state has the necessary financial capabilities.

The stimulating model is aimed at ensuring stability, increasing efficiency, and increasing the competitiveness of manufactured products based on the active use of economic incentives in viticulture and winemaking. As a rule, this model of economic regulation is applied in the presence of established markets for viticulture and winemaking products. The economic tools used within the framework of the model mainly perform directional functions. The liberal model of economic regulation of viticulture and winemaking is based on the creation of a favorable operating environment for investors in the field. This model, unlike the other two models we looked at, does not involve the state taking on a significant economic burden.

The liberal regulatory model is increasingly needed in the context of developing markets, where foreign investment in viticulture and winemaking and new technologies for competitive production are in high demand. The main basis for the realization of that model is the continuous policy of the state in the field of attracting investments and creating favorable conditions for export activity.

The application of each of the indicated models of viticulture and winemaking in a "pure" form is rare. In most cases, different elements of this or that model are used side by side in the relevant practice of individual states. In other words, it should be taken into account that the practice of economic regulation is primarily based on a mixed model. In general, the formation of the structure of the mixed model can be expressed by the following scheme (Scheme 2).



**Scheme 2. Formation of a mixed model of economic regulation of viticulture and winemaking**

*Source: Compiled by author.*

The Mixed model makes it possible to adapt the economic regulation mechanisms of viticulture and winemaking to specific conditions in different periods and direct them more appropriately to the development goals of the field.

At the same time, it should be taken into account that due to the structure of economic regulation, there can be mixed models with different characteristics. Thus, in countries with developing markets in the field of viticulture and winemaking, primarily in countries

where system transformations have been carried out, the mixed regulation model has a relatively more complex structure. The mixed model can include elements and features of "paternalistic + stimulating", "stimulating + liberal", as well as "paternalist + stimulating + liberal" models. In countries with a developed viticulture and winemaking sector, the mixed regulation model, as a rule, combines the main aspects of the stimulating and liberal models.

The main aspects of different regulatory models can be summarized in the table below (table 1). It should be taken into account that the formation of economic regulation models of viticulture and winemaking has a dynamic nature. From this point of view, individual models can replace each other.

**Table 1.**

**The main aspects of the models of economic regulation of viticulture and winemaking**

№	Name of the model	Characteristic signs	Application conditions	Basics of application	Examples of application
1.	Paternalistic model	- financing of the infrastructure serving the organization and development of viticulture and winemaking with direct state investments; - providing large-scale subsidies to economic entities operating in the field	- that the development of the field is important from a socio-economic point of view; - limited opportunities to attract funds for development through non-state channels.	Having the state's financial capabilities for the realization of relevant goals	Russian Federation
2.	A stimulating model	Extensive use of economic stimulation tools in the direction of maintaining stability in the market of the field's products, increasing competitiveness	The existence of developed markets for winemaking products;	- formation of institutional and economic potentials for the implementation of stimulation measures; - fair operation of market mechanisms.	European Union member countries

*Continuation of Table 1*

3.	Liberal model	Directing the state's activities to create a favorable environment in the field	<ul style="list-style-type: none"> <li>- the need to attract new investors to the field, including foreign investors;</li> <li>- the need to give a strong impetus to innovative development</li> </ul>	Continuous state policy aimed at ensuring favorable operating conditions for investors	Chile
4.	Mixed model	In order to create conditions for the development of viticulture and winemaking, the joint application of direct assistance, encouraging and guiding measures by the state in one or another composition	<ul style="list-style-type: none"> <li>- there is a special need to support ensuring the competitiveness of the field's products;</li> <li>- limited economic opportunities for economic entities operating in the field</li> </ul>	<ul style="list-style-type: none"> <li>- that the state has appropriate financial capabilities;</li> <li>- relatively wide development potential of the area</li> </ul>	Argentina is a former socialist country with a viticulture and winemaking sector in its economy

*Source: Compiled by author.*

It is possible to say that the replacement of the paternalistic model with other models is one-sided for modern conditions. This model gives way to a mixed and stimulating model, as a rule. The organization of scientific support in the field can be shown as a typical example of the processes of replacing each other of economic regulation models in viticulture and winemaking. Within the framework of the paternalistic model, the scientific provision of the field is carried out entirely at the expense of the state. Scientific research works are carried out by specialized state institutions. Even in cases where the research works are mainly carried out by independent (private) research institutions, financing is provided at the expense of state funds based on contracts concluded on relevant projects.

In stimulating and mixed models, in addition to the state, associations of producer subjects and individual companies participate in solving scientific assurance issues. Within the

framework of the liberal model, scientific research is financed by institutions belonging to winemaking enterprises. These institutions are mainly created by wineries. Innovations in the whole range of production offers, as well as conducting strategic and empirical research.

The transition from the paternalistic model to other models is also reflected in the formation of the organizational-institutional structure of the regulation of viticulture and winemaking. Within those models, the practice of creating a special regulatory body is applied. The functions and structures of these institutions are formed under the influence of factors such as the level of development of the field, established management traditions, and implemented strategies. In this regard, different approaches to the establishment of these institutions find their place. In one case, the regulatory body is formed in the status of a state organization, and in the other case, in the status of a subject of special law based on the participation of representatives of the private sector.

**In the second chapter, "Formation of the regulation system of viticulture and winemaking in the conditions of the post-socialist economy",** the main trends in the development of viticulture and winemaking in modern conditions were revealed and explained in detail based on actual materials. Processes of establishment and development of mechanisms of state assistance to the restoration and development of viticulture and winemaking were analyzed, and the attitude to priorities was reported. At the end of the chapter, the environment and tools for the establishment of grape and wine market regulation mechanisms are characterized, and the possibilities for their development and improvement are indicated.

Under the direct leadership of the Great Leader, in the 70s and early 80s of the last century, historically important measures related to the development of grape production and processing were carried out in Azerbaijan. As a result, from 1969-1981, the area of vineyards expanded 2.3 times to 274.2 thousand hectares, and the volume of grape production increased 6.3 times to 1707.3 thousand tons. According to the volume of grape production, Azerbaijan ranks first among the allied republics of the former Soviet Socialist Republics.

In addition to the production of grapes, the processing base of this product has also been developed in the republic, and enterprises have been established that ensure a multiple increase in the overall processing capacity. Produced winemaking products were sold in all regions of the former Union, but were also exported to foreign markets.

Large-scale development of viticulture and winemaking in Azerbaijan has played an important role in ensuring the employment of the population, as well as in raising the living standards of the people living in the region as a high-income sector. However, due to the anti-alcohol campaign carried out in the former USSR, which ultimately failed, the field of viticulture and winemaking in the Republic declined. In 1988-1992, the volume of grape production decreased by 2.4 times, and the volume of wine products decreased by 2 times.

After the state independence of the Republic of Azerbaijan was restored, the successful implementation of fundamental agrarian reforms by Great Leader Heydar Aliyev in our country opened up favorable opportunities for the restoration and development of viticulture, like other areas of agriculture.

In Karabakh and Eastern Zangezur, the issues of innovative development of viticulture and the creation of necessary infrastructure for winemaking are still relevant. The implementation of the "State Program" on the development of viticulture has opened the way for the process of expanding grape plantations in the country to become sustainable. At the same time, the establishment of new vineyards, and the expansion of their scale, resulted in the decrease of the share of the areas bearing fruit in the total area. This indicator was 96.1% in 2003 and 92.5% in 2020. The relatively low specific weight of the fertile areas, in turn, means that the potential for increasing production in the coming period is also relatively high.

The expansion of the areas of grape planting ensured the determination of the trend of dynamic increase in product production in the investigated period. As mentioned above, the volume of total harvest from vineyards has increased more than 2.6 times in 2005-2020, and more than 1.3 times in 2015-2020.



Another main trend observed in the field of viticultural development is the consistent increase in productivity. The volume of production per hectare of vineyards was 69.5 centners in 2005-2007, 74.2 centners in 2008-2010, 83.8 centners in 2016-2018, and 102.1 centners in 2019-2020. Such positive dynamics in productivity were related to the expansion of the application of modernization measures in viticulture. New vineyards are planted, as a rule, at the expense of high-yielding varieties, including imported seedlings. At the same time, advanced planting care and cultivation technologies are applied. At the modern stage, the increase in the volume of grape production is accompanied by changes in its use in different directions. The data in Table 2 also gives a clear idea about this.

**Table 2.**

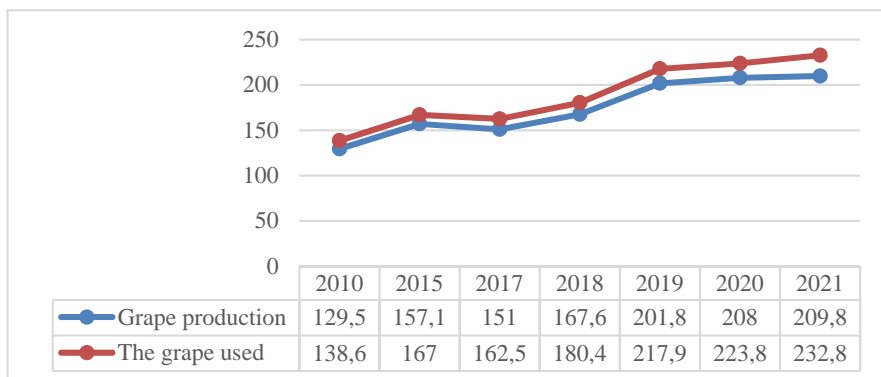
**Directions of use of grapes produced in the Republic of Azerbaijan in 2010-2021**

Row №	Direction of use	2010		2015		2021	
		A thousand tons	In % relative to the total	A thousand tons	In % relative to the total	A thousand tons	In % relative to the total
1.	Direct use as a food product (without processing)	76.9	52.9	94.1	54.6	116.3	49.5
2.	To wine production	60.7	41.8	70.9	41.2	101,0	43.0
3.	Export	1.0	0.7	2.0	1.2	10,6	4.5
4.	Losses	5.2	3.5	3.6	2.1	4.9	2.0
5.	Remainder at the end of the year	1.6	1.1	1.6	0.9	2.3	1.0
6.	Conclusion	145.4	100.0	172.2	100.0	235.0	100.0

*Source: Food balances of Azerbaijan (Statistical compilation) B., 2016 p. 31; 2022 p. 36. Compiled by the author.*

At the present stage, the grape market is one of the dynamically developing segments of the agricultural products market of Azerbaijan. It is characteristic that the market demand for grapes has expanded relatively rapidly in recent times. The volume of grapes used in 2010-2020 (without taking into account residues and losses at the end of the year) increased from 138.6 thousand tons to 223.8

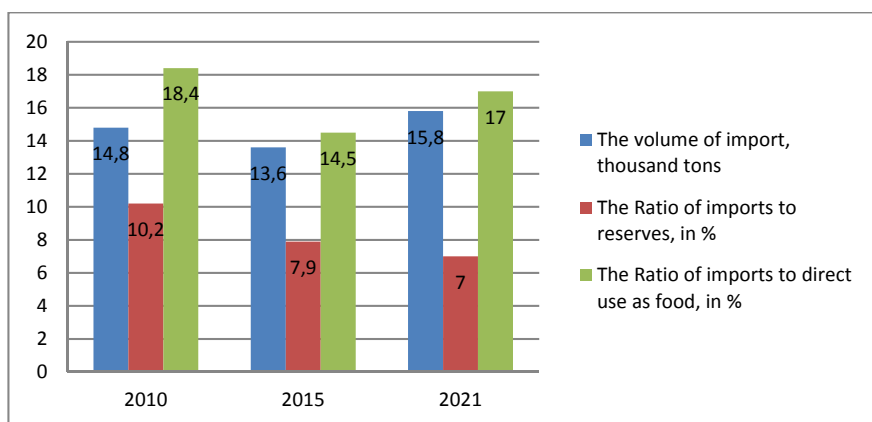
thousand tons or increased by 61.5%. The increase in demand was generally inconsistent and unsustainable (diagram 3).



**Chart 3. Comparative dynamics of grape production and use in 2010-2021, thousand tons**

Source: *Food balances of Azerbaijan (Statistical compilation); Trade in Azerbaijan (Statistical collection) B., 2016; 2022. Compiled by the author.*

Imports relative to reserves exceeded 10% in 2010-2011 but decreased significantly in the following 3 years, and growth in 2021 ensured that the level of 2010 was exceeded (diagram 4).



**Diagram 4. Absolute and relative indicators of grape imports**

Source: *Food balances of Azerbaijan; (Statistical compilation) 2016, p. 31, 2021 p. 36. Compiled by the author.*

A significant part of the wine produced in Azerbaijan is exported. As can be seen from the table below, similar to the export of fresh grapes, there are certain ups and downs in the volume of grape wine exports over the years, but in the medium term, a general growth trend is evident. Only in 2015 and 2020 did a relatively large decrease occur (table 3).

**Table 3.**

**Indicators of grape wine export in the Republic of Azerbaijan  
in 2010-2020**

		2010	2015	2017	2018	2019	2020	2021
1	Export volume, - a thousand branches	223,9	194,5	375,0	657,6	532,3	227,3	263,4
	- - in % compared to the previous year	157,7	151,1	197,9	175,4	95,1	55,0	115,9
2.	Amount of export, thousand US dollars	4034,0	3794,7	6008,6	7721,7	7339,9	4038,0	3961,0
3.	The specific weight of grape wine export in ready-made food products, alcoholic and non-alcoholic beverages, vinegar, and tobacco goods group, in %	1,9	1,4	5,4	8,5	8,3	4,9	5,0

*Source: Table Azerbaijan's foreign trade 2019 statistical compilation p. 57, 78, 80, 110, 2021 statistical compilation was compiled based on p. 82 data.*

The export geography of grape wine is not very wide in terms of the number of countries and regions covered. The Russian Federation traditionally dominates among the countries that import Azerbaijani wine.

The introduction of tax incentives has made it possible to significantly strengthen the financial support of grape producers in modern conditions. At the next stage of the formation of the state support system for agriculture, the application of the leasing of machinery and other types of production tools to agricultural producers on preferential terms was continued.

Providing subsidies for producers operating in this field also plays an important role in the development of state aid to agriculture. This form of supporting agricultural producers has been applied in our country since 2007. Another important form of subsidy for agricultural producers, including grape production, was the preferential sale of fertilizers. Subsidization, which is also benefited by agricultural producers and viticulture, has become multifaceted.

Creating favorable conditions for the sufficiency of credit resources for producers, which are other important elements of the economic regulation system in viticulture and winemaking, is also established in accordance with the tasks of realizing the general development strategy of the field.

Taking into account the high capital intensity of viticulture and winemaking, it is appropriate to give priority to the financing of investment projects in the direction of the realization of the defined rapid development strategy in the coming period.

The mechanisms created in the second stage of the formation of the viticulture and winemaking regulation system, which we are considering, ultimately ensured the progress of the field in the appropriate direction.

In general, it should be taken into account that in countries where the strategy of rapid expansion of viticulture and winemaking is implemented, the requirement to obtain a special permit for wine production leads to the emergence of other obstacles in the implementation of this strategy.

In the **third chapter** of the dissertation, entitled "**Directions for improving the regulation of viticulture and winemaking**" the possibilities of strengthening the state aid to the investment guarantee of the discussed area were revealed and the ways of their realization were indicated. Directions for increasing the role of the economic regulatory mechanism in increasing the competitiveness of grape and winemaking products have been determined. In the end, the means and directions for improving the regulatory mechanisms aimed at stimulating exports are substantiated.

To increase the role of the Fund in the regulation of viticulture, it is important to expand its sphere of activity, take into account the

relevant experience of some countries with developed viticulture and winemaking spheres, and turn it into a multi-functional institution. In this regard, after the relevant changes, it will be appropriate to call that institution "The Viticulture Development Fund".

The improvement of the economic mechanism of the regulation of viticulture and winemaking, both in the short, medium, and long-term periods, is significantly related to the expansion of targeted credit lines for the development of this field. Due to the high investment capacity of the field, funding through the Fund will not be sufficient in all cases to fully cover the relevant requirements. Targeted credit lines should enable all producers of grapes and viticulture products to be provided with financial resources in sufficient volumes and on favorable terms.

Among the necessary measures in the field, the improvement of investment guarantee mechanisms of viticulture should be included. In this direction, it is possible to use direct and indirect means of regulation. In the first direction, in addition to giving priority to the financing of investment projects intended to be realized in traditional production regions with high natural and climatic potential in the field of viticulture, it may be considered appropriate to allocate funds for those projects on relatively more favorable terms, including providing funds with smaller percentages. In the second direction, to increase the interest of investors in the establishment of new plantations in the traditional wine-growing regions, the subsidies given for the cultivation of vineyards in those regions may be given on more favorable terms than in other regions. Such an approach corresponds to the implementation of the state policy on the expansion of the use of economic means to improve the specialization of agriculture in economic regions in the country.

Improving the economic regulatory mechanism can play an important role in increasing the competitiveness of winemaking products. In modern conditions, the strengthening of competition in the world market of wine products and the increasing role of innovation-oriented technologies in such conditions are characteristic. Ensuring a competitive advantage through the improvement of technological processes acts as a necessary

component of the strategy of reducing production costs. From this point of view, experts evaluate the application of energy-saving rapid preparation technology in winemaking as promising. At the same time, the application of new-generation enzyme preparations, discoid silicon preparations, cold preparation with effective dosing with modern dosing pumps, and Benton suspension, which expands the relevant possibilities in the preparation of branded wines and other winemaking products, is also considered promising.

Improvement of state regulation in the field of viticulture and winemaking, taking into account advanced world practices: a) establishment of a multi-channel research funding system; b) creation of conditions for effective cooperation of state and private research institutions and research departments of production companies in the field of viticulture and winemaking; c) it is appropriate to research the basis of improving the quality of human resources, ensuring the integration of research and education.

As the main means of stimulating the application of innovative, resource-saving technology in the production of viticulture products, it is also important to take practical steps in the field of attracting the funds of "Azerbaijan Investment Company" OJSC to the development of wine production as one of the important areas of the non-oil sector of the country's economy to improve the investment security of economic entities.

Taking into account that winemaking is one of the fields that play an important role in increasing the export potential of the non-oil sector of the economy in our country, it may be considered appropriate to consider the issue of applying temporary tax concessions for specific types of products in the future. The excise tax mechanism is also used to ensure the competitiveness of wine products.

After the demining of the de-occupied territories is completed, the condition of the land where vineyards were traditionally cultivated will be studied. The use of these territories, which were subjected to the ecological terror of Armenians, for viticulture can be justified after this analysis.

Continuation of the strategy of access to new markets should be ensured. In recent times, some progress has been made in this direction. The export of Azerbaijani wines to the promising Chinese market has already begun. Azerbaijan's winemaking products are also exported to Ukraine, Belarus, the Baltic countries, and Kazakhstan. At the same time, it is of particular importance to realize the possibilities of further expanding the geography of exports by increasing the competitiveness of the manufactured product.

From the point of view of realizing the general development goals of viticulture and winemaking, it is necessary to distinguish the auxiliary, stimulating, and regulatory functions of economic regulation. The functions mentioned in economic practice become elements of a single regulatory system by realizing them in an interconnected manner.

In practice, the mixed model is more widely applied, which allows the adaptation of the mechanisms of economic regulation of viticulture and winemaking to specific conditions in different periods and directs them more appropriately to the development goals of the area. Like other countries whose economies have undergone system transformations, Azerbaijan uses a mixed model based on the joint application of direct assistance, encouraging and guiding measures in one or another form in order to create conditions for the development of viticulture and winemaking. The formation of economic regulation models of viticulture and winemaking is dynamic, and individual models can replace each other. By the requirements of globalization processes and the general logic of development, it is possible to say that the trend of transition to the liberal model in the economic regulation of viticulture and winemaking will prevail.

It is considered appropriate to implement the following in the indicated direction: a) by the positive experience of other countries, including post-socialist countries, in order to finance relevant projects related to the development of the field, the establishment of the "Fund for the Development of Viticulture"; b) expansion of targeted credit lines for the development of viticulture and winemaking; c) to improve the availability of capital funds for investments in the field, primarily in the spheres of processing and

storage, it is appropriate to widen the capabilities of currently operating development institutions, including the Azerbaijan Investment Company; ç) on the basis of improving the territorial structure of viticulture, fully realizing the potential of the area, ensuring the priority of regions with more favorable natural and climatic conditions for grape production, to improve the areas included in the scope of the investment promotion mechanism and, in addition, to increase interest rates for long-term loans, as well as for viticulture it is necessary to use the mechanisms of differentiation of subsidies given for the development of the field.

Improving the economic regulation mechanism can play an important role in increasing the competitiveness of the product, which is another priority task in the development of viticulture and winemaking. In this regard, to expand the application of innovation-oriented technologies as one of the main directions at the current stage, taking into account the modern world experience, it is appropriate to diversify and ensure the institutional structure and forms of financing of scientific research works in this field. In the current conditions, the appropriate assistance and concessions applied by the state for the producers play an important role in the stimulation of product production based on cost assistance in viticulture, as in other agricultural fields. In addition, first of all, in order to stimulate the development of the export potential of winemaking, it may be considered appropriate to consider the issue of providing subsidies for each kilogram of technical grape varieties produced and delivered to processing enterprises for the period of intensive expansion of the field.

There is a need to ensure the active role of the tax mechanism in the development of viticulture and winemaking, as well as in increasing the competitiveness of manufactured products. For this purpose, it is important to use tax as a multi-purpose tool. Taking into account the world experience in stimulating the production of competitive wine products in the domestic and foreign markets, the following directions for improving the tax mechanism can be distinguished: in order to fully realize the land and climatic potential of individual natural-climatic zones in the field of growing raw



materials for the production of high-quality wines, tax incentives for small-scale farms (agro-ecological micro-zoning of their areas suitable for industrial viticulture, in all cases with the condition of planting varieties suitable for specific conditions) application; application of preferential taxes for short and medium-term periods, taking into account market conjunctures in order to produce a wide variety of wine products that are in high demand in foreign markets; optimization of the excise tax mechanism in order to ensure the competitiveness of wine products.

The solution to the indicated problem is significantly related to the formation of efficient economic regulatory mechanisms in accordance with the relevant world practice of the development of viticulture and winemaking. In the current conditions, taking into account the requirements for providing favorable opportunities for rapid development in this sector of the economy, there is a need to further improve the economic regulation implemented by the state, including the relevant assistance and stimulation rules.

In modern conditions, among the goals of the economic regulation within that system, are the realization of the potential of the field, ensuring the food safety and ecological purity of products ready for final consumption, ensuring the variety and main quality indicators that meet the demands of the final consumers, the competition of the national wine industry in the domestic and international markets. ensuring the ability is in the foreground.

From the point of view of realizing the general development goals of viticulture and winemaking, it is necessary to distinguish the supporting, stimulating, and regulatory functions of economic regulation.

The functions mentioned in economic practice become elements of a single regulatory system by realizing them in an interconnected manner.

In modern conditions, like other sectors of agro-chemical production in the Republic of Azerbaijan, the application of multifaceted state aid to the development of viticulture and winemaking, the establishment of mechanisms for the regulation of the market of grape and wine products in line with modern world

practice, the recovery and development of that field after the crisis that occurred during the implementation of system transformations in the country played an important role in its removal. At the same time, there is a need to further improve the economic regulation mechanisms in terms of the implementation of measures related to viticulture and winemaking within the targeted State Programs, the implementation of the rapid expansion strategy in order to more effectively use the potential of the field in connection with the long-term development tasks of the economy.

**Conclusion:** It is considered appropriate to implement the following in the indicated direction:

1) in accordance with the positive experience of other countries, including post-socialist countries, in order to finance relevant projects related to the development of the field, the creation of the "Fund for the Development of Viticulture". The legislative framework of the Republic of Azerbaijan allows the establishment of such an oriented institution. At the same time, taking into account the progress made in the development conditions of viticulture and winemaking, changes should be made in the sources of formation of the mentioned fund and the mechanisms of operation, it will be necessary to transform it into a multifunctional financial institution;

2) expansion of targeted credit lines for the development of viticulture and winemaking. In this regard, in addition to continuing to use the opportunities of the Entrepreneurship Development Assistance Fund, it is considered favorable to ensure the wide opportunities of the "Viticulture Development Fund" in providing investment loans in the future, as well as to realize targeted credit lines through a specialized agro-industrial bank created with the participation of state capital;

3) in order to improve the availability of capital funds for investments in the field, primarily in the spheres of processing and storage, currently operating development institutions, including the Azerbaijan Investment Company-wide realization of its possibilities is appropriate;

4) based on the improvement of the territorial structure of viticulture, the full realization of the potential of the area, the

improvement of the areas included in the scope of the investment promotion mechanism in order to ensure the priority of the regions with more favorable natural and climatic conditions for grape production, and at the same time, the interest for long-term loans, as well as the development of the viticulture area it is necessary to use the mechanisms of differentiation of subsidies given on.

Improving the economic regulation mechanism can play an important role in increasing the competitiveness of the product, which is another priority task in the development of viticulture and winemaking.

5) In this regard, in order to expand the application of innovation-oriented technologies as one of the main directions at the current stage, taking into account the modern world experience, it is appropriate to ensure the diversification of the institutional structure of the implementation of scientific research works in this field and the forms of financing.

6) Along with this, in addition to creating conditions for efficient cooperation of state, independent private research institutions, and research departments of production companies in the field of viticulture and winemaking, conditions should be created to ensure close integration of research and education in order to increase the role of human resources in innovative development.

7) In the current conditions, the appropriate assistance and concessions applied by the state for the producers play an important role in the stimulation of product production on the basis of cost assistance in viticulture, as in other agricultural fields. In addition, first of all, in order to stimulate the development of the export potential of winemaking, it may be considered appropriate to consider the issue of providing subsidies for each kilogram of technical grape varieties produced and delivered to processing enterprises for the period of intensive expansion of the field.

8) There is a need to ensure the active role of the tax mechanism in the development of viticulture and winemaking, as well as in increasing the competitiveness of manufactured products. For this purpose, it is important to use tax as a multi-purpose tool.

9) In modern conditions, expanding the export potential of viticulture and winemaking to the necessary level is related to the consistent development of economic stimulation mechanisms in the relevant direction. That commitment should be more result-oriented in the territory of Karabakh and East Zangezur, which has been freed from occupation. In this regard, it is necessary to complete the stimulation of non-oil exports within the framework of the system of measures aimed at the development of foreign markets with the introduction of special incentives and support tools related to increasing the sale of wine in foreign markets. In that direction, granting export credits to wine producers, insuring export credits and providing guarantees for those credits, exempting exported products from Value Added Tax, and providing financial assistance for the implementation of projects that ensure the increase of the export-specific weight of products that are in high demand in foreign markets, as well as providing wine exporters with the state it is appropriate to expand the range and scope of organizational and technical support measures by.

**The main provisions of the dissertation work, the obtained results and proposals are reflected in the following works published by the author without co-authorship:**

1. Features of the viticulture and winemaking complex and factors determining the regulation of the area. // – Baku: "Azerbaijan Agrarian Science" scientific-theoretical magazine, 2019, No. 2. – p. 133-137.

2. Development of viticulture and winemaking in Azerbaijan. // – Ganja: Ganja branch of the Azerbaijan National Academy of Sciences "News collection", 2020, No. 1 (79). - p. 99-108.

3. Factors determining the development of the viticulture cluster. // – Baku: scientific conference on "Heydar Aliyev and Azerbaijan's national economic development model", "Construction economics and management" dedicated to the 97th anniversary of the birth of national leader H. Aliyev scientific-practical journal, 2020, No. 2. – p. 370-371.

4. Mechanisms of formation of state aid to the development of viticulture and winemaking. // – Baku: "Construction economics and management" scientific-practical magazine, 2020, No. 3. – p. 13-19.

5. Functions and models of the mechanism of economic regulation of viticulture and winemaking. // – Moscow: Bulletin of the Altai Academy of Economics and Law, 2021, No. 8 (1). - p. 9-15.

6. Improving export stimulation mechanisms in the viticulture and winemaking complex. // – Baku: "Cooperation" scientific and practical magazine, 2021, No. 4. – p. 135-142.

7. Issues of increasing the competitiveness of local wine products. // – Baku: Azerbaijan Confederation of Trade Unions and Azerbaijan Academy of Labor and Social Relations on the topic "Problems of the impact of the pandemic on the socio-economic development of the countries of the world" scientific-practical conference, May 31, 2021. – p. 181-183.

8. Issues of regulation of export of wine production. // – Moscow: Scientific form: economics and management, 2021, No. 6 (51). - p. 24-31.

9. Development and prospects of viticulture in Azerbaijan. // – Mingachevir: Mingachevir State University, scientific-theoretical conference on "The genius of Heydar Aliyev and modern Azerbaijan", May 4-5, 2022, - p. 251-253.

10. Restoration of viticulture and winemaking in Aghdam. // – Aghdam-Baku: "Building a new economy in Karabakh: development impulses from Aghdam" Materials of the 1st International scientific-practical conference, September 16-17, 2022. - p. 176-181.





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