

# Economic and Legal Mechanisms of Interstate Support for Agricultural Producers

Airat B. Bazenov<sup>1</sup>, Aizat M. Begzhan<sup>2,\*</sup>, Zhassulan S. Zhunissoy<sup>2</sup>, Abzal K. Tazhikov<sup>3</sup> and Bagdat Amandossuly<sup>2</sup>

<sup>1</sup>*Department of Theory of State and Law, Kazakh Humanitarian Law Innovative University, Semey, Republic of Kazakhstan*

<sup>2</sup>*Department of International Law, Al-Farabi Kazakh National University, Almaty, Republic of Kazakhstan*

<sup>3</sup>*Department of Civil Law, South Kazakhstan Pedagogical University, Shymkent, Republic of Kazakhstan*

**Abstract:** The transitional stage in the agrarian economy requires an optimal combination of state protection and market levers. At present, the state regulatory influence on the development of agriculture remains, on the one hand, quite significant, and on the other, insufficiently effective. There is no systemic integrity in the practice of state regulation of the agricultural sector. The relevance of the study is that in transition economies, agrarian protectionism was initially caused by somewhat different circumstances, and the protectionist policy was formed in fundamentally different conditions. The authors demonstrate that protectionism in industrial-type transition economies inherited a huge mechanism of state support for the agro-industrial complex in the depths of a centrally planned economy. Everywhere this support constituted a heavy burden of national finances, and one of the primary tasks of reforms in transition economies, including agrarian reforms, was precisely the release from this burden. It causes sharp liberalization of agrarian policy in almost all countries. The method of analysis was used to investigate the main directions, methods, and mechanisms of state regulation of the economy in different countries; the priority areas of state regulation of prices in the agro-industrial complex industry were highlighted. The practical significance of the study is that macroeconomic reforms in countries with an industrial type of development led to a rapid deterioration in the financial situation of the agricultural sector.

**Keywords:** Government support, agriculture, development, reform, economics.

## INTRODUCTION

State regulation of economy is exercised in various forms. Depending on the timing, there is long-term and short-term regulation. Economic liberalization leads to a crisis in the agro-industrial complex, in particular, to a decrease in the income of the population, which, in turn, leads to a decrease in the capacity of markets for agricultural products; a rapid increase in price disparity and a decrease in the share of the agro-industrial complex in the final price of food products, and a deterioration in the financial condition of this industry; the rupture of cooperative relations within the United Nations and the growth of market problems for national production; delimitation of the country from the distribution of agricultural products, as well as the lack of normal market infrastructure; the deterioration of the financial condition of the agricultural sector, together with the lack of an adequate lending mechanism for agricultural needs against the backdrop of inflationary processes, led to the decapitalization of the sector and a decrease in the level of productivity.

Consequently, the agri-food sector occupies a significant part of the economy in almost all countries

and is represented by a significant share of the population (Denisov 2018). Therefore, the objective deterioration of the situation in the agricultural sector under the pressure of agrarian oppositions could not but lead to increased protectionism after some period of reforms (Sharapova and Sharapova 2018). The problem lies in the fact that in several countries the strengthening or, more precisely, the restoration of protectionism occurred at a time when the main tasks of the reforms had already been solved: macroeconomic stabilization was achieved, the initial market infrastructure was created, and sector restructuring was completed (Bylund and Johnsson 1987). Under these conditions, protectionist measures no longer hinder further reform implementation (Garcia *et al.* 1996). In other countries, the slow implementation of reforms was associated with the introduction of protectionist measures, which, in turn, started slowing down the progress of reforms (Radchenko *et al.* 2020).

The second feature of the strengthening of protectionism in post-socialist countries is associated with the fact that almost all measures to support the agri-food sector are drawn from the arsenal of developed countries – the European Union (EU) and the United States (US) (Volkov and Orlovab 2017). At the same time, the specifics of the transition economy dictate their patterns of protectionism: many general

\*Address correspondence to this author at the Al-Farabi Kazakh National University, Almaty, Republic of Kazakhstan; Tel: +7 (7222)-21-10-00; E-mail: aizat.m.b@national-university.info

measures are ineffective or act in the opposite direction (Komelina and Panasenko 2013). Countries with a faster pace of reform also have an advantage here: by the time protectionist policies were strengthened, many of the transition features had already been overcome.

The principles of state protectionism in the agricultural sector are manifested in specific mechanisms for implementing the functions performed by the state in pursuing its economic policy with the use of certain methods (Aliev *et al.* 2017). At the same time, the state performs the following main functions: legislative – the state develops the legal foundations of a market economy, which are the same for all forms of ownership and management; stabilizing – the state maintains a high level of employment and price equilibrium; distributive – fair distribution of income in society, and efficient allocation of resources in a market economy (Ryazanova 2019). Agrarian protectionism is one of the most important principles of state regulation in civilized countries (Kolesnyak *et al.* 2020).

## MATERIALS AND METHODS

The method of analysis was used to investigate the main directions, methods, and mechanisms of state regulation of the economy in different countries; the priority directions of state regulation of prices in the agro-industrial complex (AIC) industry are highlighted. The fundamental combination of the state and market mechanisms for regulating the processes of reproduction of the industry is based on the following generalized principles (Bellemare and Carnes 2015):

- Legality. The essence of legality lies in the reality of law, i.e., all subjects of public relations, without exception, must be guided by the principle of strict observance of the requirements of laws and other regulations, conscientiously perform the legal obligations assigned to them, and freely and fully use their subjective rights.
- Prevention of unjustified interference of state authorities and local self-government in the choice of forms of management and economic activities of agricultural producers, except for cases stipulated by laws.
- Systematic and comprehensive measures of state regulation of agriculture.
- Predictability and transparency. Predictability means the compliance of regulatory activities with the goals of national policy, as well as plans

for the preparation of draft regulatory acts, which allows business entities to plan their activities. As for transparency, complete information on legislative and other regulatory acts, the procedure for their implementation, and the work of the bodies ensuring their implementation should be publicly accessible.

- Consistency and fairness. The consistency provides for the harmonization of the regulations with the main provisions of the national regulatory policy, other adopted legislative and regulatory acts. Fairness means ensuring the equality of all business entities.
- Clarity and efficiency. The clarity means that regulations should be simple in content, not contain provisions that allow for ambiguity; citizens and entrepreneurs should not have any difficulties in understanding the provisions of the regulations. The principle of efficiency lies in the analysis of the benefits of a regulatory act, in the study of whether the funds spent by business entities, citizens, and the state are justified and whether the regulatory act is the most effective of all possible alternatives to achieve this goal.
- Stability. It provides the necessary influence on the development of AIC in order to level the ups and downs in the business cycle, curb unemployment, and support economic development. The measures of state financial, tax, foreign economic, and customs policies affect the level of agricultural production.
- Adequacy. It requires the system of state regulators of AIC development and the methods of their application to reflect the realities of the current stage of socio-economic development of the agricultural sector.
- Optimal combination of administrative, legal, and economic leverage.
- Priority. It is necessary to abandon the practice of dispersing limited financial resources of the state between a vast number of governmental programs and areas of budget financing.
- Purposefulness and targeting of state support for agricultural producers. Most of the legislative acts that regulate the provision of state support to subjects of agricultural entrepreneurship are described by the purposefulness and targeting of

state support for agricultural entrepreneurship. In turn, the principle of targeting ensures the provision of state support to clearly defined categories of farmers.

- Mobility of state support for agricultural producers. It provides for a prompt response to the needs of agricultural producers, especially during sowing operations, in order to prevent violations of the crop cultivation technology.
- Incentives. It provides an increase in the efficiency of agricultural producers and their further economic development.

The principles of state protectionism in the agricultural sector, highlighted by the authors, also deserve special attention (Baimisheva *et al.* 2019):

1. The principle of the unity of economic, environmental, and social goals is implemented through the state's adoption of several measures to solve economic problems considering the behavior patterns of various groups of the rural population.
2. The principle of program-targeted regulation is implemented through the use of methods of influencing the competition, keeping negative results apart, which allow harmonizing interests, methods, and means of regulation.

At present, competition and protectionism remain almost the most conversion area of knowledge in the world economy, and adherence to the fundamental prerequisites of agricultural protectionism allows to fulfill its defining socio-economic function, that is, to provide normally functioning agricultural entities and the entire agri-food system with the level of profitability necessary for social progress and support of production in volumes adequate to public demand and real market capacity (Kurowska and Kryszk 2017).

## RESULTS AND DISCUSSION

Access of competitive products to domestic markets is carried out with the consideration of the current state of the national agri-food market, the assessment of the situation on the world food market, and the interests of national agricultural producers and consumers. Admittedly, the membership of countries in the World Trade Organisation (WTO) to a certain extent limits the policy of protectionism, but given the economic and social expediency, it does not abrogate it. The WTO

rules, including customs, stipulate protection and support of agricultural producers within each member country of this organization. According to the Agreement on Agriculture, under the WTO, all internal protectionist measures in the agricultural sector are classified into three "boxes" (yellow, blue, and green) that meet its WTO requirements (Rahoveanu 2017).

Thus, the Yellow Box includes measures for protectionist support, which stimulates the production of certain types of agricultural products. Such measures distort trade, violating the basic principle of fair competition in foreign and domestic markets. As Yellow Box spending rises above the trading level, it should be reduced in the course of the transition (Orden *et al.* 2007). Accordingly, to the measures of the Yellow Box, each state must commit itself to reduce budgetary funding, which has always been a controversial issue for most countries (Yan and Huang 2019). The WTO member states undertake to reduce the level of the general support parameter by an agreed percentage. Over a six-year period (from January 1, 1995), developed countries agreed to reduce the level of aggregate measurement by 20% from the average level (which was achieved in the base period – 1986-1988). Developing countries are required to reduce the aggregate measure of support by 13% over a ten-year period. With the implementation of these obligations, the volume of the aggregate measurement decreased from 197.721 billion US dollars, formed in the base period of 1986-1988, up to 162.497 billion US dollars on the verge of the implementation period. The Blue Box includes support measures that are based on fixed areas, gross fees, and livestock units. In this regard, their allocation constitutes a certain compromise between the US and the EU, reached during the Uruguay Round negotiations within the WTO. They are transitional and not used.

The Green Box includes measures that do not directly affect the increase in production and trade (support for consulting, crop insurance, pest and disease control in crop and livestock production, social development of the village, environmental protection, as well as regional development programs, etc.). Expenditures in this area are not subject to mandatory reduction when a country joins the WTO (Waldron *et al.* 2006). The use of Green Box measures is a prerequisite for the functioning of the agricultural sector, since the majority of state protectionist support programs are regulatory, stabilizing, consulting, innovative, and socially significant. EU countries are

gradually providing advantages to the Green Box support measures over the conventional ones. Green Box measures must be consistent with the conditions where the state provides support through government programs that are funded from the state budget, and the result of such support should not be price support for national production (Sivash *et al.* 2019). Such activities usually take place as part of general research and development programs for certain types of products, veterinary and phytosanitary measures, food safety control, marketing services, marketing and sales of products, infrastructure development in rural areas, support for profit not related to production, financial participation of the government in income insurance programs, compensation for losses from emergency events, environmental protection, and regional development programs (Yael and Israel 2010).

In various countries that have entered the WTO, agricultural protectionism, due to its social significance, has become widespread and remains an important component of the entire system of state regulation of the economy in the long run. Even though the EU countries, as well as the USA, Japan, and others, widely use agricultural protectionism, the integration processes in the world economy have led to the emergence of collective protectionism as a system of measures through which the customs territory of a regional economic association is protected. In general, despite the difference in approaches to the role of state protectionism in the agro-industrial complex, world experience shows that protectionism constitutes the main element of the agrarian policy of any state. The analysis of the agricultural policy suggests that it does not ensure the establishment of productive intersectoral links, which in turn leads to a decrease in agricultural production, as well as to a deterioration in the main indicators of the activities of enterprises in the agricultural sector. To determine the need for state protectionism in agriculture, it is necessary to address many special issues of its activities, namely:

1. Lack of reasoned approaches to defining the essence and results of the implementation of agricultural policy, as well as ignoring the main constraints and interrelated market relations. Considering this, agricultural policy overlaps with a set of measures aimed at solving short-term problems at the expense of budgetary funds, are not coordinated with each other, and repeatedly act in the opposite direction. As a result, purchase prices, industry profits, livestock, and consumption of livestock products decreased.

After a certain period, the condition worsened due to the introduction of additional payments for cattle breeding. This form of assistance is purposeful despite the development of the livestock industry: a decrease in production efficiency, as well as an increase in production costs.

2. The lack of transparency in the distribution system and the impossibility of obtaining funds from the state budget for the majority of agricultural enterprises, farms, and other types of farms. In other words, most of the agricultural enterprises in the livestock sector did not receive subsidies or additional payments. Concessional loans were also unavailable.
3. Unproductive use of funds from the state budget, described by their insufficient return and the primary final results of the work of agricultural enterprises. However, this did not affect the increase in the efficiency of the agricultural sector, and in animal husbandry – the reduction in the number of livestock.
4. The problem of the critical state of the technical support of the agricultural sector. Agricultural enterprises were armed with basic agricultural machines only by 40-58%, more than 90% of which had already served their depreciation period. At the same time, the annual rate of equipment disposal was 5-10 times higher than their purchase. The growth of technical workload leads to an increase in the time required for the implementation of technological operations. The untimely implementation of work in the country's agricultural sector alone causes an annual shortage of almost a third of the harvest (in total, it is about 13-13.5 billion US dollars), and grain costs are almost 11.5-12 billion US dollars.
5. The agricultural sector and the food market are not self-regulated by the sectors of the economy. The demand for food products has little price elasticity. The market pricing system is incapable of fulfilling its main purpose – the function of regulating supply and demand – in full.

The above problems cause the need to ensure state regulation of prices in the market and, in general, the profits of agricultural producers, while ensuring equilibrium in the food market. In the case when prices in the market decrease to a level where it is impossible

to make a profit from the implementation of economic activities, the state is obliged to influence not only their profitability but also the sources of income generation, as well as the channels and system of their distribution. An outstanding area of indirect regulation of prices and incomes of agricultural producers should be the protection of domestic agricultural producers by the state from the import of inexpensive goods (including substandard goods in case of repeated import).

At the same time, it is necessary to carry out the policy of protectionism towards domestic producers and provide them with the opportunity to compete with foreign enterprises on equal terms. According to the experience of Poland and other states, following the destruction of the socialist system and the transition to market conditions of management, the tax system in such states was quite cruel during its first years. With each passing year, the tax pressure has decreased, allowing businesses to adapt to modern economic conditions. The stricter the taxation system in the state and the higher the taxes, the less funds are received from the state treasury. This manifested itself after 2000 when there was an urgent need to consolidate the system of equivalent exchange at the legislative level, which purposefully influenced the efficiency of the reproduction process.

Nowadays, the agricultural sector of the country constitutes an unbalanced situation, which is conditioned upon price disparity, in other words, upon the outstripping growth in prices for industrial products compared to their increase for agricultural products and a corresponding aggravation of the conditions for reproduction and investment in the agricultural sector; the profits of industries are redistributed to other sectors of the economy. State regulation of prices for agricultural products is one of the likely ways to solve the issue. Another approach is for specialists to analyze the markets and to implement information with accurate forecasts of changes that agricultural producers used in the planning process.

Thus, summarising the above approaches of theoretical scientists, the assistance to agriculture from the state lies in the fact that the state, through the use of legal, administrative, and economic methods, regulates the functioning of an agricultural producer, finds out promising directions for the development of the country's agricultural sector, and implements priority measures regarding the implementation of long-term development programs. Long-term regulation is driven by the need to achieve strategic goals. In its

system, the central place is occupied by a planned influence on the size and structure of investments, and the level of savings in the economy. Short-term regulation is primarily countercyclical regulation, the basis of which constitutes the impact on aggregate demand. Within this form, anti-inflationary regulation is applied, which is implemented mainly through the income policy.

By the nature of the impact on business entities, state regulation of the economy is divided into two forms: direct and indirect. Direct regulation is the influence of the state on economic processes with the support of the personal use of suitable regulators. It is carried out through budget investment by the state of appropriate programs for financing the development of the state enterprises, education, science, culture, infrastructure, social protection of the population, and also through the regulation of prices, wages, and other instruments of the market mechanism. Indirect regulation of the economy is the influence of the state on the economic activity through the introduction of beneficial cancellations in the conditions of the behavior of the market mechanism. It is achieved through legal and economic instruments. Using the instruments, the state does not change anything in the market mechanism, but only implements the prerequisites for these changes.

Among the decisive methods of state regulation, the following should be highlighted: legislative acts; forecast data on the development of the national economy; targeted comprehensive programs; limits; government orders and government contracts; government investments; state and local budgets; budget grants, subsidies, subventions; taxes and tax incentives, government installments; state reserves; socio-economic standards; various industry and national norms and standards; depreciation rates, including accelerated ones; a system of fixed, cap, and free prices; price indexing; indexing the population's monetary income and savings; the establishment of a living wage and minimum wage; establishment of a unified tariff system; the establishment of wages in state institutions, the establishment of a system of pensions, benefits, licenses, customs duties, taxes; quotas; setting limits for profitability.

State regulation of the economy is based on a system of state instruments. Depending on their nature, all government instruments can be divided into three types: legal, administrative, and economic. Legal instruments include legislative documents and by-laws

that regulate important ways and rules of economic practice of economic entities and individual citizens. They formulate both the general conditions of this practice and the approved exceptions to these conditions, establish the rights and obligations of legal entities and individuals, as well as the likely sanctions for non-compliance. Legal regulators determine the general limit of government intervention in the economy. Administrative instruments are decrees, resolutions, and orders of executive bodies that allow, prohibit, restrict, or standardize partial types of economic activity. In particular, the establishment of quotas, embargo, issuance of licenses, approval of product quality standards, environmental foundations, etc.

The most important role in the state regulation of the economy is played by economic instruments. The determining ones are money, credit, state budget, taxes, prices, macroeconomic planning, and wages. State regulation of the economy occurs with the help of an arsenal of methods, that is, the means of influence on entrepreneurship, market infrastructure, and the non-profit sector of the economy, exercised by legislative and executive bodies of the state in order to produce or ensure the conditions for their activity under the national economic policy.

According to the forms of influence on market entities, the methods of state regulation can be divided into methods of direct influence and methods of indirect influence, the content of which comes down to the establishment of certain conditions for market entities that motivate their activities. These methods should include tax regulation of the application of accelerated depreciation policy, methods of stimulating competition, etc. Depending on the choice of methods of influencing the market, the following methods of state regulation are distinguished. Legal regulation is a state function regarding the clarification of the legal foundations of the behavior of subjects of law, the performance of which is binding. The main center of legal regulation lies in the development and consolidation of the foundations of the economic actors' behavior at the legislative level. Usually, any norm is distinguished by three important parts: hypothesis, disposition, and sanction.

The main forms of legal regulation of the economy are the Constitution, legislative and sub-legislative acts, and regulations of the central and local authorities. There are various methods of state support for a market economy, which can be grouped as follows: administrative (direct) and economic (indirect). The

application of these methods depends on the social, economic, historical, political conditions, the state of development, and the structure of the country's economy. The main directions and methods of state regulation of the economy are presented in Figure 1. Therefore, the mechanism of state regulation of the economy in each country has its features (Figure 2).

State protectionism of the agricultural sector includes the use of legal, administrative, and economic leverage, which helps regulate the activities of the agricultural sector, define further prospects for the development of administrative methods of state influence on the agricultural sector. The creation of a regulatory framework plays here a decisive role, as indicated by a significant number of regulations adopted in recent years to increase the efficiency of the functioning of agriculture. Furthermore, in the conditions of a transformational economy, significant attention should be paid to indicative planning, development, and implementation of targeted programs for regional development, control over working conditions, and direct price regulation. However, unfortunately, the mechanism of state protectionism of the agricultural sector remains imperfect. To mitigate the negative consequences that state protectionism has on public welfare and competitiveness of commodity producers, the governments of many countries are changing their agricultural policies under international agreements. The WTO carries out legal regulation in this area, including trade in agricultural products and food.

The principles and rules of the WTO provide for a reduction in the part of state support for the national producer, which belongs to the Yellow Box. State support for the agricultural sector is described by an increase in budget expenditures in nominal terms. However, although budgetary expenditures are significant, the level of aggregate support that agricultural production receives is practically very low. Furthermore, many other issues in the agricultural sector require state protection. Among them is the lack of a unified program for the development of the industry, and its phased implementation. In the agricultural sector, a disparity in prices can be observed, when prices for industrial products grow much faster than for agricultural products, which requires government regulation. Price disparity is a historical phenomenon. It emerged together with price and constitutes its constant companion through all eras, up to the present day. Price disparity may remain the eternal companion of prices. Disparity is



Figure 1: The main directions and methods of state regulation of the economy.

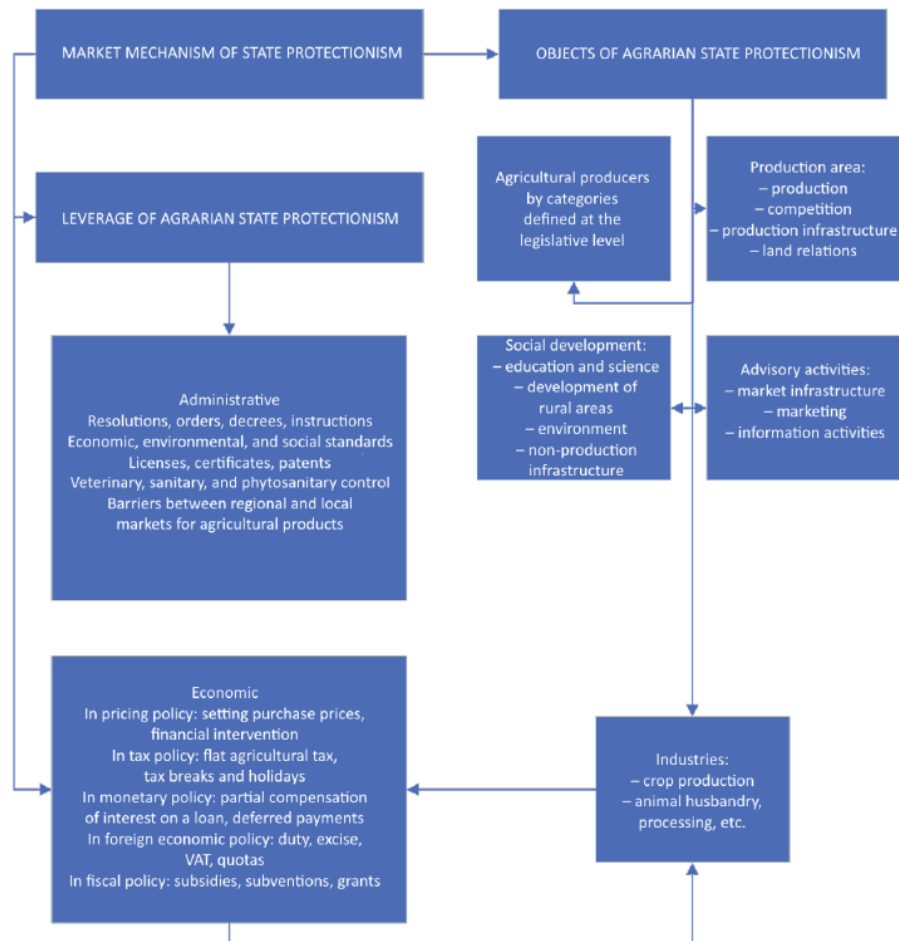


Figure 2: Establishment of the mechanism of state agrarian protectionism.

understood as non-observance of the value ratio, as well as the prices for agricultural products, and industrial products purchased for rural needs. Disparity is expressed by the outstripping increase in price indices for industrial products relative to the price index for agricultural products.

The price disparity problem cannot be resolved with the use of market instruments, as indicated by recent data. According to domestic scientists, in the field of pricing, it was only justified to introduce a system of the agricultural market environment and price protection against destabilizing changes in supply and demand. Unfortunately, the automatic renewal of the parity of inter-branch relations due to the influence of stable supply and demand prices should not be used when the price inequality is aggravated. Market economic relations are incapable of providing such self-regulation of prices in the agricultural market that would create conditions for the effective development of the agricultural sector, which is why, to eliminate market

imperfections, government intervention in the market pricing system is necessary, and the result of such intervention depends primarily on the established prices for the sale and purchase of agricultural products. To solve the problem of price unevenness, it is advisable to change the priorities of national policy towards strengthening measures of direct and indirect impact (Figure 3).

The low quality of life in the countryside leads to an outflow of the population to the cities. The level of wages in agriculture should not be lower than in other sectors. A fair price for labor should be reflected in the prices of agricultural products. Earlier, the incomes of workers in state and collective farms approached the average in the economy and amounted to 93-95%. The problems of inaccessibility of obtaining budgetary funds, soft loans for a significant part of agricultural enterprises, low material and technical support, and insignificant investment attractiveness of the industry remain relevant. Economic relations between

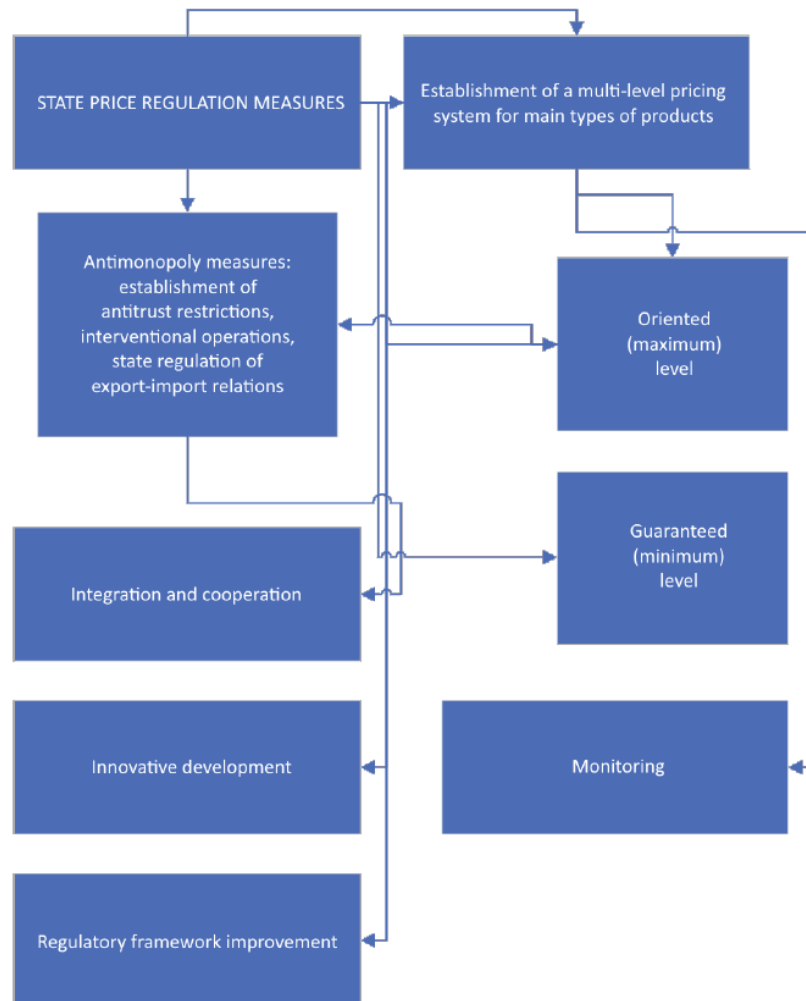


Figure 3: Priority areas of state regulation of prices in the AIC industry.



agriculture and the AIC processing units, in particular, the food and light industries, also need to be improved. The environmental situation is difficult, which directly affects the development of the agricultural sector.

The main purpose of protectionism is to create state legislative instruments or market incentives that will be applied in the control process by the decision of the enterprise in the field of pricing, sales policy, or methods and sizes of production. The state must ensure the protection of competition and prevent abuse of monopoly positions, undue restrictions on competition, and unfair competition. However, although the protection from the emergence of unfair competition is provided at the legislative and institutional level, it is still present in the Kazakhstani economy. An analysis of the transformation of agrarian policy in foreign countries, carried out with the help of monographic studies, suggests that the recent use of such instruments of state protectionism as expensive loans, a fixed agricultural tax, a reduction in funding for many agricultural programs could not ensure the restoration of the technological framework of the branch, which deprives enterprises of the opportunities to increase competitive advantages.

Furthermore, it should be borne in mind that economically developed countries tend to dominate world markets due to new goods, including food, therefore, a specific feature of the American food companies' behavior is the penetration of new products into foreign markets while limiting access to technological innovations. The uneven economic development of countries makes it impossible for them to take part in the world trade on an equal footing. Therefore, it is quite understandable that the government can much more actively influence the establishment of competitive enterprises in the agricultural sector of the economy, without which it will be impossible to fulfill the export potential of the industry. The state, the role of which in ensuring food security is growing, cannot allow for the ruin of agricultural producers through their significant dependence not only on natural resources but also on fluctuations in market conditions and competition. Furthermore, the inelasticity of demand for agricultural products leads to a paradoxical phenomenon: in harvest years, farmworkers can lose more income due to cheaper production than in years with unfavorable weather conditions.

Despite this, the specific features of state protectionism of the agricultural sector of the region are

created by the system of development of the agricultural sector, which envisages mutually agreed elements, including regulatory and legal instruments, budgetary and financial regulation, targeted assistance to certain regions with a high, medium, and depressive level of development, state programs for regional development, the establishment and development of special economic zones in the regions, and development of interregional and cross-border cooperation. Regulations establish the rights and obligations of regions in finance, powers in property regulation, participation in the implementation of national and regional programs for social and economic development, a system for the establishment and use of regional funds, and forms of assistance to the population. The state influence on the agrarian sector of the regions is exercised through a financial and budgetary mechanism with the help of direct state investments, provision of subsidies, the establishment of special funds for financial support of regional programs, the attraction of foreign investment, lending and taxation on favorable terms, and creation of local budgets.

State programs for regional development are designed to ensure the growth of the efficiency of the functioning and development of state market relations in the regions; structural reconstruction of agricultural complexes; solution of social problems associated with employment in rural areas; creation of conditions for ensuring a normal level of environmental safety. Therefore, summarising the above, it can be noted that methodological support for measures of state protectionism is formed by the main regulations that determine the goals and objectives of state support for the agricultural sector. The priority issues of state protectionism that require immediate solutions are determined as follows:

1. The creation of a mechanism and the search for the instruments to support agricultural enterprises remains a priority. For this, it is necessary to ensure the competitive production of crops and livestock, which, first of all, ensure the food security of the country.
2. Assurance of an inflow of foreign investment to restore the resource potential of enterprises, the creation of a modern production and market infrastructure, the creation of integration formations with the involvement of bank capital and scientific institutions, and the creation of innovative industries.

3. Innovative development, which will be ensured by the production of the latest goods, the attraction of highly qualified personnel, and the development of rural areas.

Therefore, even after joining the WTO, priority measures should be taken with respect to the following positions: legal consolidation and assurance of the principle of timeliness and sufficiency of funding for the adopted state and regional programs; the establishment of clear standards for individual, state-defined priority areas of development, and the development of penalties for non-compliance; introduction of a system for monitoring, reporting, and auditing budget spending at all levels.

But the main measure for the revival of the agricultural sector is to strengthen the antimonopoly protection of agricultural producers. To solve this issue, in the authors' opinion, the regrouping of agricultural enterprises according to the distribution of budgetary support funds with the establishment of strict criteria and forms of confirmation of monopoly actions concerning the listed producers would help. Thus, for example, in the EU countries, upon budgetary financing of agriculture, attention is paid precisely to program planning and reporting on the use of the funds provided. Having analyzed the methods of state protection of agricultural producers, the following basic principles for the development and functioning of the mechanism of state protectionism can be determined:

- Adoption and development of scientifically grounded programs that are pre-selected by the state according to their priority of the development of the agricultural sector.
- Purposefulness and the mandatory guarantee of state support with the provision of feedback in the form of timely reporting.
- The equivalence of all forms of ownership of agricultural producers to receiving state aid.
- Among the main principles of public administration in the economic sphere there should be: less interference of state authorities in the economic processes; the relevant power structures should influence socio-economic processes through establishing state economic regulators and standards.
- Assurance of the protection of the domestic agricultural producers' interests through the

growth of export competitive products, primarily the processing industry; implementation of the protective policy of the internal market against the import of food products and material and technical resources, for the manufacture of which the country has available capacities by introducing tariffs for certain domestic types. Unlike a quota, a tariff is a more expedient instrument, since it increases the price in the domestic market relative to the price in the world market only by the amount of the tariff and does not exceed this level. At the same time, in the process of quotas, each increase in demand in the domestic market will predetermine an increase in the domestic price, because it is impossible to satisfy this demand through imports.

- Effective state support for the protection and increase of land fertility, environmental protection; the growth of selection, breeding and seed production; implementation of anti-erosion measures, development of science and scientific work in agricultural production.
- Social development of rural areas, improvement of living conditions in the countryside. The size of public investment in construction should be increased.
- Control over the processes of buying land and property in the agricultural sector.
- Support in reforming organizational forms of management under market conditions.

One of the effective measures of state protectionism, which will ensure the creation of opportunities for solving many problems, in the authors' opinion, is the design of an export-oriented strategy for the development of the agricultural market. This will ensure the following:

- Firstly, the direction of funds from exports to the purchase of technological equipment for a new level production means. This will contribute to import substitution in technological equipment of agricultural production, the creation of new jobs, and, consequently, an increase in demand, and a reduction in the cost of resources.
- Secondly, if possible, it is advisable to locate industrial production in rural areas, which will

have a positive effect on the socio-economic situation of the farmworkers.

- Thirdly, competition in foreign markets and the existing requirements for the production conditions of international organizations, in particular, the WTO, will help improve the quality of agricultural products and food.

## CONCLUSIONS

The process of development of the agricultural complex presupposes constant adjustment of protectionist policies both at the national and interstate levels. This refers to the establishment of a new market space and agri-food region, which operate based on uniform rules and regulations. Under such conditions, the improvement of the policy of agricultural protectionism should take place: firstly, in the direction of increasing the competitiveness of the subjects of the agricultural market due to the achievement of positive changes in the balance of export-import operations. Therewith, the logic of the government's actions should be aimed at fundamentally new measures, among which the system of quotas and subsidies for the production of strategically important agricultural products should occupy an important place. Secondly, considering the multifunctional role of agriculture, it should be perceived not only from the standpoint of performing the function of production of alimentary goods but also as a producer of public goods, the basic institution of rural development, the foundation of historical traditions, and the way of life of a certain social stratum of the population, which constitutes the main carrier of the spiritual values of modern society.

It is precisely the last aspect that should be emphasized, since it requires a special priority of protectionist support from the state through, for example, the use of financial resources from specially created funds, in particular, the European Agricultural Fund for Rural Development. In this regard, support measures at different levels of government should complement each other and contribute to ensuring the effective functioning of the rural economy, and the implementation of socio-demographic and social policies in the countryside. First of all, the attention is focused on a set of non-tariff protectionist measures (embargo, quotas, voluntary restrictions, etc.), through which, for example, the import of genetically modified products to the member countries of the integration association is limited, or the products that, in terms of environmental, sanitary, phytosanitary, or veterinary

standards, do not comply with the European and world standards and carry certain risks for the consumers. Thus, in these and other areas discussed above, in the countries of the world, considering their national interests, there is protectionist support for agriculture as a key sector of the economy, which is not contested by the world community but is adjusted in the direction of changing its classical arguments.

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