

## *Enhancing the state's role in cluster-based tea development*

**Abstract:** Considering that the state has the opportunity to directly influence the formation of the basic income of tea producers in the agricultural sector and the quality of the product varieties they produce, it allows to significantly reduce the uncertainty that exists in tea farming. The article examines the determination of the objectives of producers and consumers facing the agrarian policy of the state in tea cultivation, the development of tea cultivation and the increasing of the role of the state. In the study, the importance of having conditions that provide conditions (communication between tea production and processing enterprises and state bodies and development of personnel training system) for the purpose of developing a competitive cluster of tea products is shown, and a systematic analysis of the formation of a competitive cluster is used. It is proposed to develop an organizational and economic interaction mechanism between the cluster participants in order to ensure the efficient operation of the tea products cluster and high competitiveness. The principles inherent in the formation of tea growing clusters are defined, the innovative character of the development in the formation of the cluster, the accessibility of the creation of conditions for profitable investments that ensure the increase of the competitiveness of the cluster participants in the regional and international market are emphasized. Based on different methodological approaches, it is suggested that the formation of a cluster consists of six stages. Given the main methodological principles of the formation of the tea product cluster, the possibilities of forming an effective agrarian policy of the state are limited without having basic knowledge about the current state of tea cultivation development. The value of the article is that the correct choice of the direction of solving the problems that formed it can have a significant impact on the competitiveness of tea products in Azerbaijan.

**Keywords:** Tea production, tea processing, tea products, cluster formation, development of tea cultivation.

*\*Baku Odlat Yurdu University,  
Faculty of Economics and Management, doctoral student  
Email: p.y.memmedova@gmail.com*

**Összefoglalás:** Az a tény, hogy az államnak lehetősége van közvetlenül befolyásolni a mezőgazdasági ágazatban működő teatermelők alapjövedelmének alakulását és az általuk előállított termékfajták minőségét, lehetővé teszi a teatermesztésben fennálló bizonytalanság jelentős csökkentését. A tanulmány az állam agrárpolitikájával szembesülő termelők és fogyasztók teatermesztési céljainak meghatározását, a teatermesztés fejlődését és az állami szerepvállalás növelését vizsgálja. Bemutatja a feltételek (teagyártó és -feldolgozó vállalkozások és állami szervek közötti kommunikáció és a személyzet képzési rendszerének fejlesztése) fontosságát a teatermékek versenyképes klaszterének kialakításában, valamint a teatermékek szisztematikus elemzését. A klaszter résztvevői között ajánlatos a szervezeti és gazdasági interakciós mechanizmus kialakítása a teatermék-klaszter hatékony működésének és a magas versenyképességnek a biztosítása érdekében. Meghatározásra kerülnek a teatermesztő klaszterek kialakításában rejlő elvek, a fejlesztés innovatív jellege a klaszter kialakítása során, a jövedelmező befektetések feltételeinek megteremtése, amelyek biztosítják a klaszter résztvevőinek regionális versenyképességének növelését a nemzetközi piacon. Különböző módszertani megközelítések alapján azt javasoljuk, hogy a klaszter kialakítása hat szakaszból álljon. Tekintettel a teatermék-klaszter kialakításának fő módszertani elveire, a hatékony állami agrárpolitika kialakításának lehetőségei korlátozottak a teatermesztés fejlődésének jelenlegi állásáról szóló alapvető ismeretek nélkül. A tanulmány értéke abban rejlik, hogy az azt kiváltó problémák megoldási irányának helyes megválasztása jelentős hatással lehet az azerbajdzsáni teatermékek versenyképességére.

**Kulcsszavak:** Teagyártás, teafeldolgozás, teatermékek forgalmazása, klaszterkialakítás, teatermesztés fejlesztése.

## INTRODUCTION

Among the goals of the state's agrarian policy in tea growing (related to producers and consumers), other goals are relevant for Azerbaijan, except for the goal of contributing to the provision of the agricultural sector with energy carriers of the country (buying fuel from biomass) (Decree of the President of the Republic of Azerbaijan, February 12, 2018 , № 3660). Based on the above-mentioned objectives, the development priorities of the agricultural sector should be determined for the formation of the state's agrarian policy in tea cultivation. The means of influence for the involvement of the private sector in the provision of these priority directions should be determined, and the necessary areas in which the private sector cannot operate properly and efficiently should be determined at the level of requirements considered important. At the same time, the government should correctly evaluate both the current situation of the agricultural sector and tea growing, as well as the existing opportunities of the private structure, and should determine the level of intervention in the development of the agricultural sector, mainly tea growing, taking into account such factors.

At this time, the selection of policy tools and the direction of their application should be determined correctly. All this makes it even more necessary to create clusters in agriculture, mainly in tea growing, in strategies based on ensuring the proper formation and effective development of the competitiveness of the national economy. Of course, against the background of what has been said, the main goal is the creation of necessary financial sources in parallel with the State support of the development of tea cultivation, the provision of the necessary infrastructure for its development, the proper establishment and provision of coordination with other areas. The main obstacles to the formation and development of tea-growing clusters are related not only to the incomplete formation of the new infrastructure and the weakness of direct relations with other participants, but also to the lack of necessary personnel potential in this field, the improper organization of internal and external market research, and marketing research [1].

## RESEARCH AND FINDINGS

For this purpose, first of all, let's consider the main features of the activity of tea products cluster in Lankaran-Astara region. The specialty of the tea products cluster is that it works with a perishable product tea. Its operating principles are: the evolutionary nature of development, freedom to join the cluster, consistency, public-private partnership [2].

A modern strategy for the development of the tea product subcomplex requires studying the essence of the integration process and its development directions using a cluster approach, which should be based on conceptual provisions taking into account a set of general, systematic and specific principles (*Figure 2.1*). The conditions for the operation of a tea cluster are: state support and the presence of social capital (trust) [3]. In our opinion, the following conditions are necessary to ensure the conditions for the development of a competitive tea cluster:

1. development of relations between tea production and processing, scientific and educational institutions and state bodies;
2. development of personnel training system through creation of special educational centers;
3. special conditions (priority conditions) for granting loans to enterprises included in the cluster;

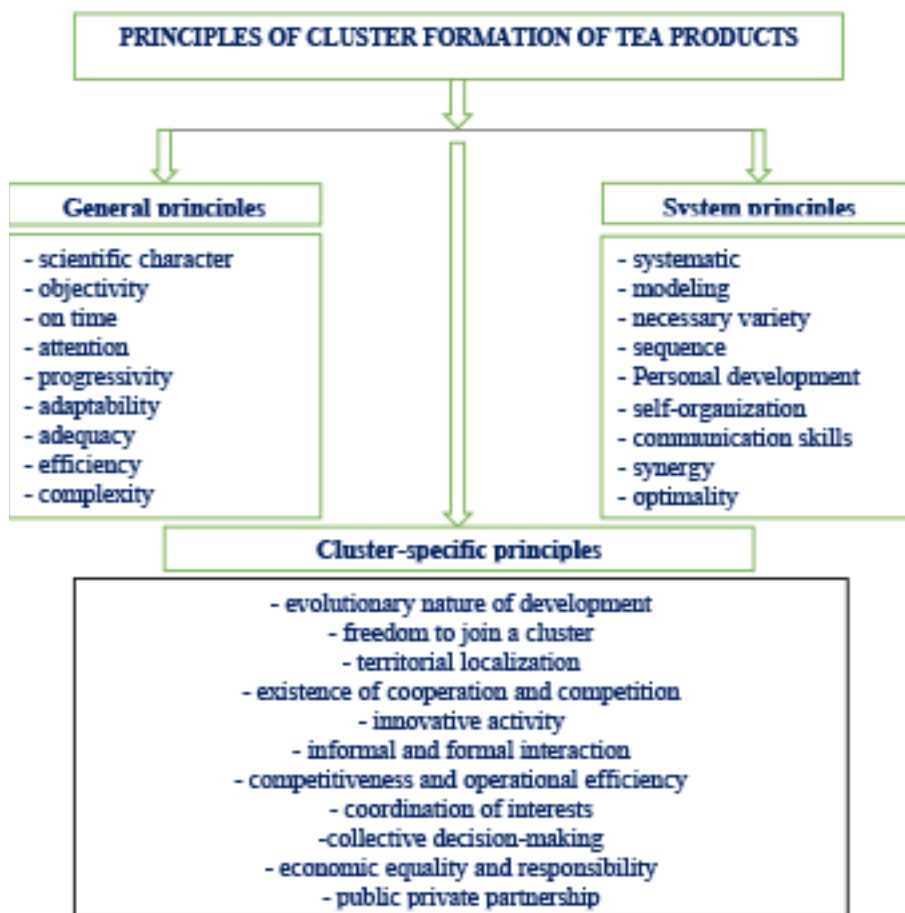
[1] Səməndərov, S. S. (2014): *Azərbaycan iqtisadi fikrinə klasterləşmə ideyasının genezisindən // AMEA-nın xəbərləri (İqtisadiyyat seriyası)*. Bakı: Elm. pp. 30–36.

[2] Aliyev, İ. (2017): *Aqrar sektorun modernləşməsi və rəqəbatqabiliyyətinin təmin edilməsi problemləri*. İ. Aliyev, İ. Soltanlı. Bakı: Avrop.

[3] Гагарина, Г. Ю. (2014): *Инновационные территориальные кластеры как инструмент повышения*.

4. having a favorable investment environment;
5. determination of special requirements for the quality of tea products;
6. to help the development of foreign interregional relations.

*Figure 2.1. Principles of formation and operation of the cluster of tea products in the region*



Once at least some of the conditions for the development of clusters have been created, it is worth studying in detail the specifics of cluster creation activities in relation to ongoing regional cluster policy. We refer sustainable development to the noospheric paradigm of socio-economic development (Noosphere (Greek – mind and sphere, region, sphere of mind) is the area of the planet covered by intelligent human activity (the concept of noosphere was first introduced into science by E. Leroy and later as a category developed), we consider it the norm of the cluster's activity. Only by paying attention to intelligence, creativity, efficient use of human potential, development of the "knowledge economy", the necessary level of trust and confidence can be formed. In order to get a positive result from the application of cluster technology, it is necessary to have a clear idea about the logical structure, methods and results of activities on the creation of a cluster, which includes the identification of subjects, objects, subjects, forms, means, clusters [4]. Thus, the subjects of the formation of the cluster are the participants of the tea product cluster: processing enterprises, tea suppliers, scientific organizations, in our opinion, the state, which plays a special active role within the framework of agricultural policy.

The main sector of the tea products cluster should be the structures that ensure the efficiency of the whole cluster. Often, in relation to the tea product sub-complex, these are large tea producers and processors who are efficient, successful and competitive in the industrial market [5]. The prosperity of the entire cluster depends on the quality of the suppliers, therefore various supplier development programs involving the help of tea processors should be developed within the framework of a cluster-oriented policy, which is considered highly relevant at the end.

An important point in the formation of a tea product cluster is the creation of conditions for profitable investments, which provide for the innovative nature of development and increasing the competitiveness of cluster participants in the regional market and beyond [6]. The successful operation of the cluster is also determined by the state of the business environment, which includes a large number of factors related to the characteristics of the tea growing sub-complex (state regulatory system, technology, social conditions, etc.) and the nature of interactions with authorities. The latter may have the character of general support to the activity of the cluster through the standard

[4] Бондаренко, В. А. (2010): *Методы создания и развития кластеров малых предприятий в Индии*. НП «Московский центр развития предпринимательства», Электрон. текстовые дан. Режим доступа: [http://www.vneshmarket.ru/content/document\\_r\\_266B8FFD-4A6E-4DC5-844C-D3CB156A744B.html](http://www.vneshmarket.ru/content/document_r_266B8FFD-4A6E-4DC5-844C-D3CB156A744B.html)

[5] Ермишина, А. В. (2005): *Конкурентоспособность региона: методика оценки потенциала кластеризации* [Электронный ресурс] А. В. Ермишина: *Стратегическое планирование в городах и регионах России*. Режим доступа: <http://www.cfin.ru/management/strategy/competitiveness.shtml>

[6] Наджафов, В. Н. (2009): *Обзор зарубежного опыта внедрения кластеров*. *Вестник МГОУ*, 4, pp. 36–43.

[7] Султанова Р. П. (2013): Региональные кластеры в развитии экономики Азербайджана // Вестник Тернопольского национального Экономического Университета, 5., pp. 358–361.

[8] Central Europe (2007–2013): *Programme. CLUSTERS-CORD*. URL: [http://www.central2013.eu/nc/projects-2007-2013/approved-projects/funded-projects/?tx\\_fundedprojects\\_](http://www.central2013.eu/nc/projects-2007-2013/approved-projects/funded-projects/?tx_fundedprojects_)

mechanisms of state regulation or direct participation of state bodies as part of an integrated formation.

In our research, the object of activity for the formation of a cluster is the interaction of all participants of the tea products sub-complex of the agro-industrial complex of the Lankaran-Astara region [7]. In order for the tea products cluster to function efficiently and ensure its high competitiveness, it is necessary to develop an organizational and economic interaction mechanism between the cluster participants. The topic is joint cluster projects that benefit all cluster participants. Such joint projects are very important for cluster policy. The presence of a cluster of joint projects in the program is a serious criterion for its selection for selective state support [8]. From the statement that the cluster is one of the forms of quasi-integration characterized by a trust mechanism for coordinating the activities of the participants, it can be seen from the specificity of the forms of activity for its formation, which should include the organization of various communication platforms by coordinating their interests and developing common ideas about development goals.

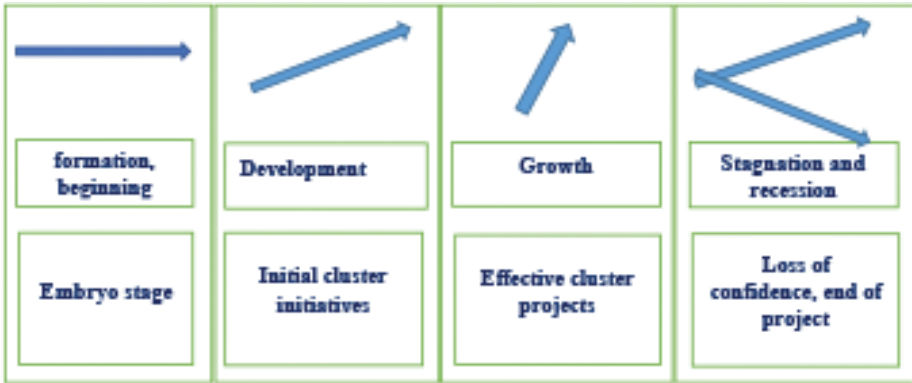
When talking about the means of cluster development in tea cultivation, it should be emphasized that the financial resources of the cluster should be created mainly at the expense of the participants' personal funds, but at the initial stage, the support of federal and regional budgets (direct state investments, budget financing, special concessions or subsidies) can also be considered very important. Joint financing of cluster joint projects based on the principles of public-private partnership is the most appropriate.

The tea product cluster formation methods are divided into three parts: economic, administrative and socio-psychological. Improving the economic mechanisms of the state agrarian policy, such as pricing, taxation, planning, and improving the financial status of pre-bankrupt enterprises, will help to create a reliable mechanism for the cluster's operation, and activate incentives to increase trust in the state as a partner. The role of administrative methods is also great, especially when it is necessary to solve specific problems, for example, when it is necessary to transform a cluster, etc. Social and psychological methods make it possible to identify and increase the motivation of potential cluster participants, support them and encourage them to join the cluster, participate in joint intra-cluster projects, as well as establish effective mutual relations of trust.

The final result of the formation of a competitive cluster should be a positive balance in interregional exchange and ensuring the region's food security in terms of

tea growing and tea products. The time structure of activities for the formation of a tea product cluster represents the logistic determination of stages, phases and stages in which actions are logically grouped in this process. It is believed that during its development, the cluster goes through four main defined stages, all of which can be called the life cycle of the cluster (Figure 2.2).

Figure 2.2. Life cycle of tea cluster

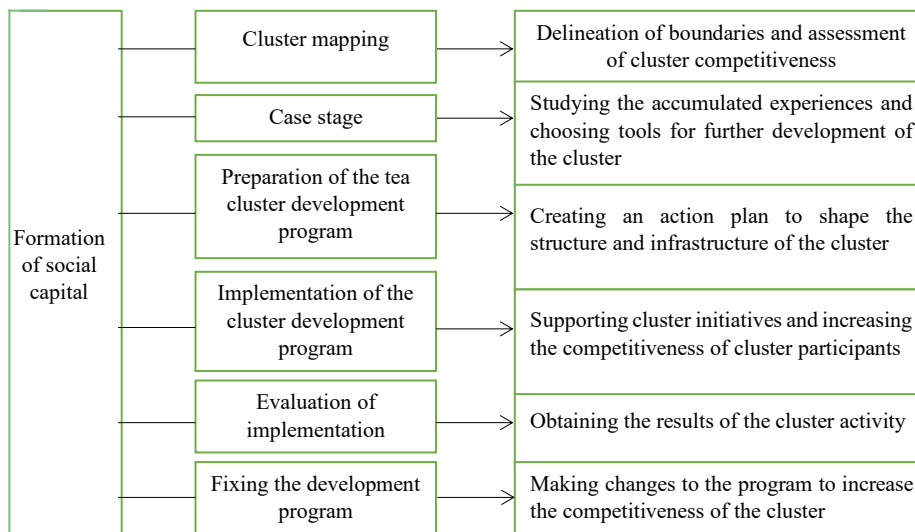


A critical mass of enterprises participating in the cluster is formed at the formation and start-up stage. However, different actions prevail among them, because enterprises are not interested in other participants and may even be unaware of each other's existence. In the development phase, the establishment of mutual relations takes place, the communications intensify and the understanding of the importance of joint cluster initiatives comes. In the growth stage, joint intra-cluster projects are implemented, with the positive results of these projects, trust among participants is strengthened, and their number begins to grow exponentially. In the next stage, the cluster either continues to develop and reaches maturity. A phase of recession is also possible with the completion of the primary project or a change in the structure of the economy; the cluster begins to break up due to cost trends; the synergistic effect disappears or becomes negative; instead of increasing innovation, the cluster creates barriers to innovation. The cluster enters a phase of stagnation, which ends either with dissolution or transformation based on new competitive advantages [9].

[9] *Identification of Knowledge-driven Clusters in the EU*. European Commission. Luxembourg: Publications Office of the European Union.

Summarizing the different methodological approaches described in the literature, we identified the stages in the formation of a regional tea cluster (*Figure 2.3*): cluster mapping, case study, development of a tea cluster development program, program implementation, effectiveness assessment, and development program amendments.

*Figure 2.3. The main stages of the formation of the regional tea cluster*



We believe that the first stage of the formation of a regional tea cluster should be cluster cartography based on quantitative and qualitative methods of economic research (determining the boundaries of the field and territory, the composition of its participants at the level of enterprises and organizations) and the identification of the cluster. An example of an organization using this methodology is the European Cluster Observatory, which provides the most complete monitoring of the development of European clusters, including mapping pronounced concentrations and the network of cooperation between enterprises and supporting structures. From the point of view of the Lankaran–Astara region's tea products cluster, the borders of "tea plantations" will be defined as a result of cartography, their characteristics should be described on various classification bases, and their competitiveness should be assessed.

We consider the "case" method to be an interesting modern method for studying clusters, which can be the second stage in the methodology of cluster formation and development.



It reflects the description of the activity history of the cluster and allows to select the thematic areas of research. This method can combine all existing cluster identification methods. R. Vin defines case study as an empirical study focused on the study of a specific event that occurs when it is implemented in a real-life context [10]. Cases are one of the precise tools that provide detailed identification of clusters. Case study methodology involves studying the results of activities that cannot be carried out using only quantitative methods. If we are conducting a theoretical study in which we want to trace the emergence and evolution of a certain concept and understand its logic, then we do not need a case study. Also, if the goal is to describe a phenomenon (something limited in space and time) as a whole, this method is not suitable. It is appropriate to use this research technology when it is necessary to compare certain theoretical positions, hypotheses and conceptual ideas with the real situation. The essence of the case study determines the necessity and possibilities of using it to study the practical implementation of the cluster policy in order to further form the necessary theoretical foundations. As mentioned above, the qualitative research method using real-life examples is useful in studying complex phenomena in a broad socio-economic context. Such studies are particularly important when the boundaries between the phenomenon under study and its context are not clearly demarcated. The interrelationship between a phenomenon and its context is best understood through an in-depth analysis of the actual situation. When used properly, case studies become a valuable method for refining theories and developing programs for socioeconomic development.

Cluster politics, of course, refers to such complex phenomena, that is, it cannot be separated from the surrounding regional and historical context. This method is also effective in designing activities to shape the social capital of the cluster, as it involves the formation of a reflection of social behavior among potential participants. The disadvantage (weaknesses) of the method is that a single case is usually a separate story from a successful cluster, and the results of individual case studies need to be skillfully compared, which is often quite difficult. This complicates the practical application of the method. After all, the behavioral tactics of enterprises in a cluster of a certain region adopted at a certain time may not always lead to the same results in another context. However, in general, the usefulness of the "case" method lies in the revision of a large number of positive and negative accumulated experiences, which facilitates the selection of tools for the development of the emerging cluster.

[10] Vin R. K. (2009): Case Study Research. In: Robert K. Yin.: *Design and Methods*. Los Angeles: Sage Publications.

The development of a strategy for the development of a river cluster involves the creation of a plan of actions for the formation of its technological and production structure, social and market infrastructure. The cluster development strategy should include a description of the flagship cluster projects. The implementation of the cluster development strategy involves supporting cluster initiative projects and increasing the competitiveness of cluster participants using various state regulatory instruments. During the implementation of the tea strategy, it is necessary to evaluate its effectiveness, monitor the results obtained from the activities of the tea product cluster, and make decisions to adjust the target indicators and measures used. As a rule, revisions to the river cluster development strategy should be made every year throughout the implementation period.

In conclusion, we summarize the main methodological principles of the formation of a cluster of tea products that must be followed:

- the evolutionary nature of the formation of the tea product cluster, i.e. its natural "bottom-up" formation;
- the active role of the state, which can accelerate natural clustering processes in tea farming with the help of a special cluster-oriented agricultural policy;
- the need for certain initial conditions that create a critical mass of stimuli to activate the mechanism of synergistic relations and create additional effects;
- focus on the formation of collective competitive advantages that allow cluster participants to successfully compete in foreign markets.

## CONCLUSION

As a whole, the assessment of the production possibilities of individual agricultural products is the basis for determining optimal goals from the point of view of society. It also allows choosing effective means and tools for achieving goals. Without having a thorough knowledge of the current state of development of tea cultivation, the possibilities of formulating an effective agrarian policy of the state are limited. Therefore, the Ministry of Agriculture should conduct a detailed analysis of all factors affecting the value and quality of tea products, identify existing problems in the fields that shape their value, and prepare measures to eliminate them. In our opinion, solving these problems can have a significant impact on the competitiveness of agricultural products produced in the country, especially tea products.