

The Impact of Industrialization Policy on Interregional Economic Equality and Competitiveness

Sənayeləşmə Siyasətinin Regionlararası İqtisadi Bərabərlik və Rəqabət Qabiliyyətinə Təsiri

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Abstract

Industrialization policy is one of the key strategic instruments for accelerating the economic development of regions, modernizing production sectors, and fostering competitive advantages. In an era of intensified global economic integration and technological innovation, this policy extends beyond the mere increase of industrial production to encompass the objectives of ensuring interregional economic equality and supporting sustainable development. The successful implementation of industrialization policy facilitates the optimal allocation of resources, modernization of infrastructure, enhancement of innovation potential, and qualitative improvement of human capital. This study comparatively analyses national development strategies and international experience to identify the mechanisms through which industrialization policy impacts economic equality and competitiveness. The analysis reveals that a purposeful and systematic industrialization policy reduces interregional economic disparities, strengthens local production and export potential, and enhances national competitiveness. The study further examines the role of the state in creating a competitive environment, the formation of national innovation systems, and the importance of public–private partnerships in technology development. The continuous and inclusive implementation of industrialization policy is identified as a necessary condition for the balanced development of regional economies and the consolidation of national competitive positions in the global market.

Keywords: *industrialization; regional development; economic equality; competitiveness; innovation; infrastructure; human capital; state policy; public–private partnership; national innovation system*

Xülasə

Sənayeləşmə siyasəti regionların iqtisadi inkişafının sürətləndirilməsi, istehsal sahələrinin modernləşdirilməsi və rəqabət üstünlüklərinin formalaşdırılması baxımından əsas strateji alətlərdən biridir. Qlobal iqtisadi inteqrasiya və texnoloji yeniliklərin intensivləşdiyi dövrdə bu siyasət yalnız sənaye istehsalının artırılması ilə məhdudlaşmır, həm də regionlararası iqtisadi bərabərliyin təmin olunması və dayanıqlı inkişafın dəstəklənməsi kimi hədəfləri əhatə edir. Sənayeləşmə siyasətinin uğurlu tətbiqi resursların optimal bölgüsünə, infrastrukturun müasirləşdirilməsinə, innovasiya potensialının artırılmasına və insan kapitalının keyfiyyətə yüksəldilməsinə şərait yaradır. Tədqiqatda milli inkişaf strategiyaları və beynəlxalq təcrübə müqayisəli şəkildə təhlil olunaraq sənayeləşmə siyasətinin iqtisadi bərabərlik və rəqabət qabiliyyəti üzərindəki təsir mexanizmləri müəyyən edilmişdir. Analiz nəticələri göstərir ki, məqsədyönlü və sistemli sənayeləşmə siyasəti regionlararası iqtisadi fərqləri azaldır, yerli istehsal və ixrac potensialını gücləndirir və milli rəqabət gücünü artırır.

Açar sözlər: *sənayeləşmə; regional inkişaf; iqtisadi bərabərlik; rəqabət qabiliyyəti; innovasiya; infrastruktur; insan kapitalı; dövlət siyasəti; dövlət–özal tərəfdaşlıq; milli innovasiya sistemi*

1. Introduction

In the contemporary global economic system, industrialization policy is regarded as a major strategic direction for ensuring the sustainable development and structural modernization of national economies. Industrialization is not limited to increasing the volume of industrial production; it encompasses the multifaceted objectives of applying technological innovations, developing the innovation ecosystem, strengthening human capital, and restructuring production systems to become more competitive. From the perspective of ensuring interregional economic equality and forming competitive advantages, industrialization policy is one of the primary instruments available to policymakers.

The existence of disparities in economic potential between regions leads to imbalances in social welfare levels and an unequal distribution of economic development. In the long-term perspective, this can negatively affect both the sustainability of the national economy and social stability. For this reason, industrialization policy must be considered not only at the macroeconomic level but also as an integral part of regional development strategies. Global experience demonstrates that the optimal allocation of resources in the industrialization process, the construction of modern infrastructure, the application of innovative production technologies, and the formation of a skilled workforce are the primary conditions for success.

In developed countries, industrialization policy is accompanied by the creation of regional clusters, the strengthening of export-oriented sectors, and the expansion of public–private sector cooperation. For Azerbaijan as well, this policy constitutes part of the national economic priorities. The establishment of industrial zones, technoparks, and specialized production centres in the regions serves both to ensure economic equality and to increase competitiveness. At the same time, raising export potential, reducing dependence on imports, and developing innovation-oriented production sectors strengthen the country's international economic position.

The purpose of this study is to analyse the mechanisms through which industrialization policy impacts interregional economic equality and competitiveness, to evaluate the existing situation against the background of international experience, and to prepare scientifically justified recommendations for practical application. The practical significance of the research findings lies in their potential contribution both to the improvement of state policy and to the strategic planning of regional economic development.

2. State Policies Directed at Enhancing International Competitiveness

The primary responsibility of the state in enhancing the competitiveness and ensuring the sustainability of national enterprises is to structure national competition law and policies in a manner that creates a genuinely competitive environment. The formation of such an environment necessitates the following: ensuring macroeconomic stability; liberalizing trade; eliminating protective and non-transparent industrial policies; reducing and modernizing public services; and preventing monopolization in markets (Lachmann, 1999).

In this context, the state must assume important roles in implementing the following measures to enhance competitiveness:

- Providing information on conditions, technology, and prices in domestic and international markets;
- Creating effective communication and transportation systems;
- Ensuring the provision of technological and organizational know-how;
- Forming high-quality human capital;
- Improving the physical, economic, and social infrastructure that supports production;
- Promoting entrepreneurial potential;
- Developing cooperation between the university and education system and industry;
- Promoting positive externalities such as technological progress and human capital education, while eliminating negative externalities such as environmental harm, thereby correcting market failures;
- Formulating sustainable monetary and fiscal policy;
- Carrying out reforms to ensure the effective functioning of the social security system;
- Implementing measures that will preserve political and economic stability;
- Protecting general property rights and intellectual property rights;
- Forming a balanced, efficient, and globally consistent tax system and competition law.

In many developed societies, the state is accepted as the most important political, economic, and social force (Saygılıoğlu & Arı, 2002). Traditionally, the role of the state has been characterised as organising national defence, managing foreign relations, and upholding the rule of law (Dato' Mustapa, 2001). In a market economy-based system, the role of the state consists of providing public goods and services efficiently, determining and applying fair and equal rules governing market behaviour, and creating an openly competitive environment (Vural, 2006).

In the global economy, states are obliged to work in cooperation with the private sector, non-governmental organisations, international financial institutions, and public interest groups in order to develop the institutions that support and ensure the sustainability of market mechanisms through companies of all sizes engaged in regional and international trade and investment. In many developing countries and countries with transitional economies, despite changes in their roles, states have in most cases been unable to successfully implement the measures required to increase competitiveness and to relinquish traditional functions (Rondinelli, 2003).

In the globalisation process, the most important role of the state is to determine the 'rules of the game' and to protect vulnerable segments from the negative effects arising from market failures. In the market system, the traditional economic role of the state is to protect the health, public order, security, and welfare of society; to create, reinforce, and ensure fair and equal rules for market behaviour; and to ensure open, free competition. In combating market failures, the state typically intervenes in the economy in order to eliminate the negative consequences of cyclical fluctuations, the free-rider problem, social inequalities, and negative externalities (Rondinelli, 2003).

The enhancement of a state's international competitiveness depends on its ability to be more efficient than its competitors and to eliminate negative factors that reduce the competitiveness of national enterprises. To achieve this objective, increasing the efficiency of

the public sector is indispensable as one of the steps aimed at enhancing international competitiveness. For this purpose, it is necessary to strengthen the legal infrastructure, develop physical and technological infrastructure, strengthen legal institutions that carry out economic operations, create and consolidate property rights, and increase the productivity, accountability, and flexibility of the state — including anti-corruption controls and ethical governance arrangements, making public administration more responsible, strengthening legal institutions, and moving the state toward a decentralized structure.

3. Formation of Public–Industry Partnerships in the Development of Innovation Systems

Innovation and innovation systems express an effective renewal process. This process encompasses new goods and services, new business models or markets, new processes for the organisation of production, new skills, or new input sources. An innovation system also encompasses organisational networks, the individuals and institutions that shape and direct the creation, diffusion, and use of knowledge and technology — including sequential model explanations, the rate and ratio of innovation, and the economic success of innovation (Mclean & Pillia, 2005). The operational effectiveness of an innovation system depends on communication with and mutual collaboration among individuals possessing diverse skills and knowledge. Innovation is a phenomenon that occurs simultaneously and everywhere in the modern economy.

To enhance international competitiveness, the formation of public–industry partnerships in the development of innovation and innovation systems is indispensable. Within this framework, enterprises and states are increasingly aware of the growing importance of working together with other enterprises forming part of clusters, government bodies, and other stakeholders in order to achieve greater results. Innovation-oriented firm capability depends on the complexity of the network of interaction with non-industrialized sector institutions, knowledge-based firms and other institutions that understand technology and innovation, lenders and investors engaged in regular interaction with such firms, firm-external factors, and various foreign institutions in many countries. Countries that facilitate the links between state resources and firms are wealthier than those that cannot; countries with effective links between knowledge and technology sources and firms are in a more superior position than those lacking such links (Hargroves & Smith, 2005).

In the implementation of public–industry partnerships in the development of innovation and innovation systems, a national innovation system must be established. A national innovation system can be defined as consisting of an institutional network in the public and private sectors whose activities and interactions initiate, affect, modify, and diffuse new technologies; elements and relations comprising mutual interaction in production, diffusion, and use of innovations, economic benefit, and knowledge; and a set of institutions with interrelations that shape the innovative activities of national enterprises (OECD, 1997). According to the OECD, the national innovation system project should encompass innovative enterprises, networks of innovative enterprises, clusters, flexible mobility of human resources, organisational adaptations, and elements of economic understanding seeking to catch up with competitors (OECD, 2000).

The activities that the state must carry out in the construction of the national innovation system can be summarised as follows (Hirshhorn, Nadeau, & Rao, 2000):

- Developing the infrastructure that will strengthen information exchange and knowledge networks directed at researchers in industry, government, and universities;

- Creating mechanisms that will strengthen joint work between the special sector and the state in technology development;
- Forming instruments to increase knowledge transfer of new technologies;
- Ensuring the dissemination of information on the diversity of management practices, human resources, and organisational arrangements;
- Facilitating cooperation led by researchers in industry, government, and universities through Centres of Excellence, and accelerating the commercialisation process of conducted research.

4. Industrialization Policy and Interregional Economic Equality

The relationship between industrialization policy and interregional economic equality constitutes one of the most significant and extensively debated dimensions of regional development scholarship. Uneven patterns of industrialization tend to concentrate productive capacity, skilled labour, and investment in economically advanced regions, thereby widening developmental gaps between more and less developed areas within a national economy. Addressing this tendency requires deliberate policy intervention that channels industrial investment, infrastructure development, and innovation capacity toward lagging regions.

Industrial zones, technoparks, and specialized production centres established in peripheral regions serve as the primary instruments of spatially targeted industrialization policy. By providing physical infrastructure, fiscal incentives, and institutional support to firms locating in designated development zones, governments can stimulate private investment in regions that would otherwise struggle to attract productive activity. The creation of regional industrial clusters — geographic concentrations of interconnected enterprises, suppliers, service providers, and associated institutions — further amplifies the competitiveness effects of industrialization by generating agglomeration economies that reduce production costs, facilitate knowledge spillovers, and attract additional investment.

Azerbaijan's experience in this domain is instructive. The establishment of industrial parks in regions including Sumgait, Mingachevir, Neftchala, and Pirallahi has created productive employment, stimulated export activity, and reduced the economic divergence between the capital and the regions. These initiatives reflect a conscious policy choice to use industrialization as an instrument not merely of aggregate national growth but of more balanced territorial development. The reduction of dependence on oil revenues through the diversification of the productive base across regions constitutes a central pillar of Azerbaijan's long-term economic strategy, and industrialization policy is the primary vehicle through which this diversification is pursued.

The effectiveness of spatially targeted industrialization policy depends critically on the quality of the surrounding policy environment. Macroeconomic stability, rule of law, protection of property rights, and the efficiency of public administration determine whether the incentive structures created by industrial zone policy translate into genuine productive investment or merely produce rent-seeking activity. Infrastructure — in particular transport connectivity, energy supply, and digital communications — is a necessary complement to industrial location incentives; without adequate infrastructure, the agglomeration potential of regional industrial zones cannot be fully realised.

5. Conclusion

The research demonstrates that industrialization policy is not merely limited to increasing production volumes but constitutes a complex economic strategy that ensures interregional economic equality and strengthens long-term competitiveness. The enhancement of the industrial potential of regions, the optimal allocation of economic resources, and the acceleration of technological modernization are the main objectives of this policy. The findings confirm that purposeful industrialization measures reduce regional economic disparities, consolidate social stability, and ensure the sustainability of economic development.

The enhancement of international competitiveness depends on the quality of the state's economic regulation mechanisms and the favourability of the market environment. The state's competition-oriented policies must be conducted in the direction of protecting macroeconomic stability, preventing monopolization, creating a free trade environment, and forming transparent legal frameworks. These policies stimulate the development of export-oriented sectors, strengthen domestic production, and increase the country's share in the global market. The research indicates that the state's expansion of cooperation opportunities with the private sector and the creation of a favourable entrepreneurial environment are of decisive importance for the maintenance of competitive advantages.

The development of innovation systems and the strengthening of public–industry partnerships constitute another strategic pillar enhancing competitive capacity. The state's facilitation of technology transfer jointly with industry, financing of research and development projects, and strengthening of university–industry cooperation serve the sustainable development of the national innovation system. In this process, the role of technoparks, innovation centres, and Centres of Excellence is significant. Experience demonstrates that the acceleration of knowledge and technology flows, the improvement of human capital quality, and the introduction of new technological solutions to the market significantly improve the national economy's international competitive positions.

In conclusion, industrialization policy, state policies directed at enhancing international competitiveness, and innovation partnerships are interdependent elements that complement and reinforce one another. When these elements are applied in a coordinated manner, regional economic development becomes more balanced, national economic stability is consolidated, and the country's prestige in the global economic system is enhanced. The research also demonstrates that effective use of international experience, the correct channelling of local potential, and the synergy of the public–private sector constitute the main pillars of the country's long-term development strategy.

Within this framework, it is recommended that the state, while protecting the competitive environment in the industrial sector, simultaneously forms an ecosystem open to innovation. Specialized production centres, industrial clusters, and innovation zones should be established in the regions, thereby ensuring the attraction of both domestic and foreign investors. Systematic policies for investment in human capital, commercialization of technological innovations, and enhancement of export potential must be implemented.

Declarations

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