

Review Paper

Tools for the Country's Export Potential Development

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ABSTRACT

In the context of accelerating globalization and integration trends in the world economic system, countries must try to form advantageous positions in the international division of labour. This can be realized by optimizing the sphere of foreign economic activity of the state. The article's purpose is to substantiate the areas of improvement of strategic tools to develop the country's export potential. The authors analyzed the theoretical and methodological basis, namely the essence of the country's export potential and its structural elements of the export potential. The authors examined the structure of exports of Kyrgyzstan and Ukraine in 2020, highlighted their standard features, and shortcomings and explained why the specialization of exports is not optimal. The authors found that a systematic approach to developing a country's development strategy requires a specific sequence in the implementation of this process and proposed an algorithm for implementing the concept of developing the country's export potential, and also proposed calculating a comprehensive indicator of export potential, a more detailed description of which will be presented in further studies.

HIGHLIGHTS

- ① In the challenging conditions of the global financial and economic crisis, exports will remain one of the essential priorities in the development of the national economy of the state, being the primary source of foreign exchange earnings in the country, which implies the development and implementation of measures by the state to stimulate exporters.
- ② A promising direction is the detailed development of the calculation of a comprehensive indicator of the country's export potential.

Keywords: Country's export potential, development, export potential

The level of development of the country's economy can be characterized by the size and structure of its export-import flows. The higher the share of a country's participation in world exports of goods and services, and the structure of exports are dominated by interests from high-tech industries, the more efficient a given country's economy. The successful functioning and development of the government in current conditions presuppose the expansion of sales markets. A country's entry into

international markets requires the formation of its global competitive strategy and the identification of competitive advantages in the markets of selected countries. This, in turn, implies the need for the country's export potential.

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The formation and development of export potential is a complex process that includes domestic and foreign economic components at all stages of the country's functioning as a complex financial system. The methods of expanding export activities to the international level require the development of appropriate national policies. So, in the course of the evolution of the foreign trade policy of the state, during the transition period, there was a departure from the practice of strict vertical management of the development of the country's export potential to the liberalization of export activities, to the operational and economic independence of subjects of economic relations. In these conditions, the need is formed to develop a national strategy for long-term economic growth, scientific and technological development and international economic and trade ties. Management of the effectiveness of the formation and development of the country's export potential is a multi-level system of functions of the macro, meso and micro-environment, aimed at achieving the maximum possible result of activities in foreign markets.

The article's purpose is to substantiate the areas of improvement of strategic tools for developing the country's export potential.

Theoretical and methodologically-analytical basis

Scientific interest in the problem of determining the essence of the country's export potential makes us turn to the analysis of the accumulated theoretical material. For a correct understanding of the meaning of the category "export potential", it is necessary to analyze the essence of the concept of "potential".

Potential (from Lat. *Potentia* – strength) – these are sources, opportunities, means, and reserves that can be used to solve any problem or achieve a specific goal; the capabilities of a particular person, society, state, or enterprise in a specific particular area. In the dictionary of foreign words, the interpretation of the term is given as power and strength.

In modern economic theory, "potential" is usually a collection of available means and opportunities in any area. At the same time, the term "potential" refers to an existing opportunity, not its implementation. There is disagreement among authors in the economics literature about what counts as potential.

Distinguish between physical and economic approaches to potential. The economic policy tries to evaluate the potential in terms of value; in the physical approach, the potential is understood as physical categories - energy, matter, and entropy.

Modern scientists at different levels studied the problem of managing the development of export potential. The following directions can be noted: in a series of works by Hausmann & Klinger (2006; 2007), the impact of exports on the development of the economies of fast-growing countries is studied. At the level of international relations, the works of (Omelyanenko *et al.* 2020; Skibina *et al.* 2021) are of particular interest. At the level of studying the export potential of individual countries, the studies of (Sotnyk *et al.* 2013; Halkiv *et al.* 2020).

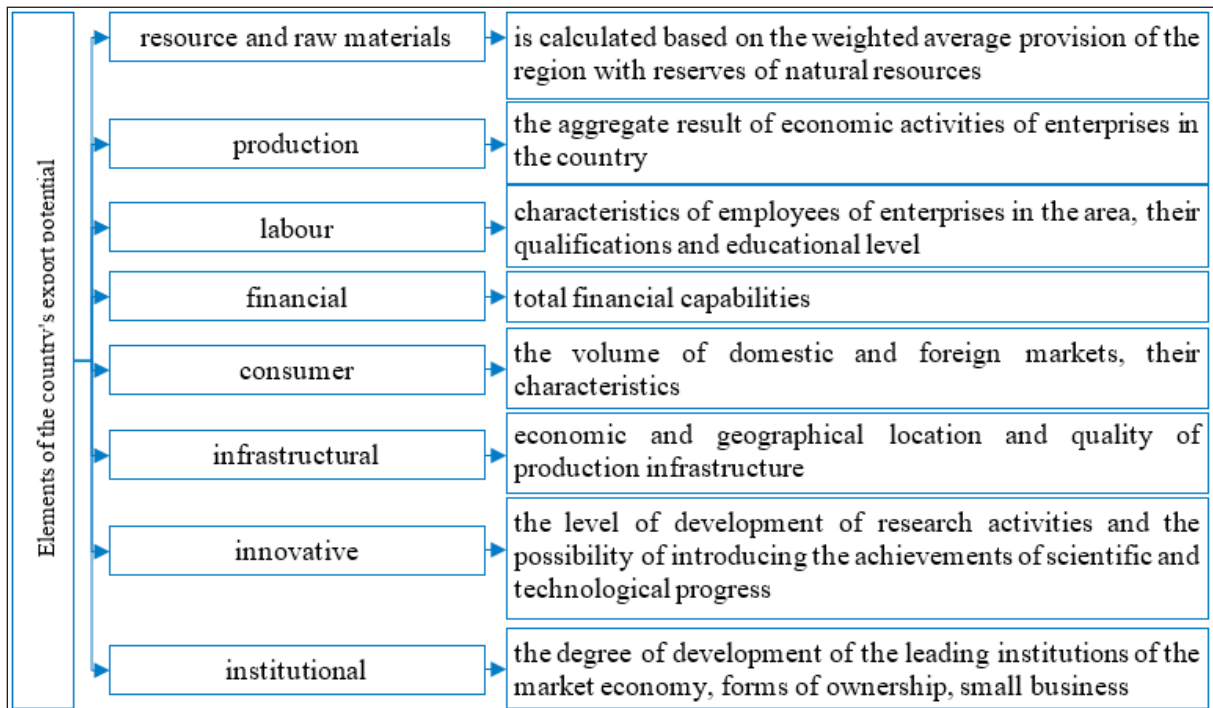
Smith A. (1977), Porter (2008) developed the classical models of the theory of foreign trade. Among modern scholars, works are devoted to developing export potential (Amirbekova 2008; Hashimov & Adashaliev 2008 and others).

When realizing the country's export potential, it is necessary to consider its structure, which is shown in Fig. 1 and includes the following particular potentials. A country's export potential can be defined as a weighted sum of personal potential.

This country's export potential structure reflects both the possibility and the realization of the possibility of entering the foreign market with competitive products.

The potential of export activities is determined by the country's maximum opportunities to sell products in foreign sales markets. This element is fundamental in the structure of export potential since the modern world market is a buyer's market; therefore, in the first place are issues not so much of production as sales of goods at the national and at the international level.

Revealing the essence of the export potential is necessary to identify the motives that induce the region's economic system and business entities to export their resources and products to develop and promote a strategy for the country's increasing participation in the international division of labour. The problem study showed that such a strategy has several advantages over import substitution. The development of export potential



Source: Compiled by the authors

Fig. 1: Structural elements of the country's export potential

has a more significant impact on the socio-economic characteristics of the region.

Expansion of export activities to the international level requires the development of appropriate national policies and strategies. So, in the course of the evolution of the foreign trade policy of the state, during the transition period, there was a departure from the practice of rigid vertical management of the development of the export potential of regions to the liberalization of export activities, to the operational and economic independence of subjects of economic relations. In these conditions, the need is formed to develop a national strategy for long-term economic growth, scientific and technological development and international economic and trade relations. Therefore, developing a strategy for the country's development is necessary for the further formation and development of export potential.

Kyrgyzstan and Ukraine have a common major flaw [26]: their ineffective structure. Indeed, today the main structural element of the export of Ukraine and Kyrgyzstan is raw materials and products with a low level of processing (Fig. 2).

In modern conditions of the development of the world economy, such a specialization of exports is suboptimal for the reasons:

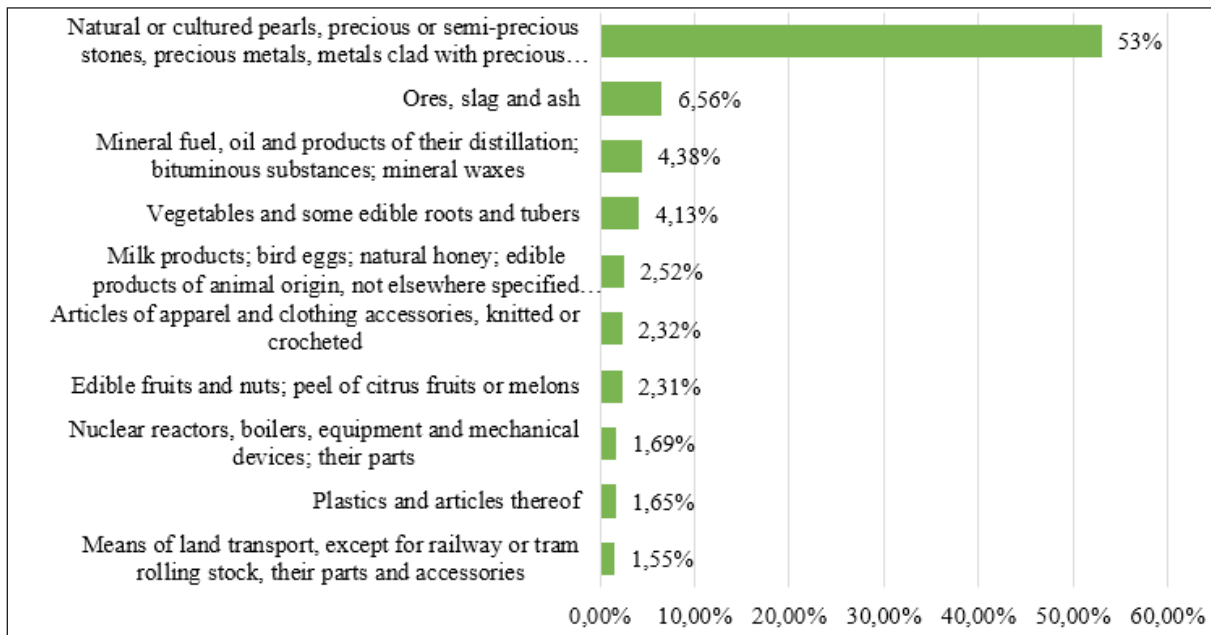
- ♦ raw materials, in contrast to technologies and knowledge, are depleted and not renewed;
- ♦ a low level of processing, first of all, means low profit;
- ♦ in a competitive environment, raw materials can always be replaced with similar raw materials from another country, which makes demand highly elastic and causes significant price fluctuations.

RESULTS AND DISCUSSION

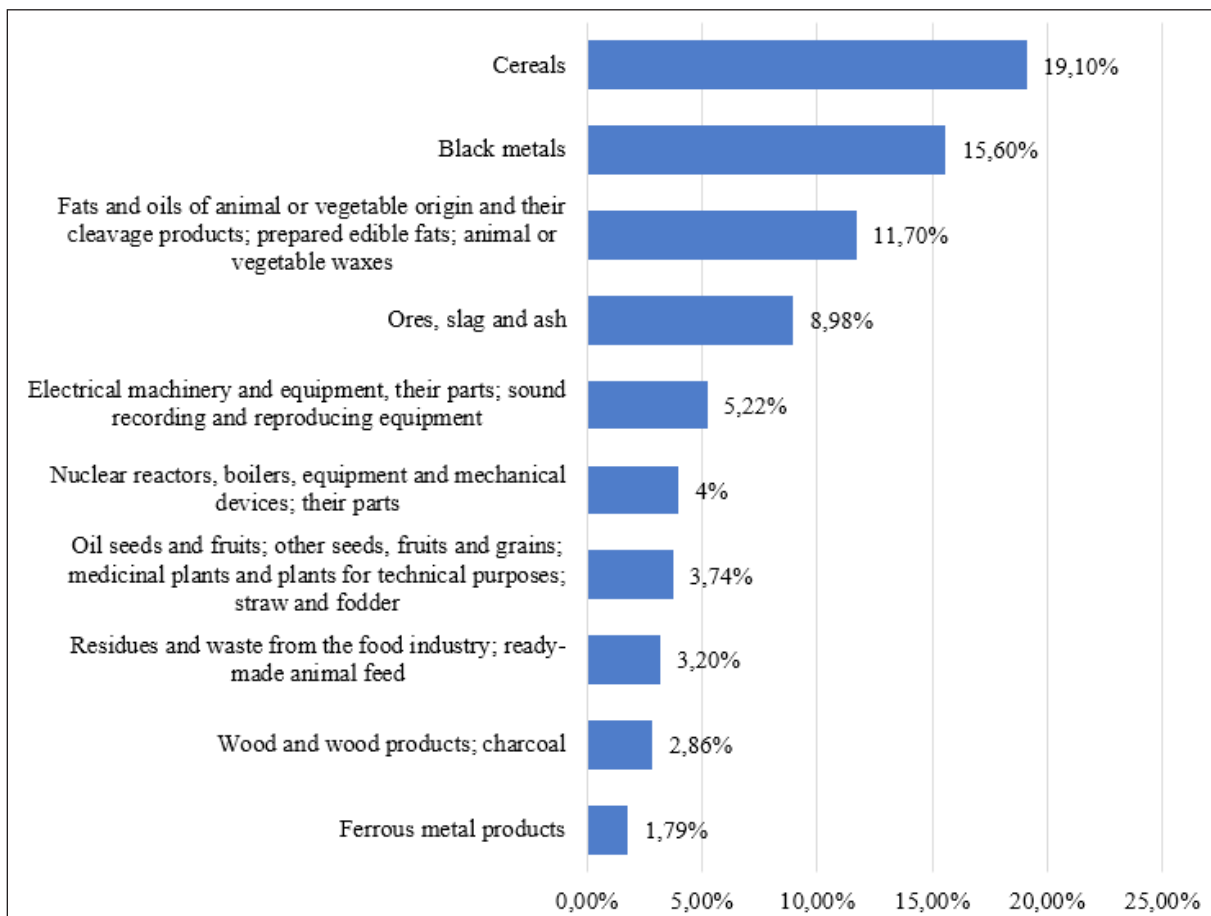
A systematic approach to developing a regional development strategy requires a specific sequence in implementing this process. Therefore, we propose the following content of work on implementing the concept of developing the country's export potential, consisting of the following stages (Fig. 3).

In the first stage, competitive factors are analyzed to determine the overall potential of the country's economic system, its competitive advantages and disadvantages. At this stage, it is possible to divide the country into oblasts, allowing you to focus on the strength.

In the second stage, the main directions of foreign economic relations, which characterize the state



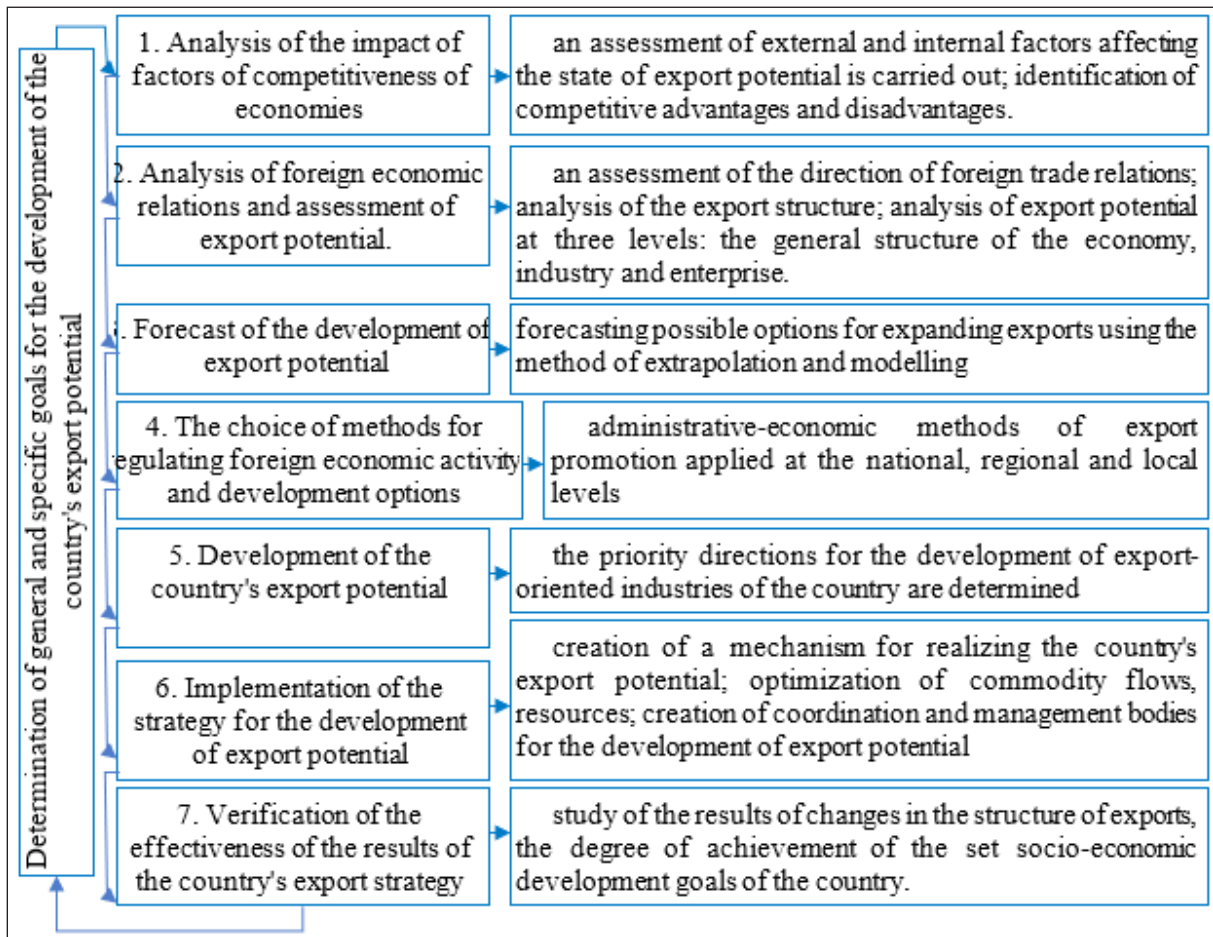
Export structure of Kyrgyzstan, 2020



Export structure of Ukraine, 2020

Source: Compiled by the authors based on the Annual Statistics of International Merchandise Trade.

Fig. 2: Export structure of Kyrgyzstan and Ukraine in 2020



Source: Compiled by the authors.

Fig. 3: Stages of implementation of the concept of development of the country's export potential

of the country's export complex, are assessed. At the same time, it is necessary to consider the development trends of the world economy and the place that the national system occupies in the structure of world economic relations.

Also of great importance is the characteristic of the internal economic state of the region's vital activity system. All this, taken together, forms the basis for developing a strategy for developing the country's export potential.

In the third stage, analysis and forecasting of possible options for expanding exports and improving its structure are carried out. The selection of priority directions of export policy, and effective tools for its implementation is being carried out.

In the fourth stage, the choice of acceptable methods for regulating foreign economic activity takes place, depending on the territorial specifics of the country, on the state of the regional economy (developing, stable, depressive, lagging, crisis, etc.).

Special attention is paid to the geographical and territorial characteristics of the country's economic system. Based on this, the possibilities of providing preferential conditions to regional exporters, export sources of budget revenues, foreign investment, etc., are determined.

The fifth stage is based on developing a strategy for developing the country's export potential through selecting priority directions for developing export-oriented industries, including the country's socio-economic development. It serves as the basis for developing comprehensive economic and social development programs, and national target programs to promote exports.

The sixth stage involves developing a mechanism for implementing the strategy for developing the country's export potential. Here, efforts are concentrated around specific programs of foreign economic activity to increase the effectiveness of the results of their implementation. The efficiency

criterion can be the degree of satisfaction of social and specific economic needs (increase in income, decrease in unemployment, increase in the profitability of the export complex).

The seventh stage includes assessing the effectiveness of the results of the country's export strategy and the achievement of the set goals of its socio-economic development. The approach we propose allows us to link the analysis and forecast of the state of export potential with the formation of a country's development strategy and offer a mechanism for its implementation, taking into account the methods of regulating foreign economic activity and the financial capabilities of the territory. In the coming period, the development of export potential and its commodity structure will be determined by two groups of interrelated factors.

On the one hand, these are more or less static factors, characterized by comparative regional advantages in the natural resource sphere, emphasizing high-tech and highly processed products.

On the other hand, these are factors of dynamically changing competitive advantages associated with scientific and technological achievements and innovations. The combination of regional and technical competitive advantages in one region enhances its competitiveness in the global economic space. It ensures a stable increase in exports and its stimulating effect on the development of the economy.

A comprehensive indicator of export potential is calculated using the following formula:

$$I_{\text{potential}} = (\text{Supply Index} + \text{Demand Index} + \text{Interaction Index}) / 3 \quad \dots(1)$$

To assess a comprehensive indicator of export potential, sub-indices are calculated for each dimension.

The indicator value ranges from 0 (lowest rating) to 100 (highest rating). The higher the score, the higher the export potential of a commodity position in the market of a particular country.

CONCLUSION

In the challenging conditions of the global financial and economic crisis, exports will remain one of the essential priorities in the development of the national economy of the state, being the primary

source of foreign exchange earnings in the country, which implies the development and implementation of measures by the state to stimulate exporters.

The country's export potential development is a phased and multi-tasking process that requires solving several of the above problems.

Because of this, the development of the country's export potential should consider the main macro- and microeconomic factors of the country's development, which play a role in the formation of the management system.

The study showed that a promising direction is the detailed development of the calculation of a comprehensive indicator of the country's export potential.

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