Instruments for the Development of the Country's Export Potential

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Abstract---In the context of accelerating globalization and integration trends in the world economic system, countries must make efforts to form their advantageous positions in the international division of labour. This can be realized by optimizing the sphere of foreign economic activity of the state. The purpose of the article 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, its structural elements of the export potential. The authors analyzed the structure of exports of Kyrgyzstan and Ukraine in 2020, highlighted their common features, 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.
Keywords---country's, development, economic system, export potential, instruments.

Introduction

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 is dominated by goods from high-tech industries, the more efficient a given country’s economy (Bashynska & Dyskina, 2018). The successful functioning and development of the country in current conditions presuppose the expansion of sales markets. A country’s entry into international markets requires the formation of its global competitive strategy, the identification of competitive advantages in the markets of selected countries, and this, in turn, implies the need for the country’s export potential as a whole (Frias-Aceituno et al., 2013; Iqbal et al., 2013).

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 economic 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 relations. 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 microenvironment, aimed at achieving the maximum possible result of activities in foreign markets.

The purpose of the article is to substantiate the areas of improvement of strategic tools for the development of the country’s export potential (Eddy, 2017; Marpaung & Hambandima, 2018).

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, reserves that can be used to solve any problem, 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, strength. In modern economic theory, the concept of "potential" is usually a collection of available means, opportunities in any area. At the same time, the term "potential" refers to an existing opportunity and not to 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 approach tries to evaluate the potential in
terms of value; in the physical approach, the potential is understood as physical categories - energy, matter, entropy (Granger, 1988; Deeds & Hill, 1996).

Modern scientists at different levels carried out studies of the problem of managing the development of export potential. The following directions can be noted: in a series of works by Hausmann & Klinger (2006); Hausmann & Klinger (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 Chychkalo-Kondratska & Radchenko (2013); Gorin & Zolotarev (2020); Prokopenko & Omelyanenko (2020), are of particular interest. At the level of studying the export potential of individual countries (Bashynska & Dyskina, 2018; Komendantova et al., 2018; Ristanović et al., 2019; Shakoor & Rehan, 2019; Durova & Bartokova, 2019; Lee & Mah, 2020; Li & Chen, 2019; Matyushenko et al., 2021; Mura & Gasparikova, 2010; Prokopenko et al., 2021; Ryvak, 2020). Legal issues of export potential are also being studied (Bilovodskaya et al, 2021; Muzyka-Stefanchuk et al., 2016; Samsin et al., 2021). The classical models of the theory of foreign trade were developed (Smith, 1863; Porter, 2008). Among modern scholars, works are devoted to the development of export potential (Pamornmst et al., 2013; Kim & Je, 2016; Amirbekova, 2018; Xashimov, 2018; Che & Bakker, 2020).

**Methodologically-analytical basis**

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

<table>
<thead>
<tr>
<th>Elements of the country's export potential</th>
<th>Definition</th>
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<tr>
<td>resource and raw materials</td>
<td>is calculated based on the weighted average provision of the region with reserves of natural resources</td>
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<tr>
<td>production</td>
<td>the aggregate result of economic activities of enterprises in the country</td>
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<tr>
<td>labour</td>
<td>characteristics of employees of enterprises in the area, their qualifications and educational level</td>
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<tr>
<td>financial</td>
<td>total financial capabilities</td>
</tr>
<tr>
<td>consumer</td>
<td>the volume of domestic and foreign markets, their characteristics</td>
</tr>
<tr>
<td>infrastructural</td>
<td>economic and geographical location and quality of production infrastructure</td>
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<tr>
<td>innovative</td>
<td>the level of development of research activities and the possibility of introducing the achievements of scientific and technological progress</td>
</tr>
<tr>
<td>institutional</td>
<td>the degree of development of the leading institutions of the market economy, forms of ownership, small business</td>
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**Figure 1. Structural elements of the country's export potential**

Source: compiled by the authors
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 (Onyshchenko et al., 2018; Sopilko, 2013). The study of the problem showed that such a strategy has several advantages over import substitution. The development of 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 (Shtal et al., 2018; Ibrayeva, 2018). Therefore, for the further formation and development of export potential, developing a strategy for the country’s development is necessary. Kyrgyzstan and Ukraine have a common major flaw Strelkovskii et al. (2020), their ineffective structure. Indeed, today the main structural element of the export of Ukraine and Kyrgyzstan is raw materials and products of a low level of processing (Figure 2 & 3).

Figure 2. Export structure of Kyrgyzstan and Ukraine in 2020
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 (Bashynska, 2020).
- 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 development of the country’s export potential, consisting of the following stages (Figure 4).
At the first stage, an analysis of competitive factors is carried out that 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 regions, oblasts. This will allow you to focus on the strength. At the second stage, the main directions of foreign economic relations, which characterize the state 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 (Morgan & Katsikeas, 1997; Vallejo et al., 2006).

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. At 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, effective tools for its implementation is being carried out. At 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, sources of foreign investment, etc., are determined (Suh, 2004; Arrow et al., 1995).

The fifth stage is based on developing a strategy for the development of the country’s export potential through the selection of priority directions for the development of export-oriented industries of the country, including the country’s socio-economic development. It serves as the basis for the development of comprehensive programs of economic and social development, national target programs to promote exports. The sixth stage involves developing a mechanism for implementing the strategy for the development of 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) (Brockhoff, 1992; Cook & Beckman, 2006).

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, in our opinion, by two groups of interrelated factors. On the one hand, these are more or less static factors in nature, characterized by comparative regional advantages in the natural resource sphere, emphasising high-tech products 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 technological competitive advantages in one region enhances its competitiveness in the global economic space and ensures a stable increase in exports and its stimulating effect on the development of the economy. A comprehensive indicator of export potential \( I_{potential} \) is calculated using the following formula:

\[
I_{potential} = \frac{\text{SupplyIndex} + \text{DemandIndex} + \text{InteractionIndex}}{3}
\]  

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 (Dung et al., 2021; Eshankulovna, 2021).

**Conclusions**

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 a number 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 (Tetty, 2020; Widana et al., 2020).

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