

# **Means of developing the export potential of the country**

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## **Abstract**

The article aims to determine and substantiate the strategic means and areas of the country's improvement in the context of the development of its export potential. The authors of this article thoroughly examine the theoretical

and methodological foundations of the export potential of Kyrgyzstan and Ukraine, in particular its essence and structural elements. The findings show a systematic approach is essential for developing the country's growth strategy, and the character feature of this process should be a sequential implementation. Based on the above, the authors develop the concept of the country's export potential and suggest the mechanism for its implementation. The study also provides a complex indicator of the country's export potential calculated. The materials of the article are of practical value for scientists and practitioners dealing with a country's export potential, for planning and forecasting further research, and for developing the country's export strategies. The proposed step-by-step plan for the implementation of the export potential development concept can serve as a basis for developing a regional development strategy in Southeast Asian countries.

**Keywords:** foreign market, economic activity, country's development strategy, export complex, comprehensive indicator.

## **1. Introduction**

The country's economic level of development 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 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 and 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.

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. During the transition period of the evolution of the foreign trade policy of the state, 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.

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 Latin, *potentia* is “strength”) – these are sources, opportunities, means, and reserves that can be used to solve any problem or achieve a specific goal and have 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 or strength.

In modern economic theory, the concept of “potential” is usually a collection of available means or 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. To distinguish between the physical and economic approaches to potential, the economic approach tries to evaluate the potential in terms of value, while in the physical approach, the potential is understood as physical categories – energy, matter, and entropy. Export is one of the main indicators of the economy of a country and largely determines its economic growth. Participation in international trade allows a country to increase its production, has access to foreign goods, maintains relations with other countries, and provides many other advantages.

Modern scientists at different levels carried out studies on the problem of managing the development of export potential. At the level of international relations, the works of Chychkalo-Kondratska and Radchenko (2013) and Prokopenko and Omelyanenko (2020) are of particular interest. At the level of studying the export potential of individual countries are the studies of Lee and Mah (2020), Matyushenko et al. (2021), Prokopenko et al. (2021), and Ryvak (2020).

Kazakhstan is a developing country rich in natural resources, and participation in foreign trade often becomes an integral part of the growth of Kazakhstan-like, so-called “raw” economies. Despite a large number of theoretical-practical and scientific-economic studies of the problems of managing the development of export potential, Kazakhstan, as a country deeply integrated into the global trade and economic system, is not the object

of a comprehensive study of export potential and means of its development in scientific intelligence. This indicates that Kazakhstan, in the context of the analysis of export potential, is not widely studied in the scientific community, which determines the relevance of our study.

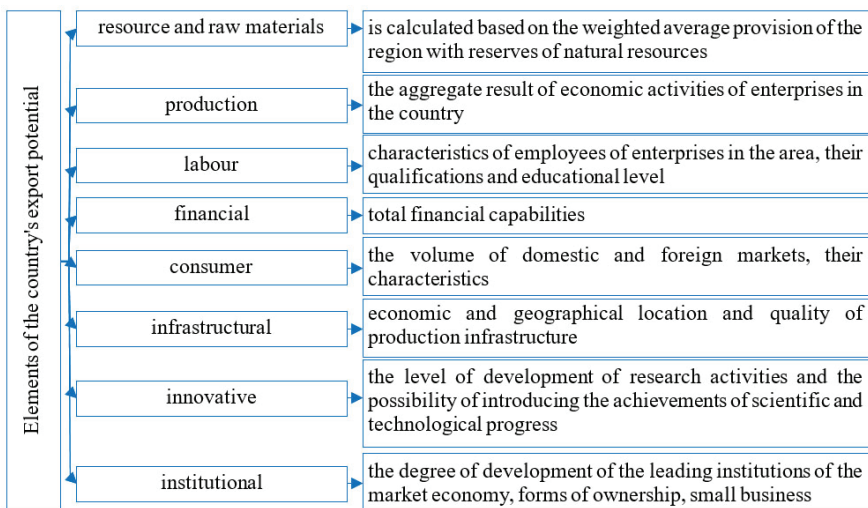
The purpose of our article is to substantiate the areas of improvement of strategic tools to develop the country's export potential. As a part of the study, the authors analyzed the theoretical and methodological foundations and structure of export in Kazakhstan and Ukraine as countries with developing economies, which provided the essence of the country's export potential. As a result, the authors suggested a detailed plan for implementing the concept of developing the country's export potential. The suggested approach makes it possible to link the analysis and forecast of the state of the export potential with the formation of a country's development strategy. It also helps to develop a mechanism for its implementation that considers the methods of regulating foreign economic activity and the country's financial capabilities.

The materials of the article will be useful for all scholars and practical researchers in the field of economic development and state and international economics. Moreover, the materials will be of avail to all those who are interested in developing the export potential of countries with developing economies or those in a stage of stagnation. The proposed detailed plan for the implementation of the development concept for export potential can serve as a basis for designing a regional growth strategy in Southeast Asian countries.

## **2. Methodologically-analytical basis**

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

Figure 1. Structural elements of the country's export potential

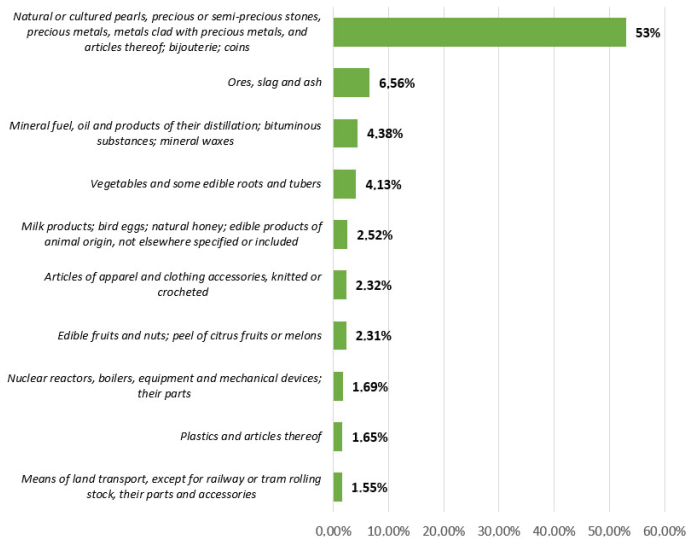


Source: compiled by the authors

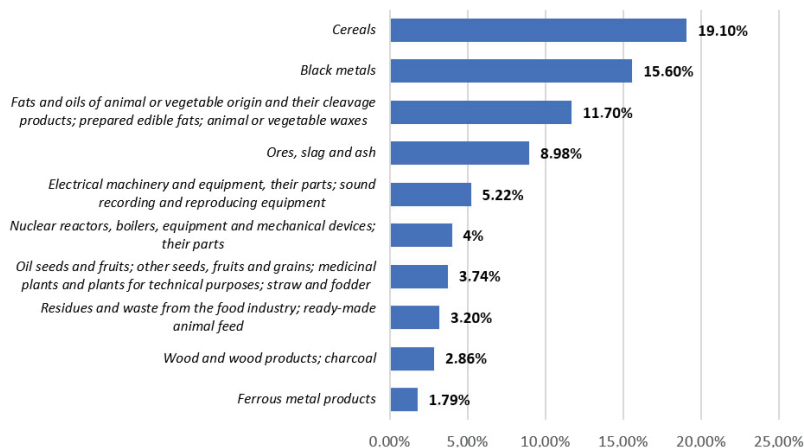
This country's export potential structure reflects both the possibility and the realization of the possibility of entering the foreign market with competitive products. The potential of export activities is determined by the country's maximum opportunities to sell products in foreign sales markets. This element is fundamental to 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 international levels. 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 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 (Pamornmast et al., 2013).

Expansion of export activities to the international level requires the development of appropriate national policies and strategies. During the transition period in the course of the evolution of the foreign trade policy of the state, 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, 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; Kuzheliev & Britchenko, 2016): 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).

Figure 2. Export structures of Kyrgyzstan and Ukraine in 2020



*A - Export structure of Kyrgyzstan, 2020*



*B - Export structure of Ukraine, 2020*

Source: Compiled by the authors based on the Annual Statistics of International Merchandise Trade (2021).

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

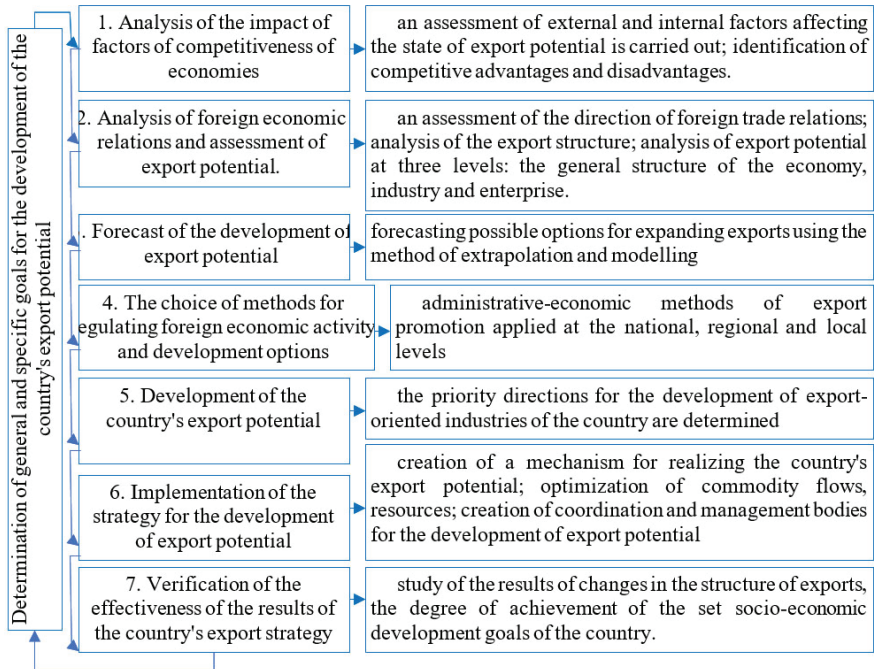
- raw materials, in contrast to technologies and knowledge, are depleted and not renewed;
- a low level of processing first means low profit (Bashynska, 2020);
- in a competitive environment, raw materials can always be replaced with similar raw materials from another country, making demand highly elastic and causing significant price fluctuations.

### 3. 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 3):



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



Source: Compiled by the authors.

*In the first stage*, an analysis of competitive factors is carried out that determines the overall potential of the country's economic system and its competitive advantages and disadvantages. At this stage, it is possible to divide the country into regions or oblasts (Li & Xikang, 2020). This will allow a focus on the strength.

*In the second stage*, the main directions of foreign economic relations, characterizing 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. Also of great importance is the characteristic of the

internal economic state of the region's vital activity system (Komendantova et al., 2018; Ivashchenko et al., 2018). 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.) (Gorin & Zolotarev, 2020). 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, e.g., regional exporters, export sources of budget revenues, and sources of foreign investment, are determined.

*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 in the country, including the country's socioeconomic development. It serves as the basis for the development of comprehensive programs of economic and social development and 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 on specific programs of foreign economic activity to increase the effectiveness of the results of their implementation (Amirbekova, 2018; Hashimov & Adashaliev, 2018). The efficiency criterion can be the degree of satisfaction with social and specific economic needs (increase in income, decrease in unemployment, and 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 socioeconomic development (Kim & Je, 2016).

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.

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. For example, countries can increase the volume of international trade with countries in the nearby region in order to exist in international competition. In this direction, it is necessary to reduce tariff rates among themselves and achieve economic integration in Southeast Asia (Phijaisanit & Myles, 2019; Samavong, 2019).

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 *Ipotential* is calculated using the following formula:

$$Ipotential = (SupplyIndex + DemandIndex + Interacti) \quad (1)$$

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.

## 4. 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 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 that play a role in forming the management system. The use of strategic means and directions in the context of the development of the country's export potential makes it possible to keep afloat, stabilize, and develop the country's economy in difficult global financial and economic conditions. The study showed that a promising direction is the detailed development of the calculation of a comprehensive indicator of the country's export potential.

The article examines the theoretical and methodological foundations of the export potential of Kyrgyzstan and Ukraine, in particular their essence and structural elements. The results obtained during the research show that a systematic approach is necessary for the development of the country's growth strategy, and the subsequent implementation should be a characteristic feature of this process. The result of the article is a developed concept of the country's export potential and a proposed mechanism for its implementation. The study also calculated a comprehensive indicator of the country's export potential. Using the examples of Kazakhstan and Ukraine, as countries with developing economies, the proposed step-by-step plan for the implementation of the export potential development concept can serve to develop a basic regional development strategy in Southeast Asian countries.

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