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Theoretical Aspects of Export Potential, its Essence and Development²

The article examines the concept of “export potential”, identifies parameters that characterize it, and also provides the author’s definition of this concept. From the author’s conclusions, it should be noted that the behavioral nature of exports plays a fundamental role in shaping the direction of the export strategy itself, since “export behavior” involves the transformation of the export model and advancing it to a new level - the level of innovative development. In addition, in modern conditions, especially in the conditions of the WTO, it is important to consider “export-behavior” in conditions of the world economy challenges. The central element of these challenges is the “decision-making” process. Such actions can have liberalizing or discriminatory character in regard to business partners. Thus, according to the author, the current export potential of Kazakhstan should be considered as a possible behavior in the external economic environment that meets the requirements of the WTO.

Key words: export competitiveness, export potential, export behavior, World Trade Organization, intra-industry trade, non-tariff barriers.

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Introduction

In-depth examination of the theoretical literature allowed us to see the diversity of existing definitions of export. According to definitions in the economic literature, export potential, on the one hand, should be considered as an aggregate of strength and opportunity [1] (from the Latin word “potentia” - strength), and on the other, as export. Concurrently, the semantics of the term shows that the concept of “export” comes from the Latin “exportare”, which literally means “to take out of the port”.

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The essence of export potential is not defined in the economic literature, so its definition will be discussed in terms of the characterization of its types differentiated by spatial and temporal features. In the scholarly literature, significant attention is paid to spatial features, which include “regional” and “world” levels. In connection with the existing definitions of “export potential”, we describe the region’s capability to produce the necessary amount of export-oriented products that would meet the quality needs of the external market. Temporally potential can be exploited and unexploited.

Issues and solutions

While defining export potential, it is necessary to take into account the direct correlations, namely:

First, export potential is a driving force of economic activity, thereby different scholars consider export potential as an integral part of the “economic potential”, interpreting it as an ability of

- the national economy branches to cumulatively provide services and produce products [2];
- the economic mechanism for implementing derivative functions based on scientific and technical achievements [3];
- the economic system to process the country resources in order to meet the needs of the society [4];
- the national economy in general and individual economic regions in particular, to create a certain amount of consumer values while developing social productive forces and their level of efficiency [5].

As can be seen from the above, the aggregate economic potential is a complex structural phenomenon: a) a cumulative ability of economy to fulfill production activity, which includes production of goods and provision of services aimed at meeting the needs of domestic markets; b) the ability of economy to meet the needs of foreign markets; c) availability of technical resources, the use of which can be effective if socio-economic factors are taken into account.

Secondly, the increase in export potential is closely connected to the implementation of foreign economic policy. The structural analysis of economic potential provides an opportunity to explore the essence of one of its core components - “*the external economic potential*”. Accordingly, same methods were utilized to determine the essence of export potential as it was used in the interpretation of economic potential. The researchers’ conclusion was based on the following theory - a new phenomenon is similar to the other one and, consequently, is already known, thereby the information obtained earlier is applied to a new phenomenon [6].

Thirdly, the concept of quality correlates with the concept of “*export competitiveness*” to a certain extent. In our view, all definitions above which correlate prod-

uct quality with export potential are somewhat limited, for they just identify the production capacity of the economy. This is asserted by Pilipenko, who defines export potential as an opportunity to produce the necessary quantity of goods to carry out export that would meet the quality and competitiveness needs of the external market [7].

Therefore, an understanding has been established that export potential is the ability of the entire economy, federal subjects, and individual industries and companies to produce the necessary quantity of export-oriented competitive products [8]. Transformation of export potential existed at different historical periods. Though in the 21st century, entering the world economy into a new stage of development has closely linked it with the concept of competitiveness. Therefore, such components as “capability” and “opportunity” are nowadays replaced with more refined qualitative characteristics. In such situation, it makes sense to find out to what extent is export potential associated with the concept of “competitiveness”, as many researchers do not relate the capacity-building of export potential to factors for increasing the economic competitiveness of a country [9]. It has been therefore determined that there is a direct correlation between export potential and competitiveness. Success largely depends on competitiveness because the ability to win a market share arises only if both the particular product and the company are competitive.

However, these definitions do not take into account sales and other opportunities [10]. Therefore, it is necessary to clarify the definition of “export potential” itself, since according to Schwander [11], export potential does not mean only the availability of production capabilities, but it also means the integrated ability to satisfy consumers’ demands as much as possible, while taking into account the rational use of resources and interests of the state and other parties. That is, quality improvement (“quality or modernization of products”) can either be embodied in the technology itself (“modernization of production processes”) [12] or via integration of large production stages within the company or its location (“functional modernization”). Recent studies [13, 14] also confirm that export has very low “survival capability” for new participants. This is specifically true for low-income countries, where many constraints like currency fluctuations, search and information cost, and other challenges exist, all of which constitute a threat to export flows during the first years of activity. It can be assumed that the variety of theoretical models and approaches clarifying the nature, characteristics, and structural features of export potential implies a certain correlation between export potential and the level of competitiveness.

When defining the concept of export potential itself, systematization of different views is required; therefore, it is necessary to distinguish common and different content of export potential in the existing interpretations. Such systematization allows us to distinguish several points of view from one another. The first group of researchers consider export potential as a qualitative feature of a national economy, i.e. the potential ability of a country to export currently produced or available products and resources [5 p. 400].

The second group of researchers provide a broader definition identifying such factors as *sources, stocks, means, and opportunities* as export objects that can be used to solve problems, achieve goals, and provide opportunities in some particular area for a specific person, society, or a state [15].

According to the author, the export potential is a category with complex qualitative predetermination so it is necessary to rely on other specific parameters when identifying its nature. In addition to above mentioned definitions, other characteristics of export potential can be considered, such as: a complex multifaceted phenomenon revealed when concurrently perceived as “an indicator”, “a process”, “a behavior”, and *quantitative characteristics of economic parameters of economic development*. Therefore, research will be further developed in terms of these three parameters.

Consideration of export potential as of a special process allows reflecting the “process character” of production and of the export activity itself. O’Donnell believes that export potential is a process that allows a business to resort to marketing opportunities while saving volume of trade [16].

We agree with the scholar, since building up marketing opportunities and focusing on current conditions is highly relevant, as it is necessary to reduce the extent of government intervention, especially in the context of Kazakhstan’s membership in WTO. In general, export potential here may reflect the nature of export activities.

Tazhieva believes that export potential is a synthetic concept characterized by the level of productive forces development that constitutes a certain aggregate potential depending on the scale and nature of an enterprise [17]. However, we do not support her argument because consideration of aggregate potential is limited by the enterprise, and it does not extend the area of responsibility beyond its limits in the conditions of prevailing institutional environment.

Exploring export potential as a part of economic potential, Buckley and others also imply a process, which determines the presence of such factors as labor cost, productivity, prices, and R&D [18].

The above definition is distinguished by a number of important clarifications, since it includes not only the ability of economic potential to address existing market opportunities, but also the ability to shape the mechanisms of future development. In either event, Buckley [18, p. 125] implies the existence of internal opportunities to adapt the economic system to changing external conditions. Indeed, the economic situation is being changed with the unification of world trade relations, increased competition, and etc.

In the above literature, export potential was considered as a process, but in the practice of economic life, export potential is often used as an “indicator” of economic potential. For instance, Savinov and others [19] see it as a complex indicator that takes into account properties and characteristics of a market where goods

can be potentially sold. It is quite obvious that export potential is primarily the ratio of exports to total sales. At the same time, the deepening of trade relations is maintained by both increasing the range of products and qualitative changes in the product itself. In product specialization, this can be observed through the levels of inter-sectoral trade that may arise as a result of specialization of production, as well as specialization in various levels of quality.

In modern economics, in addition to the above mentioned definitions, an understanding of “*export-behavior*” [20] exists as well, which is used to describe marketing innovations. Differently, but in the same context, Castro et al. made an attempt to determine to what extent the value of exports and productivity together can determine intra-firm export behavior [21].

The application of this approach is based on the perception that the export itself is already considered as the result of an innovative method. Therefore, Thomas and Araujo see export-behavior as an innovation strategy, so the action of entering a new market can be seen as the adoption of innovative behavior [22].

Sharing this point of view, it concurrently seems legitimate to expand the application of this interpretation. This can be confirmed by the following arguments:

- this behavioral nature of exports can play a fundamental role in shaping the direction of export development strategy itself;
- shaping the direction of export development during the transformation of export model and transition to a new level, i.e. innovative development.

It should be noted that the two previous interpretations are not excluded and can be used in the study of multifaceted questions of export potential formation.

Meanwhile, as the world practice has shown, in the conditions of the challenges of the world economy, the decision-making process itself becomes a central element. In this regard, the consideration of this problem as applied to conditions of WTO makes it implicated in the values of a regulatory theory¹. These actions applied by the country may be liberalizing or discriminatory in relation to business partners.

Conclusion

Therefore, in the context of a country’s general exports development, it is not only legitimate, but also necessary to investigate its behavior in the circumstances of WTO conditions. At the same time, the adoption of WTO requirements and par-

¹ “Regulatory economic theory is part of economic theory that provides recommendations and calls for action on the regulatory economy on which economic policy, i.e. economic decision making, is based”.

ticular countries taking certain obligations forces export potential to work in a narrowing or expansion mode, as confirmed by the results of the study. The boundaries between them are porous, and as competitiveness grows on the basis of economy engagement in the trajectory of sustainable growth, the expansion regime increases fulfilled export potential, strengthening its position in various markets.

In the study of economic performance in conditions of WTO, the qualitative arguments used above are logically connected with the main thesis, but they also admit the need for new clarifications. Hence, the author's interpretation is that "the current export potential of Kazakhstan should be considered as a possible mode of behavior in a foreign economic environment that meets the requirements of WTO".

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Теоретические аспекты природы и развития экспортного потенциала²

В статье рассмотрена природа категории «экспортный потенциал», выявлены параметры, характеризующие его, а также дано авторское определение этого понятия. Из авторских выводов следует, что поведенческий характер экспорта играет основополагающую роль в формировании направления собственно стратегии экспорта, так как «экспорт-поведение» предполагает трансформацию модели экспорта и перехода его на новый уровень — уровень инновационного развития. Наряду с этим в современных условиях, особенно в условиях ВТО, «экспорт-поведение» актуально рассматривать в условиях вызовов мировой экономики, центральным звеном которого представляется «процесс» принятия решений, причем данные действия могут иметь либерализационный или дискриминационный характер по отношению к деловым партнерам. Таким образом, по мнению автора, экспортный потенциал Казахстана в настоящее время следует рассматривать как возможный образ поведения во внешнеэкономической среде, отвечающий требованиям ВТО.

Ключевые слова: конкурентоспособность экспорта, экспорт-поведение, экспортный потенциал, Всемирная Торговая Организация, внутриотраслевая торговля, нетарифные барьеры

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