

Analysis of Competitiveness of Azerbaijan Persimmon Export in the International Market

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Abstract:- The research examined the changing pattern of export in persimmon in Azerbaijan at a macro level within 10 years from 2012 to 2021. Persimmon is the leading export of the Azerbaijan agricultural sector. Due to favorable growing conditions in Azerbaijan, persimmon cultivation has a massive range. The export of Azerbaijan persimmon is playing an important role in at the many households and increasing year after year. RCA model has been applied to evaluate the competitiveness of Azerbaijan persimmon export.

Keywords:- Competitiveness, Azerbaijan, Trade, Persimmon, RCA model, Export.

I. INTRODUCTION

Nowadays, the increasing of international economic relations and international trade has ensured the integration of different economies globally. The right interpretation of global economic issues, the realization of economic aims by countries and also protecting of national economic interests are playing an important role on this view. On this point, the countries target grow their benefits by following the cutting edge trends of international trade (Gene, 2016).

The diversification of export and reducing of dependency on oil and gas export is one of the main economic aims of Azerbaijan. Since more than 90% of export is made up oil and gas export on the foreign trade of Azerbaijan, this matter underlines the importance of agricultural export.

Today, the main export markets of agricultural products of Azerbaijan is Türkiye, China, Georgia, Europe and Russia (SSCA, 2023). Among the products, tomato, hazelnut, persimmon, apple and cotton dominate.

Persimmon has a great economic importance at the export of Azerbaijan. According to OEC, Azerbaijan is the second largest persimmon exporter and occupies one-fifth of global persimmon export in the world (OEC, 2021).

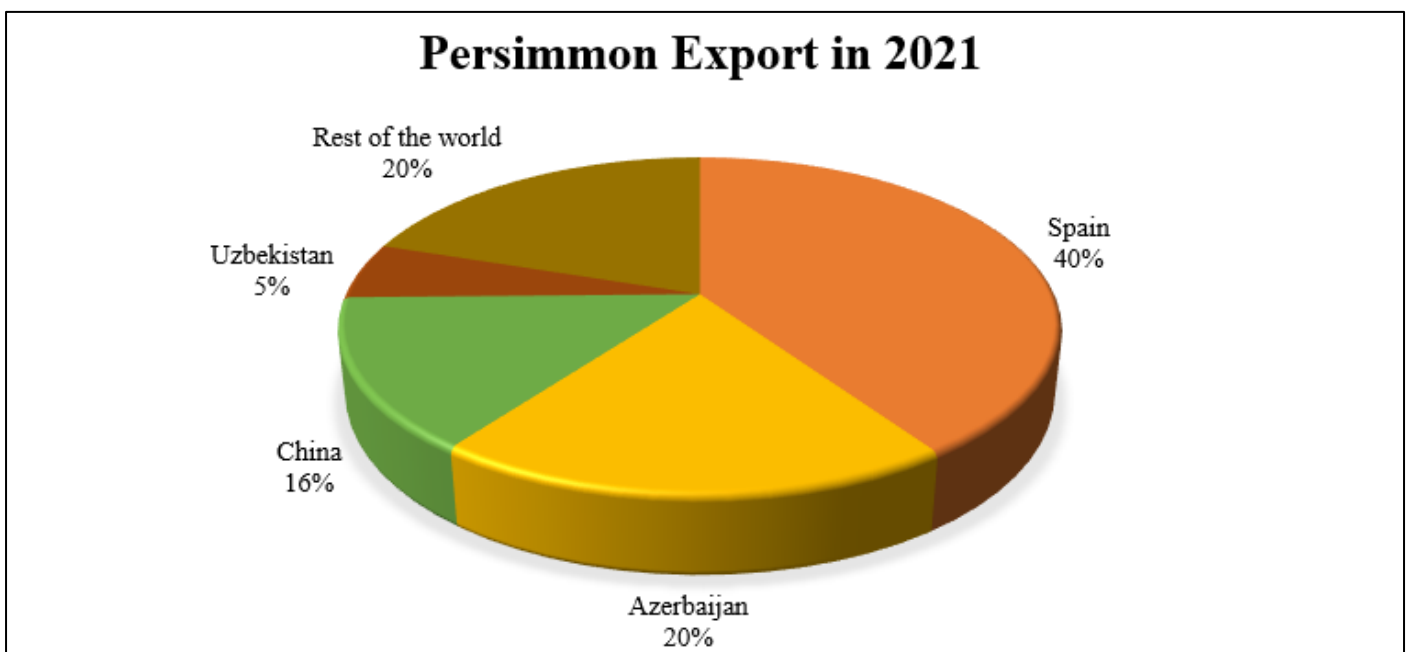


Fig 1: World Main Persimmon Exporters
 Source: Source: The Observatory of Economic Complexity (OEC, 2022)

According to figure 1, Spain, Azerbaijan and China are the three main countries that contribute to three quarters of persimmon exports in the international market. Spain is the largest exporter, contributing 40% of the exports, valued at 259 million USD. Azerbaijan followed with a contribution of 20%, valued at 127 million USD while China contributed 16%, worth 93 million USD of global persimmon export (OEC, 2022).

However, compared with Azerbaijan, the export numbers of persimmon in Spain account twofold, therefore, this and the volume of oil-gas export of Azerbaijan still remains as high as previous years and these lead to some doubts about the development and specialization of some agricultural sectors as well persimmon production and export.

II. LITERATURE REVIEW

The branch of agriculture that is being revived is persimmon growing. Additionally, the establishment of olive, nut, and almond orchards, the growth of tea plantations, the extension of agricultural land, the supply of soft loans, and the development of agricultural services are all now under progress. The ability of Azerbaijan to export goods has the potential to develop, and the country might eventually become self-sufficient in agricultural commodities. Over the period of time between 2015 and 2019, the value of food imports into the nation grew by a factor of 2.6. It has been going on for some time now that the government has been importing food with a total value of a vast sum of money in the hundreds of millions. Approximately twenty percent of this rise may be attributed to the increasing costs associated with doing business on a worldwide scale as well as the importation of items of a better grade (Naila, 2021).

Export competitiveness is an essential component of the international trading system, particularly in light of the growing quantity of agricultural products that are being exported. There has been a lot of emphasis placed on the significance of creating national export portfolios. According to Elnur et al. (2019), in order for a country to achieve success, it must both encourage economic progress and ensure its continued existence in the highly competitive global market. There are a number of criteria that may be used in order to assess the competitiveness of exports (Bektaş et al., 2022). Some of these aspects include the real exchange rate, terms of trade, geographical concentration, trade policy, domestic production and consumption, global income, pricing, and comparative advantage.

III. RESEARCH METHODS

It was applied RCA (The revealed comparative advantage) model in order to measure the analysis of competitiveness of the persimmon export of Azerbaijan. RCA is a tool used for evaluating a country's comparative advantage. The RCA index assesses the export performance of a commodity by examining its contribution to a country's total exports and comparing its share in global trade (Utkulu and Dilek, 2004).

RCA is one of the proportions of global seriousness and has acquired general acknowledgment. It depends on regular exchange hypothesis and measures a nation's products of a ware comparative with that of a bunch of nations. RCA files assesses send out execution as the complete commodities of a particular item, isolated by the all commodities of that nation, contrasted with the world commodities of the item, separated by all out world products (Utkulu and Dilek, 2004).

$$RCA = \frac{\left(\frac{X_{ij}}{\sum X_j}\right)}{\left(\frac{X_{iw}}{\sum X_w}\right)}$$

Here:

RCA – Revealed Comparative Advantage

X_{ij} – Export value of persimmon from country j

X_j – Total export value from country j

X_{iw} – World export value of persimmon

X_w – Total world export value

There are two possible outcomes from the RCA analysis:

- If RCA results are greater than 1 ($RCA > 1$), it means country competitiveness of persimmon export is strong. So the country's comparative advantage is above the world persimmon export.
- If RCA results are lower than 1 ($RCA < 1$), it means country competitiveness of persimmon export is weak. So the country's comparative advantage is under the world persimmon export.

IV. OVERVIEW OF PERSIMMON EXPORT IN AZERBAIJAN AND IN THE WORLD

In recent years, Azerbaijan has emerged as a significant player in the global persimmon export market, leveraging its favorable climate and agricultural expertise to produce high-quality fruits sought after worldwide. With increasing investment in orchards and modern farming techniques, Azerbaijan continues to expand its footprint in the global persimmon trade, offering a flavorful contribution to international markets (Export Review, 2022).

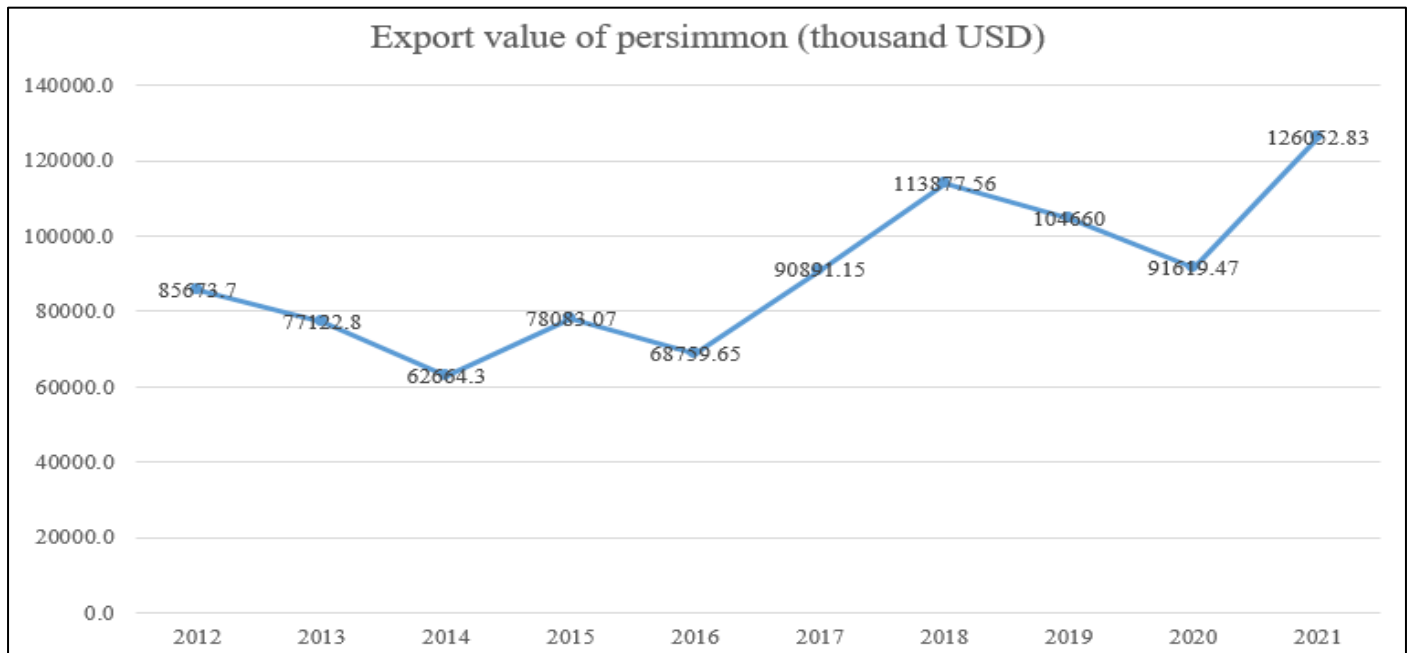


Fig 2: Export value of persimmon of Azerbaijan (2012-2021)
 Source: State Statistics Committee of Azerbaijan Republic

Based on data from the State Statistics Committee of Azerbaijan Republic (SSCA, 2022) the development of persimmon export in Azerbaijan during 10 years (2012-2021), which is depicted in figure 2, experienced a fluctuating tends to increase, an increase in export of around 47% from 2012 which was 85673.7 thousand USD until 2021 of 126052.83 thousand USD, the average growth rate of persimmon export within the period 2012-2021 was 6.5%. While Azerbaijan persimmon experienced the lowest decline

by 18% in 2014 from previous year, the highest increase occurred in 2021 with an increase of 16% or an increase of 34433.36 thousand dollars from the previous year.

Azerbaijan's exports predominantly include petroleum and natural gas products, reflecting its significant energy resources. Additionally, non-energy exports such as machinery and agricultural products contribute to the country's trade portfolio.



Fig 3: Total Export of Azerbaijan (2012-2021)
 Source: State Statistics Committee of Azerbaijan Republic (2022)

After the Soviet Union collapsed, the main export items were gas and oil in the foreign trade of Azerbaijan which always have occupied more than 90% during 30 years approximately. Based on the figure above, it can be seen that there are fluctuations in the total export of Azerbaijan during 2012-2022 years. Due to the figure, total export of Azerbaijan has decreased from 2012 till 2016 and after 2016, it started to climb up to 2018 by having 44.9%. However the lowest point has been observed in 2020 with 15.21 billion USD which is mostly related to COVID-19 pandemic. After 2020, it can be

seen growth in the export of Azerbaijan that reached at 25.49 billion USD in 2021.

World exports of persimmons have steadily increased in recent years, reflecting a growing global demand for this fruit. Besides Azerbaijan, countries like, Spain, China and Uzbekistan are among the leading exporters, supplying markets worldwide with their diverse varieties of persimmons (OEC, 2022).

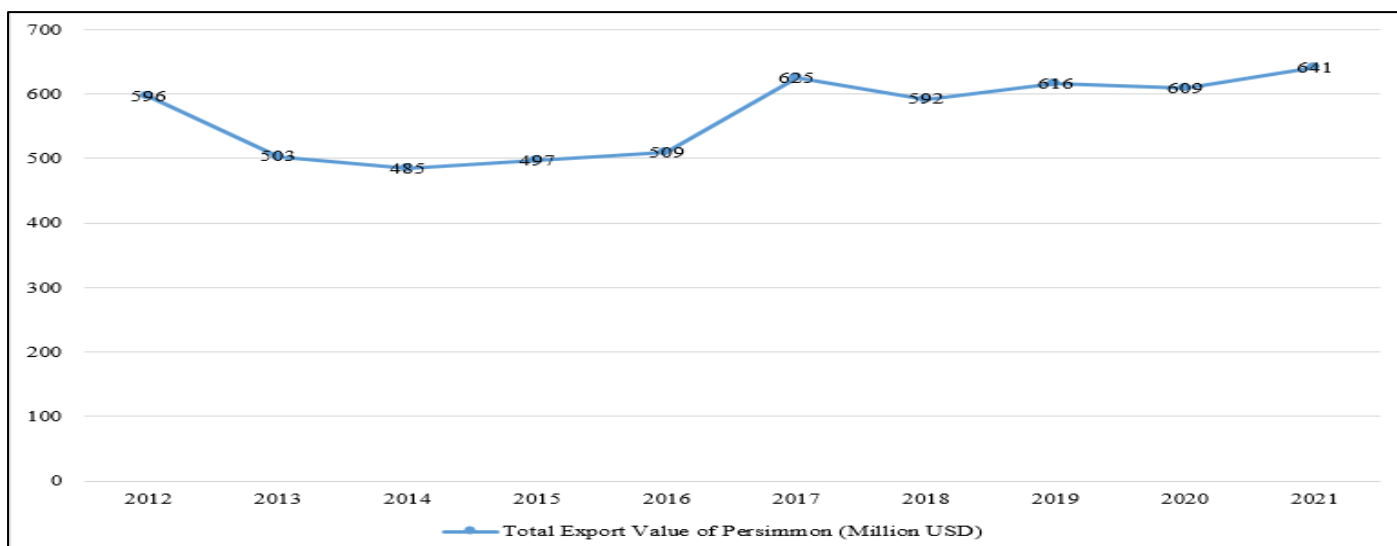


Fig 4: World persimmon export value (2012-2021)
Source: The Observatory of Economic Complexity (OEC, 2022)

World persimmon export tends to increase during the period 2012-2021, the largest total persimmon export in 2021 with a total value of 641 million USD, and the lowest total export in 2014 with a total persimmon export of 485 million USD, the average total world persimmon export during 2012 up to 2021 was increased by 1.3% (that was lower than average persimmon export growth of Azerbaijan, 6.5%), with the highest increase occurring in 2017 by 22.8% or 116 million USD (OEC, 2022).

World exports encompass the goods and services traded between countries on a global scale. These exchanges are vital for economic growth, fostering international cooperation, and facilitating specialization in production. Key contributors include manufactured goods, agricultural products, natural resources, and various services, driving interconnectedness among nations and shaping global markets.

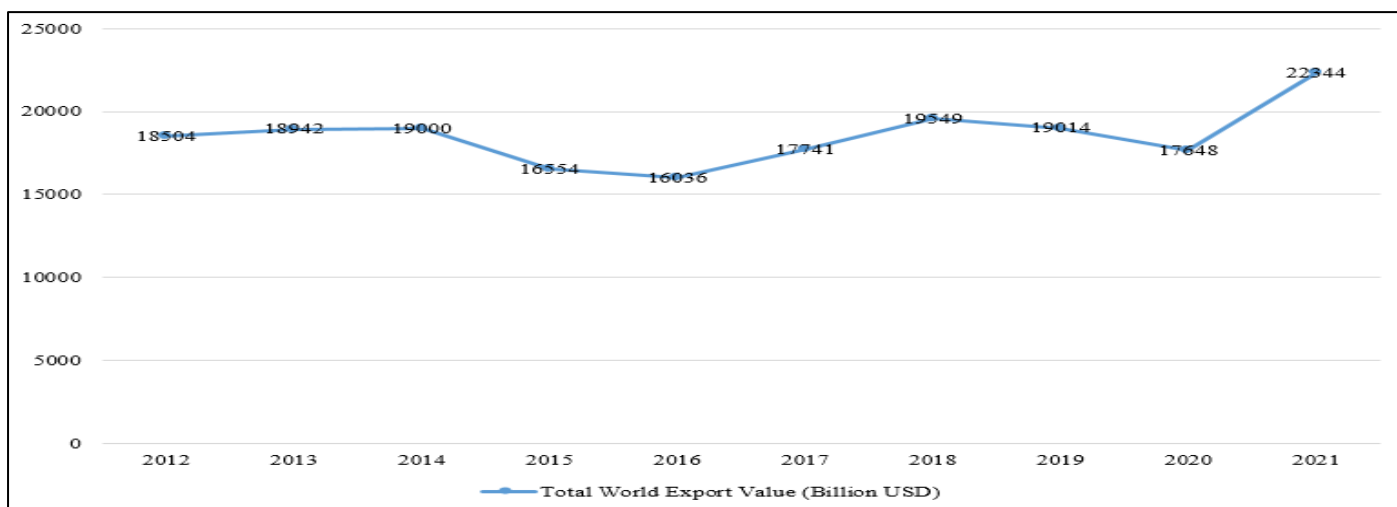


Fig 5: Global Export Value (2012-2021)
Source: Statista (2022)

According to the figure 5, global export has fluctuated within the period 2012-2021, and it reached the highest peak in 2021. The average growth rate of total export of Azerbaijan and the world export were respectively to 0.3% and 2.7%.

V. RESULTS

Competitiveness is determined by two indicators: comparative advantage and competitive advantage. In this study, the comparative advantage of Azerbaijan persimmon commodities is determined using the RCA (Revealed Comparative Advantage). The calculation of the RCA is based on the comparative advantage of Azerbaijan in the international market when compared to competitor countries for the biggest persimmon exporters, and the comparative advantage for the main destination countries of Azerbaijan persimmon exports on the international market.

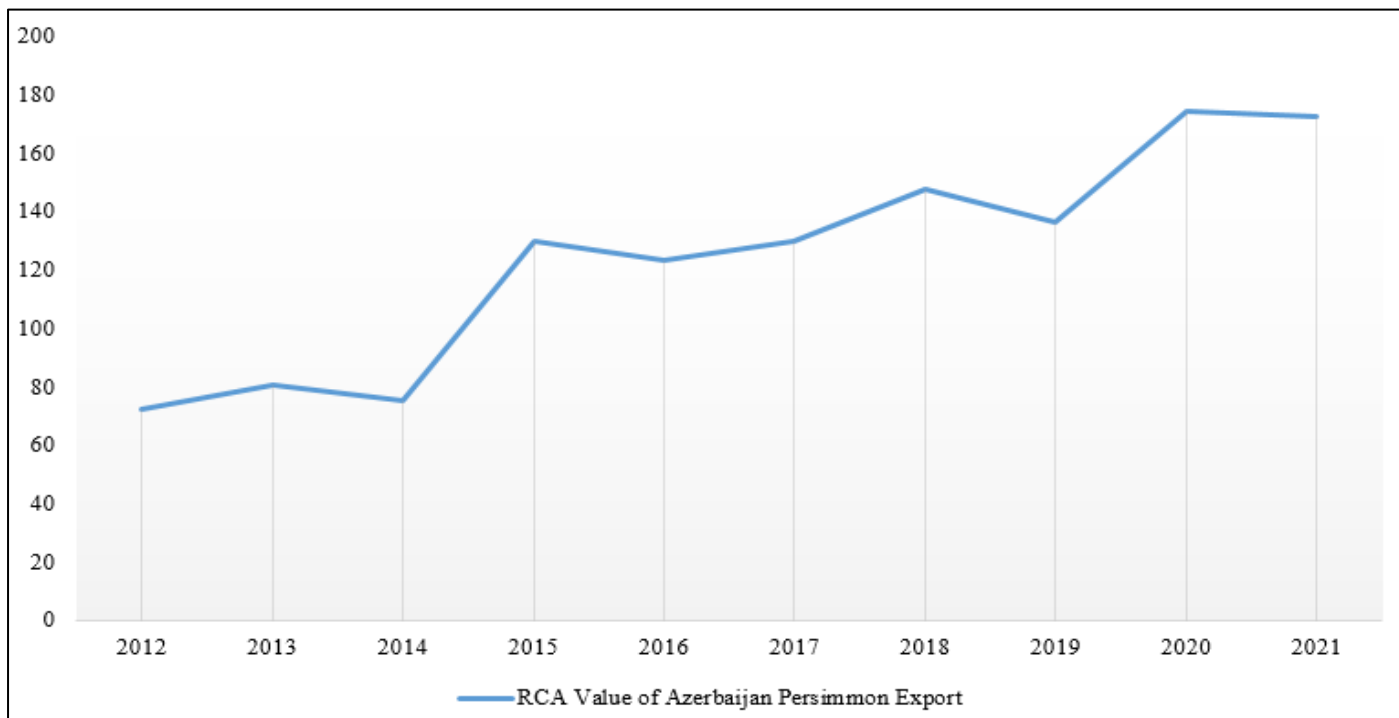


Fig 6: RCA Value of Persimmon Export of Azerbaijan
Source: Author Estimation

Based on figure 6, in the period 2012-2021, the average RCA value for the persimmon export in Azerbaijan is more than 1 ($RCA > 1$), which means that Azerbaijan has high competitiveness for the export of persimmon in the international market. The figure illustrates that RCA value of persimmon export in Azerbaijan has increased since 2012 till 2021. During the period 2012-2021, the highest RCA value is calculated in 2020 by having 174 while the lowest RCA value was in 2012 by having 72.

VI. CONCLUSION AND RECOMMENDATIONS

Based on the results, it can be concluded although the foreign trade of Azerbaijan mostly depends on gas and oil exportation, however many agrarian products of Azerbaijan, such as persimmon that investigated on this study have great potential perspectives to continue its export.

This research targeted to analyze the competitiveness that Azerbaijan persimmon exports in the international market; the results of this research are expected to be useful for future persimmon export policies of Azerbaijan,

Azerbaijan government departments (Ministry of Agriculture of Azerbaijan and Ministry of Economy of Azerbaijan), and the development of Azerbaijan persimmon exports. Therefore, it is analyzed the competitiveness of Azerbaijan persimmon exports, and the following recommendations and policy implications in this study: It is important to make effective use of the free trade area policy that has been in place with many nations worldwide. Because it can benefit Azerbaijan persimmon exports in the global market by lowering import costs in export destination countries, it can therefore be used as a solution to increase competitiveness by making persimmon export products more competitive in comparison to other nations that do not yet have a free trade area.

Overall, Azerbaijan will further advance the foreign trade on agricultural sector it has made so far and develop new strategies, which will increase the foreign trade income by allocating a lot of subsidies and strengthen government control on this area.

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