



Assessment of Opportunities to Increase Product Imports from the ECO Countries to Azerbaijan against the Backdrop of the Conflict in Ukraine

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Abstract. The article conducts certain analyses on the stabilisation of the situation in Azerbaijan against the backdrop of the surge of prices for food products in the world markets as a result of the conflict in Ukraine. The authors studied the impact of the conflict in Ukraine on global and Azerbaijani import markets. The opportunities for ECO countries to replace the product imports from the biggest importers of Azerbaijan, Russia and Ukraine were analysed. The question of the ability of ECO member states to accept alternative market was researched. Analyses and assessment were made in order to find answers to these and other similar questions. As a result, utilising Market Access Map, Export Potential Map and other tools of International Trade Centre three states out of ECO member states (Türkiye, Kazakhstan and Pakistan) with a high potential to export strategic food products to Azerbaijan were determined.

Keywords: The conflict in Ukraine, strategic food products, price surge, import market, alternative market, ECO member states

Introduction

The conflict in Ukraine inflicted a heavy blow on the global economy. This conflict causes the acceleration of inflation and further increase of prices of food products.

It is not a secret that Ukraine and Russia are the two states claiming special place in international trade. Despite the fact that Russia and Ukraine make up 2% of global GDP with general market prices, they are the producers and exporters of main raw material and food products, mineral resources and energy. Both states are the exporters of agricultural products in the global trade. Russia and Ukraine are the main suppliers of food products to the global markets, as well as to Azerbaijan. Alternative import markets must be searched for in order to reduce the impact of the conflict on Azerbaijan.

1. Impact of the conflict in Ukraine

Today, Ukraine is forced to stop production and stemming from that its import because of the conflict taking place in its territory. According to the assessment of Food and Agriculture Organisation (FAO) 20%-30% of the fields used for the cultivation of winter grain, corn and sunflower in Ukraine in 2022-2023 season will not be cultivated or harvested (FAO, 2022). Russia in its turn, because of the sanctions imposed against it and in order to secure the supply of the internal market banned the export of strategic products to foreign markets.

A number of international organisations shared their forecasts in relation to the results of the conflict. Organisation of Economic Cooperation and Development (OECD) analysed the possible expectations from the conflict and made forecasts. OECD noted that though in December 2021 report 4.5% of global GDP increase had been forecasted, the processes unfolding in commodity prices and currency markets would cause the reduction of global



GDP by more than 1% and will raise global inflation by 2.5%. The conflict in Ukraine already causes economic and financial shocks, in particularity the surge of oil, gas and wheat prices in the commodity markets.

The World Trade Organisation (WTO) has lowered its forecast for increased global trade from 4.7% to 3.0% for 2022 and noted that the reason for that was the conflict in Ukraine. According to the WTO forecasts the conflict in Ukraine inflicted a blow on global economy, "this forced the WTO economists to review their forecasts on global trade for the following two years".

WTO expects that the goods trade will increase by 3.0% in 2022, which is 4.7% less than the previous forecasts, whereas in 2023 they expect to increase by 3.4%. According to the WTO forecast the fastest economic impact of the crisis is the sky rocketing of product prices. According to WTO remarks, though Russia and Ukraine have a small share in global trade and production, they are the main suppliers of main commodities, including, food, fuel-energy products and fertilizers. The suspension of the supply of grain through the Black Sea ports can lead to serious consequences for the food security of low-income countries.

The main directions of the impact of the conflict are the prices of energy and raw materials; interference into international trade.

Suffice it to consider that 30% of the global grain import falls on the share of these countries (Ukraine 11.5%, Russia-16.8%) 17% of the world corn import and 64% of sunflower oil falls on the share of Ukraine (Latifundist Media; The State Statistical Committee of the Republic of Azerbaijan).

Besides Africa and Middle Eastern countries Russia and Ukraine export wheat to China, Türkiye and India.

On the other side the surge in the prices of fuel and energy carriers is also manifested in the prices of food products. 17.4% of import to Azerbaijan falls on the share of food products and 2.6% on the energy carriers.

Azerbaijan has close trade relations with Russia and Ukraine. Russia and Ukraine are respectively the 1st and 7th partners of Azerbaijan in terms of import. In 2021 goods in the amount of 2.1 billion dollars and 0.5 billion dollars were imported from these countries respectively (Trade Statistics for International Business Development; The State Statistical Committee of the Republic of Azerbaijan).

In 2021 the trade turnover between Azerbaijan and Russia amounted to 3.355 billion USD, which registered 16.12% raise compared to 2020. 2.1 billion dollars out of this amount fell on the share of import from Russia, and 0.921 billion on the export to Russia. Last year the trade with Russia comprised 8.83 percent of our foreign trade turnover. Russia's share on the import to Azerbaijan amounted to 17.72% and on the export to Azerbaijan it comprised 4.5%. In comparison with 2020, the volume of trade with Russia was raised by 12.1 percent, the export to this country increased by 29.8% and the import by 5.7%

Azerbaijan imports 83% of its grain and 100% of its sugar from Russia. The share of Russia in grain imports is 98.8% and the share of Kazakhstan is 1.2%. One of the main products Azerbaijan imports from Russia are forest produce (100 million dollars in 2021). Azerbaijan imports 100% of a number of products from Russia.

The products with the greatest export potential among the products exported from Russia to Azerbaijan are wheat (with the exception of hard wheat) and meslin, longitudinally sawn gravel, soft chopped/skinned wood and ammonium dihydrogen phosphate. Russia has



the greatest potential for the supply of ammonium nitrate. The most required products in Azerbaijan are wheat (with the exception of hard wheat) and meslin (Export Potential Map).

Following Russia, Ukraine is the second trade partner of Azerbaijan among the post-soviet countries. Among the products imported from Ukraine tobacco products and cigarettes, meat and meat products, food products and medicine are prevalent.

The list of imported products from both countries is big.

On the other side, the governments are applying temporary trade measures as part of economic sanctions and anti-sanctions package as a response to the conflict in Ukraine. The quick loss of stability in the region caused the further limitation of the export of significant produce such as food and fertilizers by a number of countries (Decision of the Cabinet of Ministers №103, 2022; Decision of the Government of the Russian Federation, №548, 2022). A lot of countries are limiting export of their products.

Ukraine also suspended the export of socially important food products and certain types of raw materials based on trade restrictions adopted on April 5, 2022 in connection with the war. These include: rye, oat, buckwheat cereals, millet, sugar, salt, meat and livestock.

On the other hand, Russia made a decision to limit the export of grain crops, sunflower oil, wheat, oil plants and some other food products. The restriction will be in force until December 31st, 2022 (Decision of the Government of the Russian Federation, №548, 2022).

On April 15th, 2022, Kazakhstan declared restrictions on the export of wheat and flour. The restriction will be in force until June 15th. The export quota for wheat today is not more than 1 million tons, for flour not more than 300 thousand tons. Central Asian Countries attribute this to global deficiency threat. Kazakhstan, selling wheat to foreign markets in the amount of 1 billion 137 million dollars every year is the 9th biggest exporter of wheat globally. The export restrictions of Kazakhstan is a response to the ban introduced by Russia on the export of grain to member countries of Eurasian Economic Union (Armenia, Belarus, Kazakhstan, Kyrgyzstan) (Order of the Minister of Agriculture of the Republic of Kazakhstan №110, 2022).

In order to soften the impact of the supply disruption and surge of food products temporary trade and policy measures must be implemented. As a response to the conflicts and consequent economic shocks the states take trade measures. The most suitable way is to reduce dependency on import.

The suspension of import of products from countries also caused the change in the demand and supply ratio and resulted in the surging of prices.

From that perspective, the government is trying to optimise the prices of strategic food products as part of anti-inflation measures. The volatility of prices in the following periods will directly depend on the changes unfolding in the global markets. The Cabinet of Ministers is trying to preserve stability in meeting the demand for food products by promoting other alternative sources, including by way of new discount mechanisms. Search for new markets for wheat import is under way.

Alternative markets are searched for to prevent the price gouging. Naturally, the most suitable way is to reduce dependency on import. For example, in 2021 wheat was cultivated in an area of 595 thousand hectares in the country. Practically, 38 percent of the cultivated areas are used for the cultivation of wheat. The annual wheat production is 1.9 million tons and over the recent years small raise of production was observed. One part of the areas



liberated from the occupation is also used for the production of wheat.

The products imported from Russia and Ukraine must be replaced with products from other countries. For this let's review the export potential of ECO member states. Let's conduct certain analyses based on the export potential of strategic food products of ECO member states. For this, utilising Market Access Map, Export Potential Map and other tools of International Trade Centre (Trade Statistics for International Business Development; Export Potential Map; Market Access Map; Hidalgo & Klinger & Barabási & Hausmann, 2007) we will be assessing the product export potential of countries.

2. Literature review

The indicator of export potential determines the supply of exporter, target market demand, conditions for entering the market and the potential value of export for any given exporter for a certain product and target market based on the economic model linking bilateral ties between the two countries. The supply for available export products is measured by using historical data on the export activity. In order to find exporters, products and opportunities of growth one can compare the potential value of export with its actual value.

Indicator for Diversification of Products estimates the supply by using *Product Space methodology* (Hidalgo & Klinger & Barabási & Hausmann, 2007) which creates links between suitable products in the country export baskets of products. The supply is adjusted with the demand of the target market and conditions to access the market.

It should be noted that the export potential map does not consider external shocks (climate and weather change, war and etc.). Therefore, this map can be used as a benchmark in decision-making.

Sufficient works were carried out in regard to the analysis of products in terms of trade globally. These works were mainly directed to the application of equal competitiveness, volatility of prices, labour reserves, application of innovations and etc. in the example of different countries or groups of countries. At the same time, it should be noted that this type of research mostly comes across in the works of international organisations.

The assessment of export potential (AEP) is branching out in two different directions in scientific literature. According to the first direction, trade between two countries is positively related to supply and demand for products, and negatively related to trade barriers in the form of customs duties or geographic distance. This is linked with the gravitational model in trade.

United Nations Industrial Development Organization (UNIDO) researchers in their works studied in a coordinated manner trade based on countries, production diversification, comparative advantage and economic growth. They mainly researched whether or not diversification samples covering 177 countries from 1995 to 2015 were in line with PS framework (powershell frame). The results of this research, in particular have great policy impacts for the design of industrial policy directed to active formation of structural transformation of countries (Coniglio et al., 2018).

In his article, Matihias I., Robert J assessed the comparative advantage of Central Asian economies in international trade. Towards that end, historical data mainly on directions such as factor values, transport costs, samples of historical production assortments and



geographical and product composition in the period under review were used.

Yingqi W. and Vudayagi B. They conducted reciprocal analyses of processing industry of China and India. They researched India's processing industry. They claimed that for India it may be impossible to comply with China's growth strategy based on the export of labour-intensive products (Wei & Balasubramanyam, 2015).

Imran and Zhang (2017) analysed the impact of trade costs and comparative technology on the location of industry

Visser et al. (2015) assessed South Africa's comparative advantages for products and industry based on provinces. They determined products on this basis.

On the other hand, the majority of product related research is based on the analysis of modification of prices. Also, the price levels in the regional markets are used as exogenous factors as illustrated in the example of products of special significance and specific countries in the conducted research (Minondo, 2011; Schetter, 2016; Valiyev et al., 2020).

Products diversification indicator (PDI) uses product space concept proposed by Hidalgo, Klinger, Barabási and Hausmann in 2007. A number of studies applied this concept in order to advice to the developing countries on the products they can export in the future. These studies, always focused on the opportunities of supply without casting a doubt on whether there will be the export success of the proposed products in the potential target markets (Hidalgo et al., 2007; Decreux & Spies, 2016).

In their article Suleymanov et al. (2021) analysed regional markets in terms of Azerbaijan's economy based on the products in the fields of heavy industry and mechanical engineering. This work makes up the basis of this article.

It should be noted that during the implementation of similar researches the determination of bases and analysis is of special importance. As it can be revealed from the economic theory the trade relations are formed mainly on the basis of demand and supply. And this is the way how prices are formed. Of course, another important moment in order to bring to the market competitive products is to produce by incurring less costs and in this way to be more competitive as opposed to rivals. The development of the production of competitive products is the direction stimulating the diversification of economy and the non-oil sector.

3. Methodology

International Trade Centre (ITC) designed and developed the methodology for the assessment of export potential. Based on the detailed trade and market access data, depending on the needs of the country, it allows to determine the products with high export potential and/or diversification opportunities in a certain target market (Decreux & Spies, 2016):

- Export Potential Indicator (EPI) - serves the countries which try to expand export to new and existing target markets supporting available export sectors. It determines the products of the exporter country which have already proven to be competitive and have good export success in specific target markets at the international scale.
- Product's Diversification Indicator (PDI) serves to the countries aiming to diversify and develop new export sectors facing perspective demand conditions in new and existing target markets.



3.1. Methodology for the assessment of export potential

ITC's methodology for the assessment of export potential has been designed and developed in order to reveal products and sectors of a country with an export potential for the existing and new markets guided by the statistical data on detailed trade and market access. This can be applied in order to estimate unrealized volume of export potential at the sectoral level.

The assessment of export potential is based on the fragmentation of the product's share to the supply and global demand component in the overall export of the country. The global demand is replaced with a demand in a certain target market (including the conditions for entering the market). Though the ability of the country to provide for available products (EPI) is measured by revealed comparative advantage, its ability to diversify to new products (PDI) is based on the product space concept of Hausman and Hidalgo (Hidalgo & Klinger & Barabási & Hausmann, 2007). According to this concept the relations between products are created with the assessment of the frequency by which products come across in the export baskets. The demand and supply component in certain target markets determines the potential share of the product in joint country export.

In order to convert potential shares to potential export values the general export is used between a country and a target market. Potential values should be understood as a typical value of trade flows considering both the country's export indicators, as well as target market demand forecasted for the short-term future. So, the export potential for some countries may be too low, on many occasions it can exceed the potential for other traditional markets (Decreux & Spies, 2016).

4. Database

As a database, the data (Trade Statistics for International Business Development) from trademap.org internet portal of the International Trade Centre (ITC) being the joint organisation of the World Trade Organisation and the United Nations and data from Azerbaijan Republic's State Statistical Committee (DSK) was used.

Based on the export potential methodology ITC assesses export performance, target market demand, conditions for entering the market and bilateral ties between exporting and importing countries in order to provide for the list of unused opportunities of the Export Potential Map.

The data was collected by using 6-digit codes of Harmonized system of commodity classification of foreign economic activity during customs clearance of goods in foreign trade. Expressing import and export indicators by means of value and in-kind form the database covers 2002-2020 years. The database compiled based on Harmonized System was processed and based on the signs of import, in the example of Azerbaijan and Economic Cooperation Organisation, the localised factors of strategic food products were calculated and local markets with the greatest demand were determined.

5. The analysis of opportunities to replace some import products in Azerbaijan with products from ECO member states

Azerbaijan is a member state of Economic Cooperation Organisation (ECO). ECO's 2025 vision is to increase its share in the global trade and use trade potential for economic growth. Import to Azerbaijan is 11.706 billion USD. 18% of that falls on the share of Russia, 4% on Ukraine, 21% on ECO member states and 55% on other countries (Azerbaijan Republic's State Statistical Committee).

Azerbaijan's trade turnover with ECO member states is 2.5 billion USD. Can ECO member states replace the products imported from Ukraine and Russia? Can ECO member states accept alternative market? Analyses and assessment were made in order to find answers to these and other similar questions.

Azerbaijan has agreements on trade relations with ECO member states. A number of ECO countries are the members of the Commonwealth of Independent States (CIS). In addition to general agreements with ECO member states the bilateral agreements with individual countries and country-based agreements are in force,

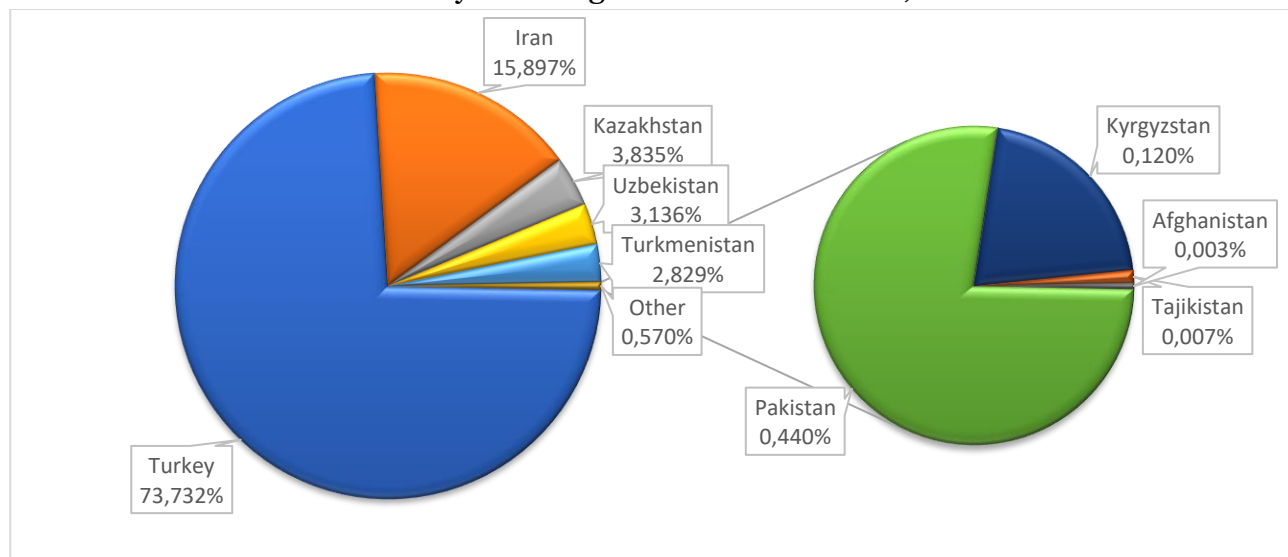


Figure 1. Azerbaijan's import share with ECO countries in 2021 (Export Potential Map)

As it can be seen from Fig.1 among the ECO countries the greatest import turnover is with Türkiye.

Let's conduct certain analyses based on the export potential of strategic food products of ECO member states. For this we will use Market Access Map, Export Potential Map and other tools (Trade Statistics for International Business Development; Export Potential Map; Market Access Map; Hidalgo & Klinger & Barab'asi & Hausmann, 2007).

As we know the price of wheat which is a strategic food product is increasing in the world market and many states introduced bans on its export. The annual demand for wheat in Azerbaijan is 3.5 million tons. 40 percent of the demand for wheat in Azerbaijan is met at the expense of import (1.4 million tons). The suppliers with greatest potential to export 1001XB wheat (with the exception of hard wheat) and meslin to Azerbaijan are the Russian Federation, Ukraine and Kazakhstan. Since all three states introduced bans on the export, the main candidate from ECO member states is Türkiye.



Based on the export of 1001XB wheat (with the exception of hard wheat) and meslin to Azerbaijan the country with the greatest potential of export from the ECO countries after the three main importers is Türkiye. Another exporter of this product is India. Azerbaijan is holding talks with India.

Türkiye has the closest export ties with Azerbaijan. Its overall trade turnover with Azerbaijan is 1.6 billion USD. Türkiye's export potential for wheat (with the exception of hard wheat) and meslin amounts to 1.2 million USD. The actual export is 138 thousand USD, unused potential is 1.1 million USD, export is 2.2 million USD.

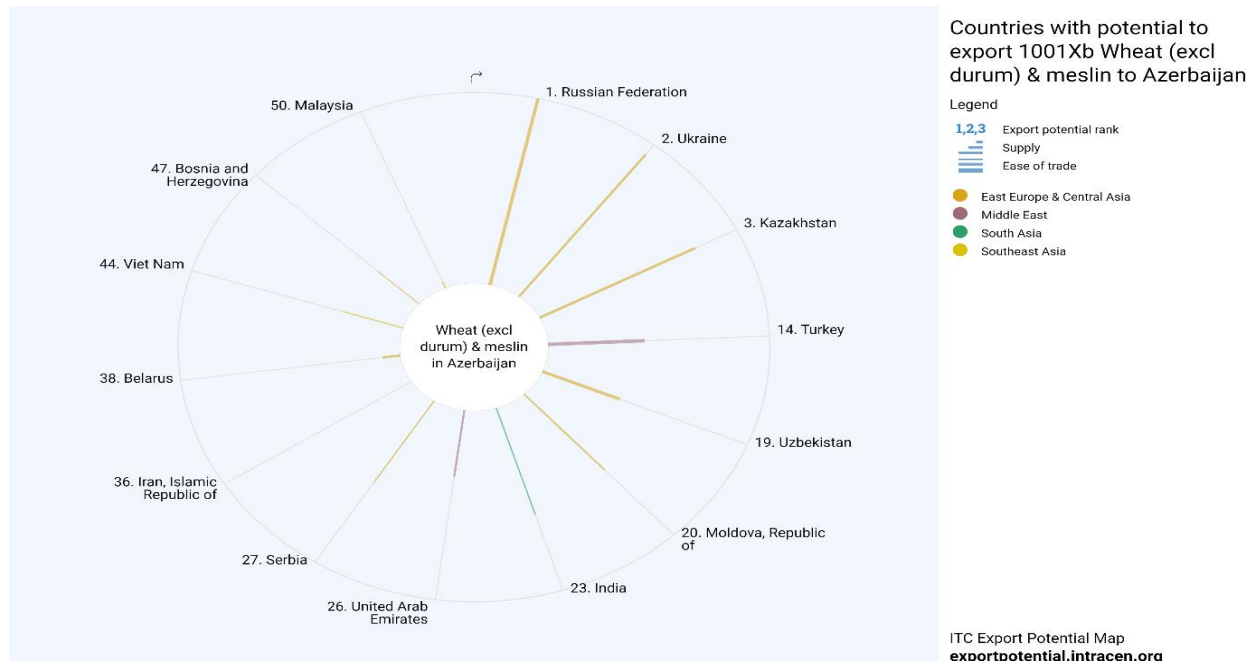


Figure 2. Potential of countries exporting 1001 Xb wheat (with the exception of hard wheat) and meslin to Azerbaijan (Export Potential Map)

Table 1 presents data on ECO member states and India with a potential to export wheat (with the exception of hard wheat) and meslin.

Table 1. ECO member states and India with a potential to export wheat (with the exception of hard wheat) and meslin.

Country	Export potential (million \$)	Actual export (million \$)	Unused potential (million \$)	Overall export (million \$)	Overall trade turnover (million \$)
Kazakhstan	24	27	-	844	141
Türkiye	1.2	0, 138	1.1	22	1600
Uzbekistan	0.62	0	0.62	20	43
India	0.217	0	0.217	110	80
Iran	0.025	0	0.025	2.2	359

Source: Designed by the author according to the State Statistical Committee of the Republic of Azerbaijan and Trade Statistics for International Business Development

0201 Fresh or frozen meat of cattle is imported to Azerbaijan mainly from Belarus (Table 2).



The suppliers with the greatest potential to export fresh or frozen meat of cattle and meat to Azerbaijan are Belarus, Poland and Holland. Russia has the closest export ties with Azerbaijan. Poland has the highest supply strength. Table 4 displays the countries with the highest export potential among the ECO member states. Considering that Kazakhstan introduced restrictions on the export of products, then Pakistan becomes a more suitable exporter. The export by Pakistan 020120 of fresh or frozen meat of cattle and meat products comprises 46 million USD.

Table 2. 0201 Countries importing to Azerbaijan fresh or frozen meat of cattle

Exporters	Value imported in 2020 (min \$)	Trade balance 2020 (min \$)	Share in Azerbaijan's import (%)	Quantity imported in 2020	Unit of quantity unit of value (\$/unit)	Unit of value (\$/unit)
World	3927	-3924	100	1215	Tons	3232
Belarus	3596	-3596	91.6	1151	Tons	3124
Ukraine	161	-161	4.1	50	Tons	3220
Luxembourg	91	-91	2.3	5	Tons	18200
Russia	30	-30	0.8	1	Tons	30000
Kazakhstan	22	-22	0.6	6	Tons	3667
USA	20	-17	0.5	1	Tons	20000
The Netherlands	5	-5	0.1	0	Tons	
Belgium	1	-1	0	0	Tons	

Source: Designed by the author according to the State Statistical Committee of the Republic of Azerbaijan and Trade Statistics for International Business Development



Figure 3. Potential of countries exporting fresh or frozen meat of cattle and meat to Azerbaijan (Export Potential Map)



Table 3. 020120 Data on ECO member states with a potential to export fresh or frozen meat of cattle and meat

Country	Export potential (million \$)	Actual export (million \$)	Unused potential (million \$)	Overall export (million \$)	Overall trade turnover (million \$)
Kazakhstan	0.94	0.73	0.89	6.2	141
Pakistan	0.6	0	0.6	46	13

Source: Designed by the author according to the State Statistical Committee of the Republic of Azerbaijan and Trade Statistics for International Business Development

Another product 020220 is the meat of frozen cattle with bones (with the exception of carcasses and semi-carcasses).

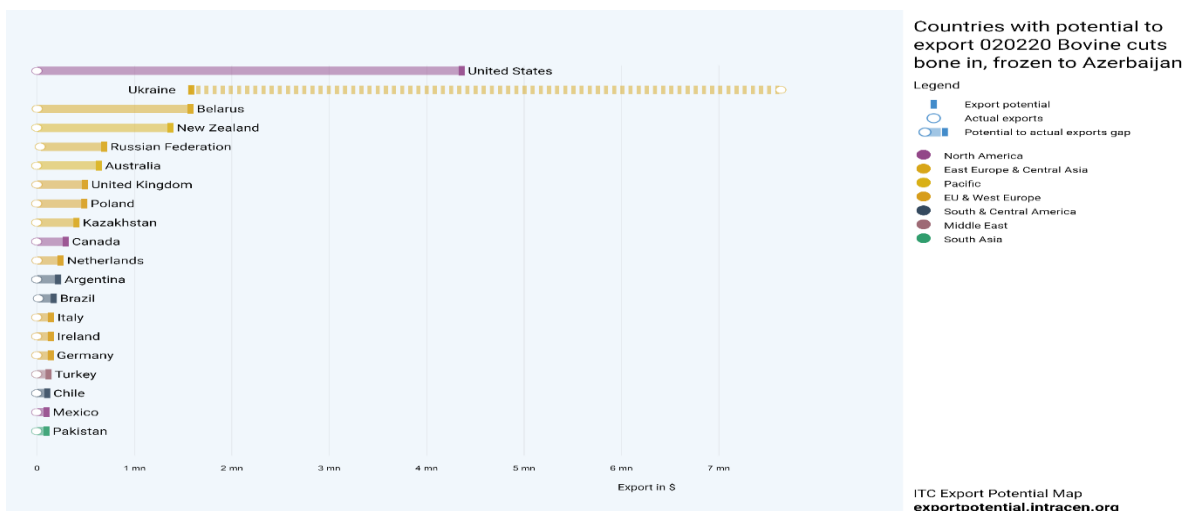


Figure 4. Potential of countries exporting to Azerbaijan 020220 meat of frozen cattle with bones (with the exception of carcasses and semi-carcasses) (Export Potential Map)

Suppliers with the greatest potential to export meat of frozen cattle with bones (with the exception of carcasses and semi-carcasses) to Azerbaijan 020220 are the USA, Ukraine and Belarus. Türkiye has the closest export ties with Azerbaijan. The USA has the highest supply ability. Out of ECO countries the states with relatively high export potential are Kazakhstan, Türkiye and Pakistan. Pakistan's export of this product is 2 million USD.

Table 4. Data on ECO member states with a potential to export meat of frozen cattle with bones (with the exception of carcasses and semi-carcasses)

Country	Export potential (million \$)	Actual export (million \$)	Unused potential (million \$)	Overall export (million \$)	Overall trade turnover (million \$)
Kazakhstan	3.37	0	3.37	2.3	141
Pakistan	0.27	0	0.27	2	13
Türkiye	0.50	0.000001	0.50	0.197	1600

Source: Designed by the author according to the State Statistical Committee of the Republic of Azerbaijan and Trade Statistics for International Business Development

020714 Main exporter countries of frozen poultry meat and edible umbles of Gallus domesticus bird species are Ukraine and Russia.



Table 5. 020714 Countries exporting to Azerbaijan frozen poultry meat and edible umbles of Gallus domesticus bird species

Exporters	Value imported in 2020 (min \$)	Trade balance 2020 (min \$)	Share in Azerbaijan's import (%)	Quantity imported in 2020	Unit of quantity and unit of value (USD/unit)	Unit of value (USD/unit)
World	22866	-22866	100	19151	Tons	1194
Ukraine	17569	-17569	76.8	15556	Tons	1129
Russian Federation	4613	-4613	20 Feb	3088	Tons	1494
Belarus	423	-423	01 aug.	183	Tons	2311
Moldova, Republic of	99	-99	0.4	153	Tons	647
Canada	80	-80	0.3	103	Tons	777
Türkiye	55	-55	0.2	46	Tons	1196
Georgia	27	-27	0.1	22	Tons	1227

Source: Designed by the author according to the State Statistical Committee of the Republic of Azerbaijan and Trade Statistics for International Business Development



Figure 5. 020714 Export potential of the countries exporting to Azerbaijan frozen poultry meat and edible umbles of Gallus domesticus bird species 20714 (Export Potential Map)

The suppliers with the greatest potential for the export of frozen poultry meat and edible umbles of Gallus domesticus bird species are the USA, Brazil and Holland. Chile has the most extensive export ties with the remaining countries of the world on this product, Brazil, in its turn has the highest potential supply in its category. The higher export supply among the ECO member states can be attributed to Türkiye. Türkiye's potential for the export of frozen poultry meat and edible umbles of Gallus domesticus bird species is 306 million USDs. The actual export is 214 million USD, unused potential is 177 million USD, export is 214 million USD.

Another strategic product 151219 are sunflower and saffron oil (except the raw material) and their fractions. The main importer of this product is Russia.



Table 6. 151219 Countries exporting to Azerbaijan sunflower and saffron oil (except the raw material) and their fractions

Exporters	Value imported in 2020 (min \$)	Trade balance 2020 (min \$)	Share in Azerbaijan's import (%)	Quantity imported in 2020	Unit of quantity and unit of value (USD/unit)	Unit of value (USD/unit)
World	11743	-5055	100	11963	Tons	982
Russian Federation	10643	-10643	90.6	11094	Tons	959
Türkiye	817	-817	7	645	Tons	1267
Ukraine	205	-205	01 July	183	Tons	1120
Italy	62	-62	0.5	32	Tons	1938
Belarus	9	-9	0.1	6	Tons	1500
Germany	3	-3	0	1	Tons	3000
Iran	2	-2	0	2	Tons	1000
Spain	1	-1	0	0	Tons	

Source: Designed by the author according to the State Statistical Committee of the Republic of Azerbaijan and Trade Statistics for International Business Development

The country with the highest export potential is Türkiye.

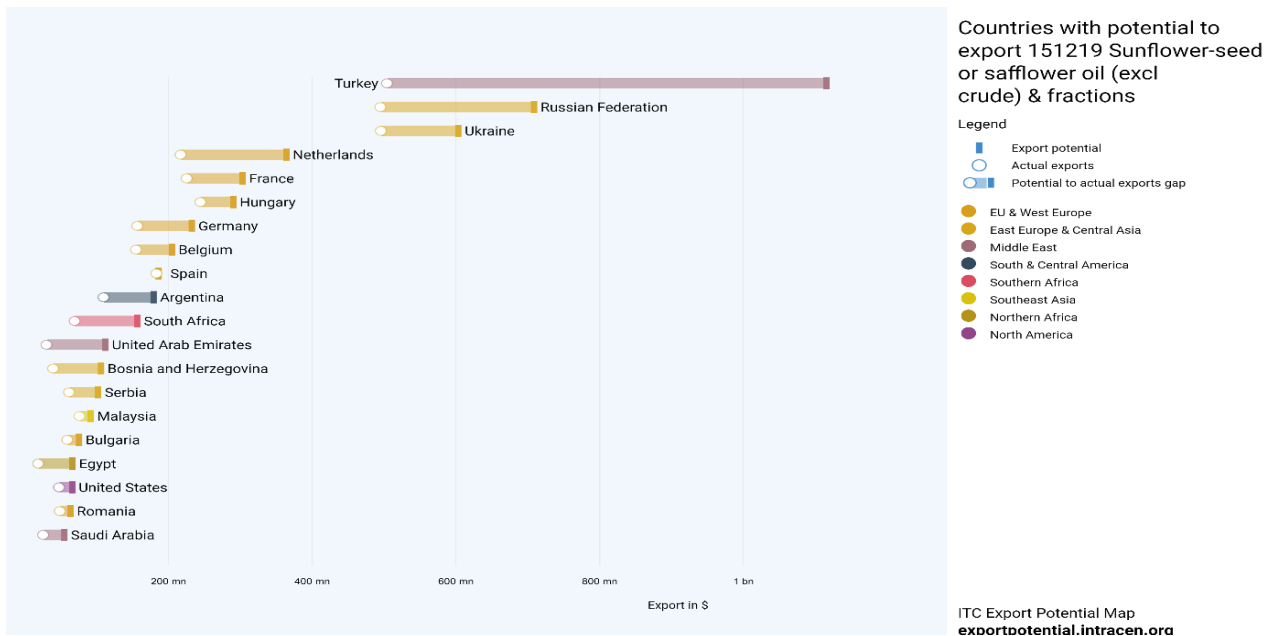


Figure 6. 151219 Potential of countries exporting to Azerbaijan sunflower and saffron oil (except the raw material) and their fractions (Export Potential Map)

Türkiye's global trade turnover is 174 billion USD. Türkiye's potential to export sunflower and saffron oil (with the exception of raw material) and their fractions amounts to 1.1 billion USD, actual potential is 505 million USD, potential is 505 million USD. Türkiye's potential for the export of sunflower and saffron oil (with the exception of raw material) and their fractions amounts to 6.9 million USD. The actual export is 725 thousand USD, unused potential is 6.2 million USD, export is 505 million USD. Türkiye by showing the greatest absolute difference in terms of potential and actual export creates an opportunity to create additional export in the value of 619 million USD, its unused potential is 619 million USD, its export is 505 million USD.



Another state with high export potential is Kazakhstan. Kazakhstan's potential for the export of sunflower and saffron oil (with the exception of raw material) and their fractions amounts to 149 thousand USD. It has no actual export, unused potential remains as 149 thousand USD, export is 18 million USD.

Conclusion

The impact of external shocks on the economy is unavoidable. Recently declared pandemic, price surges as a result of the conflict in Ukraine, bans introduced by states on the export of products of strategic significance, political bans and other external shocks make the crisis unavoidable. The ratio between the supply and demand in the market changes. Many states enter the markets with their products, others exit the markets. Against this backdrop of this it is hard to predict volatility of prices. The prices will depend on the changes directly taking place in the market. Countries are looking for more stable new importers and engage in negotiations. The government of Azerbaijan is looking for new alternative sources. For example: Azerbaijan holds talks with India on wheat import, increases the number of cultivation fields. In addition to that Azerbaijani state can expand its trade relations with other countries. In the conducted research we only determined some of the states with high potential to export some products among ECO member states.

Table 7. Countries with high export

Countries with high potential to export some products for Azerbaijan	Unused potential of countries (million \$)				
	Türkiye	Kazakhstan	Pakistan	Uzbekistan	Iran
Wheat (with the exception of hard wheat) and meslin	1.1	0	-	0.62	0.025
Meat of frozen cattle with bones (with the exception of carcasses and semi-carcasses).	0.5	3.37	0.27	-	-
Frozen poultry meat and edible umbles of Gallus domesticus bird species	2.7	0.062	-	-	-
Sunflower and saffron oil (except the raw material) and their fractions product	505	0.149	-	-	-
Based on fresh or frozen meat of cattle		0.89	0.6	-	-

Source: Designed by the author according to the State Statistical Committee of the Republic of Azerbaijan and Trade Statistics for International Business Development

As a result of analysis conducted on some strategic food products it was revealed that among the ECO member states, the state with the high potential to export strategic food products to Azerbaijan is Türkiye. Azerbaijan's trade turnover with Türkiye is 1.6 billion USD and it is possible to increase this turnover. Türkiye has an unused potential to export wheat (with the exception of hard wheat) and meslin in the amount of 1.1 million USD, meat of frozen cattle in the amount of 0.5 million USD, poultry meat and edible umbles of Gallus domesticus bird species in the amount of 177 million USD and sunflower and saffron oil (with the exception of raw materials) and their fractions in the amount of 619 million USD.



Though among ECO member states Kazakhstan introduced a ban on the export of some products until July, this country also has a high export potential. The country with third highest export potential among ECO member states in Pakistan (Table 7.)

The conflict in Ukraine keeps unstable the situation in the world markets. Azerbaijani state must find alternative sources in the very short period of time. On the other hand the state must improve trade policy on the stimulation of production in order to replace the import of strategic food products, the export potential and import market must be diversified, production of competitive products by way of supporting production mostly at the expense of local raw materials must be achieved and quality and competitive products must be promoted.

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