






# Development of the Competitiveness of Integrated Sectors of the Economy in the Market of Goods and Services

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## Abstract

The paper aims to analyze the essence and content of the competitiveness of integrated sectors of the economy, the development of concepts of competition and competitiveness, and their role and importance in agricultural production on the example of goods, services, industries, enterprises, and administrative-territorial divisions. The authors studied, generalized, and systematized theoretical concepts of competitiveness of the integrated economy. Moreover, the authors defined the importance and role of strategic and tactical measures to improve competitiveness in terms of its integration with agriculture and other sectors of the economy. The reasons and factors influencing the process of development of competition and competitiveness of enterprises were revealed. Approaches to the concept of competition and competitiveness and its components are discussed in various aspects. The research results are the basis for developing proposals and recommendations to improve the manageability of competitive advantages of the integrated economy, which will improve the production culture and relations between producers and consumers. The authors clarified the definition of competitiveness based on the results of comprehensive research of the essence and content of the competitiveness of integrated sectors of the economy in the market of goods and services. The research results can be applied by enterprises of agriculture, food industry, and related industries in addressing the issues of achieving certain sustainable development and market competitiveness.

## Keywords

Integrated economy · Clusters · Competitiveness · Competition · Recycling · Agriculture

## JEL Codes

A13 · B12 · B41 · D04 · D21 · E65 · L60 · M21 · R11

## 1 Introduction

In market conditions, we have to consider the relationship of the agricultural sector with related industries and, above all, with processing, trade, and infrastructure industries, such as transport, logistics centers, storage processes, and market objects. This constitutes an integrated complex of production and marketing, in which agro-industrial production forms the core. On the other hand, the sequential and comprehensive consideration of economic problems of integrated systems is of the greatest interest because it allows us to trace reproductive processes and the circulation of income and resources, which unite households, markets for labor and resources, and production enterprises, as well as the connection of these structures with the state administration on taxation, the provision of services to each other, and organizations of mutually beneficial partnership.

In a transitional economy, competition is the most critical factor in the development of industries, especially the agricultural sector. Increased competition among global agricultural producers for expanding markets further exacerbates the problem of competitiveness. The problem of competitiveness is particularly acute in Kyrgyzstan, where the share of agriculture and related industries in the structure of the national economy exceeds 14.7% (as of 2021).

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## 2 Materials and Methods

The conceptual aspects of the concepts of competition and competitiveness are reflected in the studies of the classics of economic theory—A. Smith (2007) and M. Porter (2005).

In the CIS countries, the improvement of competitiveness of the agro-industrial complex is discussed in the works of such scientists as G. L. Azoev (1996), U. K. Baimuratov (2008), M. Gelvanovsky (2007), K. A. Sagadiev (2003), I. G. Ushachev (2004), A. V. Voloshin and Yu. L. Aleksandrov (2017), and others.

The issues of improving the competitiveness of agro-industrial production are reflected in various works (Abdiev, 2019; Aibashev, 2018; Asanova, 2011; Raimberdiev, 2017, 2018; Tashbaev & Raimberdiev, 2020; Toksobaeva, 2003) of Kyrgyz scientists. These studies investigate the following:

- Problems of development and improvement of the competitiveness of the processing and food industry of the Kyrgyz Republic in the conditions of economic integration (Abdiev, 2019; Aibashev, 2018);
- Factors of improving the quality and competitiveness of products (Asanova, 2011);
- Competitiveness of integrated sectors of the economy in the market of goods and services and the main aspects of competitiveness of the Kyrgyz Republic in the EAEC conditions (Raimberdiev, 2017, 2018);
- The impact of logistics centers on the competitiveness of goods producers (Tashbaev & Raimberdiev, 2020);
- Methodological approaches to quality and competition (Toksobaeva, 2003).

The publications mentioned above formed the theoretical and methodological framework of this research.

## 3 Results and Discussion

The Law of the Kyrgyz Republic “On Competition” defines competition as the free competition of business entities in the market when their independent actions limit the possibility of each of them to unilaterally influence the general conditions of circulation of goods in the relevant market and stimulate the production of goods required by consumers (Kyrgyz Republic, 2011).

It has certain characteristics in space and time, the values of which are inherently variable. Therefore, the activities of various levels of management are characterized positively if the indicators of competitiveness are stable. However, this does not mean the constancy of market structures in the market because market situations and conjuncture are inherently volatile.

Consequently, those constantly searching for new and innovative solutions win. In this case, sustainability and stability should be understood as a constant search for the new and innovative in any field of activity.

A. Smith made the first step to understanding competition as an effective means of price regulation and a factor regulating the combination of private and public interests, although he did not consider specific elements of the market mechanism (Smith, 2007).

G. L. Azoev defines competition as a rivalry between separate legal or physical persons (competitors) who are interested in achieving the same goal (Azoev, 1996).

In relation to the economy, K. A. Sagadiev characterizes this concept as a consequence of sustainable economic growth and progress in the economic, social, and environmental directions. He notes that competitiveness is understandable and measurable when applied to companies or industries, but it is very difficult to reason about the economy as a whole (Sagadiev, 2003).

In our view, the above reasoning can be narrowed down to a certain framework if we consider the economies of individual territories or industries.

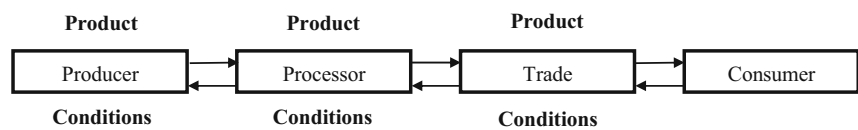
M. Gelvanovsky defines a country’s competitiveness as the aggregate competitiveness of its goods, enterprises, and firms, noting that, in fact, the competitiveness of goods and firms is formed based on national socio-cultural and historical characteristics. In his opinion, competitiveness develops from macro to micro-level (Gelvanovsky, 2007).

Simultaneously, the problems of economic competitiveness will grow immeasurably. Solving the problem of competitiveness on a national, regional, or individual company scale will become more challenging as the global economy interacts with local, regional, or individual economies; for example, the impact of international business, with its independence and ability to act in ways that a single independent country cannot always act. On the other hand, this poses the problem of constantly adjusting the economies of individual countries to the international challenges and demands of the global market.

There are also measures that mitigate international needs by creating conditions in the production of goods and services that meet international requirements. One of these measures is the cluster approach to producing goods and services, which combines the production of products on the commonality of manufacturing technology, movement, and other features.

The cluster approach to creating a competitive advantage in international trade contributes to the export of products. In a more generalized form, it is discussed by M. Porter, who interprets it as “a group of geographically adjacent interconnected companies and related organizations, operating in a particular area and characterized by a

**Fig. 1** Interaction of subjects of the market of raw agricultural materials. *Source:* Compiled by the authors



commonality of activity, complementary to each other” (Porter, 2005).

A cluster is created mainly in an integrated economy when enterprises can be classified in different sectors of the economy, which are technologically linked to each other to create value-added products. A classic example of the cluster approach can be agro-industrial products, the production and promotion of which involve agriculture, processing, infrastructure, and trade. These activities belong to different sectors of the economy. Nevertheless, they are all involved in creating, for example, finished food products for consumption by the population. Their activities are closely interconnected; some of them cannot function independently.

Despite the different nature of agricultural and industrial processing, they are associated with creating value-added products containing the same elements. For example, raw agricultural materials are further processed industrially with new added value. At the same time, sales of products with a higher market value are important in the economic activity of agriculture and the food industry. In this regard, through processing raw agricultural materials, the food industry can create products with an added value many times exceeding the original value of raw agricultural materials. In our view, this is the peculiarity of the integrated economy and the characteristics that define it in the domestic and foreign markets.

Another characteristic of contemporary integration is not only production and technological integration but also broad integration, such as production and infrastructure, trade infrastructure, production and trade, etc. Together, they constitute the national economic complex and, on the scale of individual territories, territorial-industrial, territorial-infrastructure, and other complexes. Among these complexes, a special place is occupied by agro-industrial complexes, which include at least four independently functioning sectors of the economy, such as agriculture, processing of raw agricultural materials, and infrastructure facilities for the movement of goods from producer to consumer, and trade. In turn, each of these sectors of the economy can be included in other complexes; for example, agriculture with mechanical engineering, which supplies agricultural machinery, or chemical industry, which supplies mineral fertilizers to agriculture, can form an independent complex.

However, in terms of market success, any combination of different sectors of the economy can meet the market’s needs for certain products or services and ensure appropriate economic benefits.

Therefore, it is important to have a rational combination of intersectoral ties and conclude contractual relations on the effective functioning of economic entities of different sectors of the economy. Along with this, territorial integration is critical in terms of effective use of the potential of the territories, their natural and climatic conditions, the accumulated experience of labor activity of the population, and others.

Processing of raw agricultural materials in the form of crop and livestock products is, in fact, a continuation of production in the agricultural sector because the main content of the material components of industrial production is agricultural products. In other words, in processing, raw agricultural materials act as an object of labor, to which human labor is directed through the means of labor.

An industrial enterprise for processing raw agricultural materials is characterized by its size, number of employees, production capacity (i.e., the ability to produce a volume per unit time), industry affiliation, location, corporate identity, and other attributes. The products released by the industrial enterprise will further pass a relatively difficult way of selling through numerous trade channels and come to the consumer. This process is depicted in Fig. 1.

As can be seen from the above figure, processing occupies an intermediate position between agricultural producers and trade. Consequently, the reserves for increasing the competitiveness of food products should be sought in the food industry itself and in its relations with agriculture, trade, and consumers.

The importance of agriculture and the agro-processing industry in the country’s south is particularly high. In the structure of the regional gross product of this strategically important region of the country, a special place belongs to the production of livestock and crop production.

Currently, there are 21 food processing enterprises in the Osh Region and 20 in the city of Osh (National Statistical Committee of the Kyrgyz Republic, 2021). These enterprises are engaged in processing and manufacturing food products from various agricultural raw materials (meat, milk, grain, fruits and vegetables, potatoes, etc.). In these conditions, it is primarily necessary to study, at least in outline, the state of competition, its level, and its intensity within the framework of advantages and disadvantages of competitors operating in the market.

Unfortunately, as the analysis results showed, out of 41 enterprises of the region and the city, 5 enterprises (Zheti-Baatyr, Osh-Sut, Fruit and Vegetable Plant, etc.)

conducted a superficial analysis of the competitive advantages of their competitors. This is partly due to the fact that most of the processing companies in the region have a monopolistic position, which creates a non-competitive advantage. In our opinion, this perception is erroneous because competitors can equally be enterprises producing similar products in a given region or enterprises from other regions and countries. After all, they are consumed by the same customers.

Simultaneously, collecting information about competitors from other regions or foreign competitors presents certain difficulties due to the lack and inaccessibility of statistical materials. Thus, there remain limited options to improve the competitiveness of goods. One of these options is to rely on intuition about the market situation; another way is to produce a product that differs in quality characteristics from the products of competitors for the better. Simultaneously, the production of products that can win the favor of customers in terms of appearance, taste, price, etc. requires the modernization of the enterprise, the introduction of innovations, and considerable funding, which, as our analytical data showed, enterprises do not have.

One of the ways to move towards competitiveness is a gradual and consistent modernization of the enterprise. Not the least of these is the combined efforts of those interested in such modernization. The interested persons can be the representatives of other profiles, i.e., not only food industry workers. Then, based on the potential capabilities of the stakeholders, a collective idea must be developed to move the proposed project forward. This is the way entrepreneurs worldwide operate.

Entrepreneurial activity in agro-industrial production does not have to be large, requiring huge and usually inaccessible funds. Only the government or large investors interested in doing business in Kyrgyzstan can do that.

Food products are of the highest priority because we are talking about human nutrition. Simultaneously, the variety of products and their countless number makes the problem solvable if we run a business in parts or even manufacture a single product (e.g., making cheese, cottage cheese, cakes, yogurt, curut, baked goods, etc.). The priority, in this case, is the product's quality and the ability to meet customers' requirements in terms of volume and timing of consumption. After all, in many Western countries, a significant portion of food is made in small businesses, which is convenient for consumers and producers. It is convenient for consumers because the facilities of such small businesses are usually located nearby, and they operate at any time of the day.

Consequently, for the city of Osh and the Osh Region, it would be advisable to at least develop lists of names of such

products and explore the possibility of their production in the region.

It is useful to adopt the experience of neighboring Uzbekistan and Tajikistan in this area, which, in our opinion, have been somewhat successful in this matter. They even buy raw materials from Kyrgyzstan (such as fruits and vegetables, raw milk, and meat) and then supply Kyrgyzstan with finished food products (cheese, sour cream, yogurt, cottage cheese, etc.).

The situation with introducing new technologies and product renewal at existing processing enterprises is somewhat more complicated due to outdated equipment, backward logistics, insufficient qualification of specialists, and the inability of managers to organize production that meets contemporary requirements.

Unfortunately, the food industry remains unattractive for investment, especially for large-scale transformations. In this case, the problem is the same as with small businesses. Is it necessary to wait for an attractive investment environment to be created? In this case, we may miss out on the possibility of taking advantage of potential opportunities in producing raw agricultural materials. After all, it is known that only up to 15% of raw agricultural materials are subject to processing, and the rest is sold chaotically at various market sites.

Deepening processing and expanding its base are only possible in well-equipped production bases using advanced and high technology, which requires funds, specialists, and organizational talents.

Unfortunately, many industrialists think that they will step up modernization in the direction of competitive products if sufficient capital investment is available. However, this is not the case in reality. In particular, in Osh and the Osh Region, 30 enterprises in the food industry do not even have basic plans to modernize the enterprise, not to mention real projects that would provide for joint activities with foreign enterprises. This direction is new in the practice of the region because there are no impressive examples of joint production with foreign firms of competitive products.

In our opinion, to revitalize this work, just as in the case of small businesses, it is necessary to focus efforts on finding the most viable projects and ideas and attracting investors. We believe that there will be investors even from far abroad—from European, Arab, and Asian countries. For example, in the Ala-Buka district of the Jalal-Abad Region, one of the ayil okmotus signed a long-term cooperation agreement to grow plums and process them locally with subsequent delivery to Germany. Germany undertakes to finance a closed cycle of work, including all processes from growing raw materials to sending the finished processed products to Germany. The contract also specifies such details as the

application of a particular brand of fertilizer to the soil, specifying the dosage and timing.

In addition to its economic benefit, such responsibility brings an even more important benefit, namely, instilling responsibility in workers, a love for a particular activity, and a culture of communication and cooperation on an international scale.

With the globalization of the economy and the expansion of economic ties, such measures also contribute to the development of the economy.

The introduction of new technologies in the food industry enterprises of the region is also required in the manufacture of new products from goat meat, lamb, etc. Nowadays, the meat of the above animals is consumed, as in ancient times, in unprocessed form.

More than 40 processed products are made from milk in Mongolia. The conditions in Kyrgyzstan and Mongolia are largely identical, and the people's lifestyles are similar. Therefore, the task is not to make animal products but to create demand for them through advertising, the Internet, etc. It seems to us that such work is rarely carried out in the region.

Hence, there is a need to create demand for the region's food industry products through the supply of new types of products. Thus, in the southern region, most of the population has not yet learned how to make delicious delicacies from the meat and fat of horse meat (chuchuk, kazy, kart, and others), which can be consumed on hiking or trips to mountainous areas, especially in the wintertime. Such products can be exported to other countries. After all, this gap can be filled by learning from the people of Naryn or Issyk-Kul. In the same line is the manufacture of products from mushrooms grown at home. In Kyrgyzstan, the technology of growing mushrooms has been mastered but is not yet widespread in all regions. This refers to agricultural and industrial activities and serves as a major help in replenishing the country's food supply.

Another requirement for recycling is its harmony with medicine (for human health) and veterinary medicine (for animal safety). Even though there are various supervisory bodies to ensure proper communication with medicine, the technological standards of manufacturing products are often violated. As a result, these products do not reach their shelf life. This is especially true for canned foods, including those made at home for sale.

## 4 Conclusion

The competitiveness of an integrated economy is a complex construct consisting of the multifaceted qualitative, quantitative, target, and many other characteristics. Given that competitive products are created as a result of the integration of

different spheres of activity, in addition to the food industry, it should include agriculture that supplies raw materials, infrastructure sectors that carry out transportation and storage, and market facilities involved in the marketing of products.

As the main directions of increasing the competitiveness of agro-industrial production, the paper proposes the measures for:

- The establishment of close cooperative ties of agriculture with processing and other areas;
- The study of effective ways of transporting products to consumers and market objects;
- Market research on the market situation to identify market conditions.

The competitiveness of agro-industrial production largely depends on the organization of the output in domestic and foreign markets. This is especially relevant in the context of integrating the economy of the republic at the current stage of economic globalization and the entry of the republic into various economic unions (WTO, EAEU, SCO, etc.).

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