Czech University of Life Sciences Prague

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Bachelor Thesis

Analysis of the International Trade of Kazakhstan

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Thesis title

Analysis of the International Trade of Kazakhstan

Objectives of thesis

The main goal of the following thesis is to analyze the structure of the international trade of Kazakhstan, identify the country's main trade partners and project the future development of the international trade in Kazakhstan with the help of statistical inference. In addition to the main goal of the bachelor thesis, the author is additionally interested in quantifying the effect of both imports and exports on the country's GDP.

Ultimately, the author seeks to understand if the pattern of international trade of the country has been able to change over the analyzed period. To be more specific, the author is interested to see the effects of the joining the WTO in 2015 on trading patterns. The thesis seeks to provide an ultimate overview of the country's foreign trade domain also in terms of geographical and product structures.

Methodology

The methodology of the thesis is represented by quantitative analysis based on secondary data obtained from the government reports, the Kazakh Statistical Office and The World Bank. Additionally, the thesis incorporates the creation of a linear regression model, trend functions and descriptive analysis on the analyzed time frame consisting of 21 years from 2000 to 2020.

For the descriptive analysis, the author uses traditional statistical measures from two equally important domains – measures of central tendency and measures of variation. This specific analysis is expected to help the author to understand the main quantitative tendencies of selected variables. For the trend analysis, the goal is slightly different – due to the incorporation of the time series data, the trend analysis will help the author to understand the behaviour of the selected variables over time, and to also projected their future development using basic statistical inference and trend estimation. The final piece of analysis – the regression analysis is used for the quantification of the effect of exports and imports on the country's real GDP. All in all, the author believes that this kind of analysis will help her to reach the objectives specified in the previous sub-chapter and come to the conclusion about the current state of play in the foreign trade domain in Kazakhstan.

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Keywords

Kazakhstan, WTO, international trade, liberalization, export, import

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Declaration

I declare that I have worked on my bachelor thesis titled "Analysis of the International Trade of Kazakhstan" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break any copyrights.

In Prague on 15.03.2024 _____

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Analysis of the International Trade of Kazakhstan

Abstract

The goal of this bachelor thesis is to understand the current state of play in the foreign trade domain in Kazakhstan, a country from Central Asia. The thesis seeks to identify the key trading partners, key products that are traded internationally and observe the development of the foreign trade over the course of two decades of the 21st century. The objectives are met with the help of quantitative techniques involving the trend analysis, descriptive analysis and regression analysis.

In the end, it was identified that after joining the WTO, the country has managed to liberalize its trade and diversify the geographical structure of trade, thus not entirely focusing on the trade with Russia.

Keywords: Kazakhstan, WTO, international trade, liberalization, export, import

Analýza mezinárodního obchodu Kazachstánu

Abstrakt

Cílem této bakalářské práce je porozumět současnému stavu v oblasti zahraničního obchodu v Kazachstánu, zemi ze střední Asie. Práce se snaží identifikovat klíčové obchodní partnery, klíčové produkty, které jsou obchodovány v mezinárodním měřítku a sledovat vývoj zahraničního obchodu v průběhu dvou desetiletí 21. století. Cíle jsou splněny pomocí kvantitativních technik zahrnujících analýzu trendů, popisnou analýzu a regresní analýzu.

Nakonec bylo zjištěno, že po vstupu do WTO se zemi podařilo liberalizovat svůj obchod a diverzifikovat geografickou strukturu obchodu, čímž se zcela nezaměřuje na obchod s Ruskem.

Klíčová slova: Kazachstán, WTO, mezinárodní obchod, liberalizace, export, import

Table of content

List of pictures

List of tables

List of abbreviations

USD	United States Dollar
GDP	Gross Domestic Product
FDI	Foreign Direct Investment
OPEC	Organization of Petrol-Exporting Countries
WTO	World Trade Organization
OEC	Observatory of Economic Complexity
EUEU	Eurasian Economic Union
EU	European Union
WTO	World Trade Organization
CIS	Commonwealth of Independent States
SCO	Shanghai Cooperation Organization
R&D	Research and Development
WB	The World Bank

1 Introduction

Kazakhstan, the ninth-largest country in the world is a country situated in Central Asia and according to the classification of the United Nations, Kazakhstan is a hybrid country that can either be classified as a country in transition or developing economy. The term "transition" is applicable to the case of Kazakhstan due to its long history under the Soviet rule, which ended in 1991 with Kazakhstan becoming the last country to leave the Union. However, unfortunately for the population almost reaching 20 million, the economic potential of the country is not fully utilized. Despite its large abundance and favorable geographical position, the country was not able to emerge in the top of the world's leading economies, partially because of its communist history, not fully functioning institutions and rather limited orientation towards other former Soviet republics with whom the country has been trading the most in the past (Rakhimbayeva et al., 2016).

However, the paradigm has changed with the country following the path of rapid globalization more and more actively – the country emerges on the international arena as a major player and trustworthy partner. One of the biggest impulses for the change in the paradigm was the accession to the WTO – the World Trade Organization that happened in 2015. In light of recent circumstances and dynamic nature of Kazakh economy, the author, who comes from Kazakhstan, is interested to analyze the foreign trade of the country, identify the main trading partners and observe the development of the country in terms of selected macroeconomic variables from the foreign trade domain (Amirbekova et al., 2017).

Those objectives are reached thanks to two primary approaches – a pertinent literature review and a quantitative analysis. The literature review will help the author to identify the main research gaps, as well as main beliefs and findings of prominent econometricians who were interested in the subject of the foreign trade in Kazakhstan. In the quantitative analysis, the author seeks to provide her own contribution to the matter by employing one of the most useful quantitative techniques – trend analysis, descriptive analysis and regression analysis. In the end, recommendations to the government of Kazakhstan are provided, as well as projections about the future development in the domain of foreign trade. After all, with the change in the attitude of economists towards trade and the recognition of the importance that

the domain play for a healthy and sustainable economic growth, understanding the main tendencies of emerging economies is likely to draw a lot of valuable insights.

2 Objectives and Methodology

2.1 Objectives

The main goal of the following thesis is to analyze the structure of the international trade of Kazakhstan, identify the country's main trade partners and project the future development of the international trade in Kazakhstan with the help of statistical inference. In addition to the main goal of the bachelor thesis, the author is additionally interested in quantifying the effect of both imports and exports on the country's GDP.

Ultimately, the author seeks to understand if the pattern of international trade of the country has been able to change over the analyzed period. To be more specific, the author is interested to see the effects of the joining the WTO in 2015 on trading patterns. The thesis seeks to provide an ultimate overview of the country's foreign trade domain also in terms of geographical and product structures.

2.2 Methodology

The methodology of the thesis is represented by quantitative analysis based on secondary data obtained from the government reports, the Kazakh Statistical Office and WB. Additionally, the thesis incorporates the creation of a linear regression model, trend functions and descriptive analysis on the analyzed time frame consisting of 21 years from 2000 to 2020.

For the descriptive analysis, the author uses traditional statistical measures from two equally important domains – measures of central tendency and measures of variation. This specific analysis is expected to help the author to understand the main quantitative tendencies of selected variables. For the trend analysis, the goal is slightly different – due to the incorporation of the time series data, the trend analysis will help the author to understand the behaviour of the selected variables over time, and to also projected their future development using basic statistical inference and trend estimation. The final piece of analysis – the regression analysis is used for the quantification of the effect of exports and imports on the country's real GDP. All in all, the author believes that this kind of analysis will help her to

reach the objectives specified in the previous sub-chapter and come to the conclusion about the current state of play in the foreign trade domain in Kazakhstan.

3 Literature Review

3.1 Trade

3.1.1 History

The practise of commerce, which is an essential component of human civilisation, has made possible the movement of products, services, and ideas over both time and distance. Its relevance arises from the fact that it plays a role in the formation of economic systems, cultural exchanges, and geopolitical movements. The purpose of this sub-chapter is to look into the history of commerce, including its beginnings, important milestones, and noteworthy transformations, all of which have had a profound influence on the advancement of humankind. During the early phases of human civilization, nomadic tribes participated in trading in order to acquire the resources they needed to sustain their way of life. These are the events that are considered to be the beginnings of commerce. The fulfilment of essential requirements might be accomplished through bartering by exchanging surplus products and materials. As new communities were established, existing trade networks grew, which stimulated the development of economic centres and the segmentation of the labour force. For instance, the formation of Mesopotamian city-states about the year 3500 BCE encouraged commerce across neighbouring regions. As a result, Sumerians were dependent on imported items such as metals and lumber (Smith, 2008).

In ancient times, the rise of large-scale empires contributed further to the development of commerce. These empires made it possible to consolidate trade routes and build prominent commercial centres, which were both benefits to the global economy. The Silk Road is a notable illustration of this principle; it flourished from the second century BCE to the fifteenth century CE, during which time it established a connection between China and the Mediterranean world. This broad network made it possible to engage in commerce of expensive items like as silk, spices, and precious metals, among other things. In addition, ancient seafaring civilizations, such as the Phoenicians, created maritime trading networks that allowed them to expand their influence throughout the Mediterranean region, therefore facilitating cultural interchange (McLaughlin, 2010).

Significant advancements were made in commercial activity, notably in Europe, throughout the mediaeval period. There was a resurgence of activity along several long-distance trade routes, notably the Silk Road. The development of new trade routes along the Mediterranean and Baltic Seas contributed to the acceleration of economic expansion. The Hanseatic League in northern Europe was one example of a merchant guild that played a significant part in both the facilitation of commerce and the protection of merchant interests. These guilds laid the groundwork for future commercial practises by establishing standardised standards, offering financial services, and ensuring the safety of trade routes. The period known as the Age of Exploration, which lasted from the 15th to the 17th century, was a watershed moment in the development of international trade. The expansion of maritime exploration by explorers such as Christopher Columbus, Vasco da Gama, and Ferdinand Magellan led to the discovery of new trade routes and the connecting of places that had previously been separated from one another. In addition, this time period saw the development of European colonial powers, who at the time monopolised commerce and exploited overseas colonies for their natural riches. The transatlantic slave trade was a bleak period in history that involved the forcible movement of millions of Africans to the Americas for the purpose of labour. This event brought to light the complicated link that exists between trade, power, and exploitation (Harrower & Dumitru, 2017).

Trade practises underwent a sea change in the 18th century as a direct result of the Industrial Revolution. The invention of the steam engine and the railway, among other technological advances, made it possible to carry commodities on a scale never before seen, which in turn reduced costs and increased operational effectiveness. In order to control global commerce, ensure fair business practises, and mediate disagreements between states, international trade organisations such as the World commerce Organisation (WTO) were developed. Trade has picked up speed in the contemporary period as a direct result of developments in communication technology as well as the liberalisation of trade policy. Trade has become an intricate web of intertwined supply chains as a direct result of globalisation, which is characterised by a growth in interconnectedness as well as the integration of economies. The modern trade dynamics have been further affected by developments such as the creation of multinational firms, the spread of free trade agreements, and the increase of online commerce (Barton, 2006).

3.1.2 Types

Foreign trade, in essence, is a complicated subject that does not only consist of direct exchange of goods and services between different actors of international economics. To be more specific, it is possible to distinguish particular types of foreign trade operations that are conducted on a daily basis everywhere in the world. Given the fact that the world has long ago switched from barter to indirect exchange, where there is a specific mean of exchange implemented (traditionally, it is money), it is vital to start the overview of the types of trade operations with export and import. Export refers to the process of selling one's goods overseas and this operation is directly included in the calculation of the GDP, notably in the expenditure approach. In fact, exports present countries a very good opportunity to generate constant cashflows, thus leading to quite frequent situations where countries are fully oriented to export, so their economic growth and budget are both fully influenced by the degree to which they are attractive and competitive, compared to other international actors (Helpman, 1999).

The other part of the equation containing the exports variable are imports, which share the biggest portion of foreign trade operations in the world with exports. Import refers to the process of buying goods and services from other countries thus offering them to domestic consumers. Imports has its own reasons, which are traditionally explained by growing demand, limited capacity of domestic producers and absence of abundance in specific resources, which partially or fully limits a country's production possibility curve. Together with exports, imports present a very important indicator used in macroeconomics, which traditionally goes under the name of the trade surplus. The trade balance is positive in cases when the value of exports exceeds the value of imports, and this traditionally results in a positive effect on the country's domestic currency that starts to appreciate. On the contrary, the situation when the value of imports exceeds the value of exports is called trade deficit, and this traditionally results in a rapidly depreciating domestic currency. Of course, there are many different implications of the situation, which are subject of macroeconomics rather than foreign trade topic. Potential implications can include inflation, unemployment, increased government debt, etc (Lardy, 1992).

Another type of operations, which were pretty common long ago and especially in ancient times even before the introduction of money is barter, or countertrade operations (De Miramon, 1982). Countertrade operations are operations that do not directly involve the exchange of goods and services for money, but instead goods are traded for goods or specific services. In fact, there are many different types of countertrade operations, which can be found in the following paragraphs:

1) Barter: Barter involves the direct exchange of goods or services without the use of money. For example, if a country lacks foreign currency, it may exchange its surplus agricultural products for machinery from another country. Barter trade often occurs between developing nations or in industries where monetary transactions are challenging (De La Rosa, 2011).
2) Offset Agreements: Offset agreements are commonly used in defense and aerospace industries. When a country purchases military equipment or technology from another country, the seller agrees to "offset" a portion of the payment by investing in the buyer's economy. This investment can take the form of technology transfers, subcontracting agreements, or direct investments in domestic industries (Terziev et al., 2017).
3) Buyback Agreements: Buyback agreements involve a company providing equipment, technology, or expertise to another country in exchange for future production output. For instance, an oil company might provide equipment and expertise to a developing nation to establish an oil field. In return, the company receives a share of the produced oil as compensation (Blommestein et al., 2012).
4) Switch Trading: Switch trading involves a third-party intermediary that facilitates trade between two countries. The intermediary agrees to purchase goods from one country and sell them to another country, often using a different currency. This mechanism helps circumvent currency restrictions and enables trade between countries that might otherwise face difficulties in conducting direct transactions (Shoham & Paun, 1997).
5) Compensation Deals: Compensation deals occur when a seller offers goods or services as payment for other goods or services. For instance, a country might provide medical equipment to another country in exchange for agricultural products.

These arrangements are based on a mutual exchange of goods or services of equivalent value (Shoham & Paun, 1997).

Another very important domain of foreign trade is represented by investments that are traditionally split between the foreign direct investments (FDIs) and portfolio investments. The difference between the two is that the foreign direct investments traditionally imply the direct over the investment, while portfolio investments do not traditionally allow owners to manage their investments. Below, the main differences between different types of FDIs are discussed (Lipsey, 2003).

1) Greenfield investments. This type of FDI does traditionally imply the creation and building of an entire infrastructure that is traditionally very costly. This is considered to be one of the riskiest types of the FDI (Müller, 2007).
2) Acquisitions and mergers. Acquisitions involve 2 or more companies, where one companies buys another company and by doing so, it creates a subsidiary, which is controlled directly by the parent company. Contrary to acquisitions, where the degree of control is usually imposed on another company, mergers are operations when two companies merge into one thus creating a new legal organization (Müller, 2007).
3) Joint ventures. Joint ventures traditionally involve companies cooperating with each other in one or more ongoing projects, where they split their contribution and also exchange valuable experience and techniques (Kogut, 1988).
4) Licensing and franchising. In cases where there are not enough of benefits for the full internalization (direct entry to the market), companies can consider an alternative type of investment, which will involve the sale of rights for specific intangible assets that is called licensing. Compared to licensing, franchising implies the same, but it goes even further by allowing other companies to legally use the trade name of the company selling such rights (Brennan, 2000).

On the other hand, portfolio investments are usually represented by various kinds of securities and bonds, which are bought by international actors on a daily basis thanks to the actively functioning international market for those options.

3.1.3 Effect of Liberal Foreign Trade on Economies

When considering the potential effect of foreign trade on economies, it is essential to understand that there can be 3 different dimensions for measuring this effect. First, it is essential to talk about the effect on consumers. Consumers are surely the party enjoying the gains from foreign trade the most, and those benefits are usually the most obvious ones. It is pretty common for domestic markets to possess a specific kind of heterogeneity in products offered to consumers, but this diversity is still limited because domestic companies usually tend to prepare their marketing mix in accordance with the most important tendencies and factors. However, by letting foreign companies to enter a particular market, governments allow residents of the country to enjoy a larger variety of goods, which also tend to result in improved quality of domestic products that would have to make a huge leap forward to compete on equal terms with superior international products (Salvatore, 2009).

Producers, on the other hand, might not at all be happy about liberal practices in the domain of foreign trade from the government. One of the most obvious problems with the free flow of goods and services is the fact that the degree of competition rises, so companies should invest in R&D, incorporate better marketing techniques and employ other methods allowing them to remain competitive in a new environment. However, on the other hand, those consumers who are pretty competitive and able to adapt are also offered a good chance to enter foreign markets to reach out to new customers with their demand, which is definitely a very big advantage for companies who had not been before a part of the world economy. By eventually entering the international market with the help of liberal trade policies, companies are able not to just increase their revenue and gain better international recognition, but they can also learn new practices eventually helping them to be better off in the domestic market (Henderson, 1982).

For the final actor of the economy – the government, the foreign trade definitely presents a series of advantages, as well as disadvantages. One of the biggest advantages of the liberal foreign trade for the government is increasing integrity to the world economy, which helps the country to improve its economic situation in the long run, as well as to increase a given country's credibility on the international arena. Apart from gaining credibility and recognition, such countries will in return be also offered an easier access to

specific regional, national or even international markets. Alternatively, the road towards autarky can in fact generate a lot of revenue for the government arising from countless monetary and non-monetary barriers to trade, but it is likely that other countries will also retaliate by imposing identical measures, effectively leading to the loss of welfare of consumers and the government. All in all, the history has quite recently proved that countries should maximize the degree of freedom and liberalism in the foreign trade domain by triggering an equally distributed economic growth with gains for all international actors (Jackson, 1989).

3.2 Kazakhstan on International Arena

Kazakhstan, a country in Central Asia, has been quite active in international commerce due to its rich natural resources and advantageous position. Kazakhstan's foreign trade practises are dissected here, with an emphasis on the country's primary trading partners, its commercial strategy, and its membership in international trade organisations. Kazakhstan's trading relationships now span the globe and span the country. The European Union (EU), China, Russia, and other Central Asian countries make up the bulk of the country's trade relations (Abzhapparova & Darkenov, 2014).

Because of their long history together and close proximity, Russia has been Kazakhstan's primary commercial partner. Energy, equipment, and agricultural goods are only few of the many categories represented in the bilateral commerce between Kazakhstan and Russia. Kazakhstan primarily trades with Russia for oil, gas, and minerals, while also importing industrial and consumer products. Kazakhstan's trade with China has grown substantially in recent years. Increased trade volumes are a direct outcome of the strategic alliance between the two nations, which has reinforced economic links. The majority of China's trade with Kazakhstan consists of importing oil and minerals and shipping out manufactured commodities, machinery, and consumer goods. Kazakhstan's ties to the European Union are substantial as well. Kazakhstan ships a lot of oil and gas, minerals, and food goods to the European Union. In exchange, Kazakhstan buys heavy machinery, automobiles, and high-tech items from the European Union. Kazakhstan has also prioritised expanding its commercial ties to its neighbours in Central Asia. Kazakhstan, Russia, Belarus, Armenia, and Kyrgyzstan formed the Eurasian Economic Union (EAEU) in 2015, which has enhanced commercial integration among member nations. Trade between these nations has

been boosted by the EAEU's emphasis on the free flow of products, services, and capital (Sullivan, 2018).

Kazakhstan has adopted a number of policies intended to increase exports and entice FDI. Economic diversification, the creation of new sectors, and less reliance on commodity exports are all goals of these plans. The government of Kazakhstan understands that it must diversify its economy away from its reliance on oil and gas. The government has instituted programmes to boost industries other than oil production. The country's export capacities will be strengthened, and its exposure to commodity price swings will be lessened, thanks to this policy of diversification. Kazakhstan has spent a lot of money improving its transport and logistics networks so that international trade may flourish there. The country's location as the land bridge between Europe and Asia makes it an important trading hub. Connectivity and trade have benefited from investments in railroads, highways, seaports, and economic zones. The government of Kazakhstan has taken several steps to assist exporters and promote Kazakh goods on global markets. Some examples of these efforts are subsidised exports, trade missions, presence at international trade fairs, and the creation of trade promotion organisations. The goal is to make Kazakh products more competitive so that they can enter new export markets. Investment in Kazakhstan's industrial, infrastructure, and service industries has been encouraged by government policy. To entice international investment, the government provides tax breaks, streamlined bureaucratic processes, and legal protections. Kazakhstan hopes to increase knowledge transfer, productivity, and job creation by luring in foreign direct investment (Birimkulova et al., 2020).

Kazakhstan is committed to improving its trade connections, fostering economic cooperation, and harmonising trade policy through participating in a wide range of international trade organisations and agreements. After over two decades of talks, Kazakhstan finally joined the World Trade Organisation in 2015. By joining the WTO, Kazakhstan gained access to a global trading system governed by regulations, which has led to a more stable and open commercial environment. Liberalising its trade policies and adhering to WTO accords are priorities for Kazakhstan. Kazakhstan, as was previously noted, is a founder member of the EAEU. The union's primary goals are to further integrate the economies of its member states, allow for the free flow of products, services, capital, and labour, and create a unified customs area. Trade is facilitated inside the EAEU, giving

Kazakhstan privileged access to a vast market. The Shanghai Cooperation Organisation (SCO) is a regional organisation that Kazakhstan is a part of because it values security, economic, and cultural cooperation among its members. Kazakhstan may work on trade and economic projects with its fellow Central Asian nations, Russia, and China thanks to the Shanghai Cooperation Organisation (SCO). Kazakhstan plays an active role in the Commonwealth of Independent States (CIS), a group of ex-Soviet states that acts as an international organisation. The Commonwealth of Independent nations (CIS) seeks to strengthen cultural and economic links among its member nations. Trading with neighbouring nations and increasing regional integration are both made easier by Kazakhstan's participation in the Commonwealth of Independent States (Zabortseva, 2016).

3.3 Instruments of Trade Policy

The term "foreign trade policy" refers to the government's comprehensive approach to regulating and encouraging commerce across national borders. Protecting domestic industry, boosting export competitiveness, and encouraging economic growth are the goals of these instruments. This sub-chapter looks at the effects of tariffs, quotas, subsidies, trade agreements, and exchange rate measures, the five mainstays of foreign trade policy. Foreign trade policy often makes use of tariffs. Tariffs are levied on imported products and make them more costly than equivalent domestic products. Tariffs are imposed by governments for a variety of purposes, such as safeguarding domestic businesses from import competition, raising income, and resolving trade imbalances. There are pros and cons to implementing tariffs. On the plus side, they prevent imported products from flooding the market and protecting native ones. The increased growth and competitiveness of indigenous industries is made possible by this safeguard. Tariffs have the potential to increase trade tensions by raising prices for consumers, limiting their options, and inviting retaliation from trading partners (Moyer & Mabry, 1983).

Foreign trade policy quotas are another tactic utilised. A quota is a limit placed on the amount of a certain item that may be imported during a specified time frame. Import quotas are set up to shield home sectors from international competition by reducing the availability of foreign-made products. They may be established in terms of either absolute amounts or shares of national consumption or output. Direct protection for domestic industries is possible through the use of quotas, which set aside a portion of the market for home

manufacturers. However, when supply is cut and competition is diminished, they might result in higher prices for buyers. Importers trying to get around quotas may resort to smuggling or the black market (De Melo & Tarr, 1990).

Governments often offer financial incentives, known as subsidies, to domestic sectors in order to boost output, exports, and R&D efforts. Subsidies come in many shapes and sizes, including free money, reduced tax obligations, and low-interest loans. By reducing manufacturing costs or encouraging innovation, subsidies can boost the competitiveness of indigenous industries. They can play a role in bolstering key industries, attracting investment, and generating new job openings. However, subsidies can distort global commerce by providing an unfair advantage to indigenous industries over their overseas rivals. If other nations view them as trade-distorting policies, they might cause market inefficiencies and trade conflicts (Bhagwati & Ramaswami, 1963).

Foreign trade policy cannot function without the use of trade agreements. The rules, regulations, and tariff levels for international commerce are established by these accords. Their ultimate goal is to create a more open trading environment by lowering trade barriers and guaranteeing a more consistent setting for enterprises. Market access, trade volumes, and the harmonisation of trade standards are just a few examples of the positive effects that trade agreements may have. They encourage comparative specialisation based on strengths and enhance economic integration and investment flows. Trade agreements are beneficial, but they may be difficult to negotiate and may entail concessions on domestic issues (van Beers & van den Bergh, 2001).

The management of the exchange rate is another aspect of international trade policy. Central bank interventions and market-based procedures are two ways in which governments might affect the value of their currency in relation to that of other countries' currencies. The competitiveness of a country's exports may be affected by its exchange rate policy. Exports may do better in overseas markets if the home currency is weaker, making them relatively cheaper to purchasers from other countries. The opposite is true for a country's export-oriented businesses, which may feel the effects of a stronger home currency by making imports cheaper for domestic customers.

To accomplish their international trade policy goals, governments frequently use a wide range of instruments. They may employ tariffs to shield vulnerable industries, quotas to control imports, subsidies to prop up certain industries, and trade agreements to broaden access to their own markets. The economic situation, goals, and priorities of a country will determine which instruments are most appropriate (van Beers & van den Bergh, 2001).

4 Practical Part

4.1 Exploratory Analysis

The first part of the analysis is the descriptive analysis, which is concerned with the analysis of the most important insights about the quantitative data used in the analysis. Before proceeding to the descriptive analysis, it is essential to first introduce the dataset, which is the main one for the analysis used in this sub-chapter and also in the next sub-chapter related to the time series analysis. The dataset is presented in Table 1.

Table 1, the dataset

Year	Terms of Trade, index	Exports, billion USD constant	Imports, billion USD constant	Trade balance, billion USD	FDI, billion USD	Tariff rate, mean %
2000	100.00	35.46	25.89	9.57	1.37	-
2001	91.97	34.82	25.50	9.32	2.82	-
2002	93.12	40.60	26.29	14.32	2.59	-
2003	100.48	43.65	24.29	19.36	2.48	-
2004	117.08	48.54	27.91	20.63	5.62	2.42
2005	144.77	48.73	31.29	17.44	2.55	-
2006	171.44	52.05	35.23	16.82	7.61	-
2007	178.62	56.78	44.43	12.36	11.97	-
2008	210.92	57.29	39.32	17.98	16.82	4.48
2009	158.57	50.48	33.14	17.33	14.28	-
2010	192.25	52.04	34.11	17.94	7.46	7.56
2011	223.51	52.25	35.06	17.19	13.76	7.43
2012	222.85	54.76	43.76	11.00	13.65	7.49
2013	220.62	56.24	47.17	9.07	10.01	7.62
2014	207.86	54.83	45.28	9.55	7.31	6.95
2015	146.33	52.58	45.24	7.35	6.58	6.91
2016	130.40	50.22	44.33	5.88	17.22	5.12
2017	154.71	54.23	44.77	9.46	4.76	4.79
2018	179.84	59.44	47.73	11.71	0.35	4.64
2019	166.01	60.63	54.84	5.79	3.73	5.39
2020	131.76	53.78	49.91	3.87	7.21	4.17

Source: WB, 2023

In the beginning, it is essential to briefly mention the essence and importance of each of the selected variable:

1) **Terms of trade base index**. This variable is used to understand how the situation with the country's terms of trade evolving was. The terms of trade index are a ratio calculated as the average price of export divided by import, and it shows by how much in percentage the price of exports exceeds the price of imports. The year 2000 is taken as a base index, so whenever the value is above 100, it means that the terms of trade are more favorable than in the base year.

2) **Exports**. This is one of the most important variables analyzed and it represents the value of goods and services exported to other countries, expressed in constant 2015 USD, meaning that these are real values rather than nominal ones.

3) **Imports**. The variable pursuits the same logic as the previously discussed one with just one exception – it shows the real amount of goods and services bought and imported to the country, expressed in constant 2015 USD once more.

4) **Trade balance or net exports**. The trade balance generally shows the difference between exports and imports and can be a useful tool for identifying the presence of deficits and surpluses. Expressed in 2015 USD once again.

5) **FDI or foreign direct investment**. One of the most important variables showing the total value of investments made in Kazakh economy by foreign investors. This is one of the most important variables indicating a country's attractiveness and investment potential. Expressed in nominal terms.

6) **Average tariff applied.** This variable contains some missing data and the variable generally expressed an average tariff that is applied by Kazakhstan. Ad valorem tariff is considered, so it is expressed in percentages.

Now, after briefly discussing and introducing every variable, the author is able to continue to the descriptive analysis, which can be found in Table 2.

Table 2, the descriptive analysis of the dataset

	Terms of Trade, index	Exports, billion USD constant	Imports, billion USD constant	Trade balance, billion USD	FDI, billion USD	Tariff rate, mean %
Mean	159.20	50.92	38.36	12.57	7.63	5.77
Median	158.57	52.25	39.32	11.71	7.21	5.39
Min	91.97	34.82	24.29	3.87	0.35	2.42
Max	223.51	60.63	54.84	20.63	17.22	7.62
Range	131.54	25.80	30.55	16.76	16.87	5.20
St.deviation	43.98	7.05	9.22	5.03	5.20	1.67
Coef. Of variation	27.63%	13.85%	24.03%	40.00%	68.20%	28.88%

Source: Author's own analysis in Excel based on WB, 2023

Starting with the terms of trade base index variable, it is possible to say that based on the mean value of the variable, the country's terms of trade were 59% better during the analyzed period than in the base year. Of course, the author believes that this is pretty logical since Kazakhstan gained a lot of international recognition due to its strong economic and business performance changing the perception of the country in the world. When it comes to the minimum value of the terms of trade, it is possible to say that the terms of trade did not deteriorate significantly in the worst year compared to the base year due to the fact that it is just 9% less than the base value of 100. For the maximum, it is possible to say that an almost two-fold improvement in the terms of trade seems to be a real achievement by Kazakhstan, allowing the country to make a lot of money through foreign trade operations. It is already pretty obvious that the country's terms of trade were rather variable, which is pretty visible when looking at the range, standard deviation and the coefficient of variation. All in all, it seems that the situation with the country's terms of trade is rather favorable.

About probably the most important variable from the foreign trade domain – exports, it is possible to say that the average value of the country's exports was equal to 50.92 billion 2015 USD, which is a good result but when considering the size of the country and the degree of abundance in natural resources, it becomes evident that this value is not so high. On the other hand, the lowest value was 34.82 billion USD, and the maximum was 60.63 billion

USD, which leads to the suggestion that the country is likely to be improving the situation and constantly increasing the volume of foreign trade operations, where the exports variable has the largest importance for such an export-oriented country as Kazakhstan. Range, standard deviation and coefficient of variation all suggest that the variable is not stationary and that it is rapidly developing over time.

For the imports, the first and the most important observation to be made is the fact that the average value of imports is lower than the average of exports, meaning that the country is a net exporter, which was highly anticipated. Apart from that, it is essential to say that the picture with two extremes – minimum and maximum seems somewhat similar to exports, but the magnitude of imports is still slightly lower than for exports, which is definitely a good sign in the context of foreign trade for Kazakhstan. Compared to exports, the imports variable is much more dynamic and volatile, based on the indicators of variation – range, standard deviation and coefficient of variation. The author believes that one of the most logical justifications for that is the fact that the value of imports depends mostly on the domestic economic situation and the situation with private expenditure, which might not at all be so stable for this emerging economy.

The foreign direct investment variable helps to suggest that the average volume of investments received from international organizations and corporations was 7.63 billion USD, which is a great result. On the other hand, the lowest value of investments was equal to just 0.35 billion USD, which is a very small number. Additionally, the highest ever volume of investments in Kazakhstan was 17.22, and the gap between the minimum and maximum is a really high one. Clearly, when judging solely based on the selected measures of variation, it is possible to say that the FDI is so far the most volatile and variable indicator, which is a clear sign of uncertainty of investors arising from potentially a risky an environment.

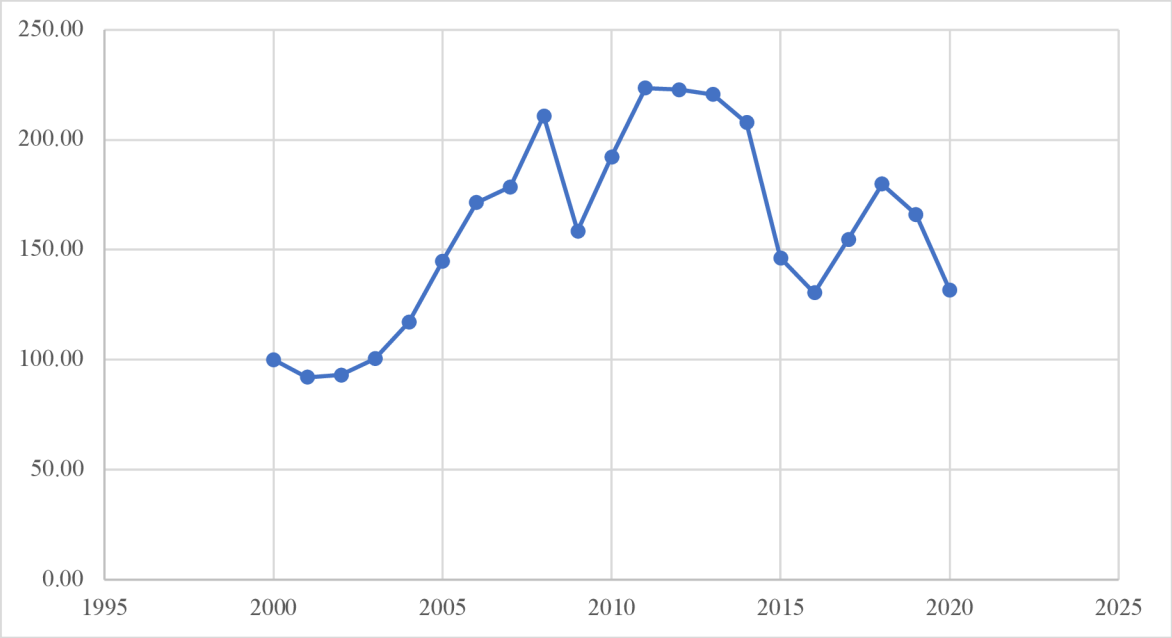
The final variable – the average tariff applied is a useful indicator to observe a move towards the trade liberalization, which was highly anticipated from the country after its accession to the WTO. The average tariff applied by Kazakhstan was equal to 5.77%, which is rather a low value, but it is essential to understand that every category of goods has its own percentage of tariff. All in all, the country's average tariff is also subject to high

volatility and the indicator is presumably in the stage of active development. All in all, all those variables will be analyzed once more in the time series analysis.

4.2 Time Series Analysis

The first variable to be discussed with the help of this kind of analysis is the terms of trade base index. The time series plot is presented in Figure 1.

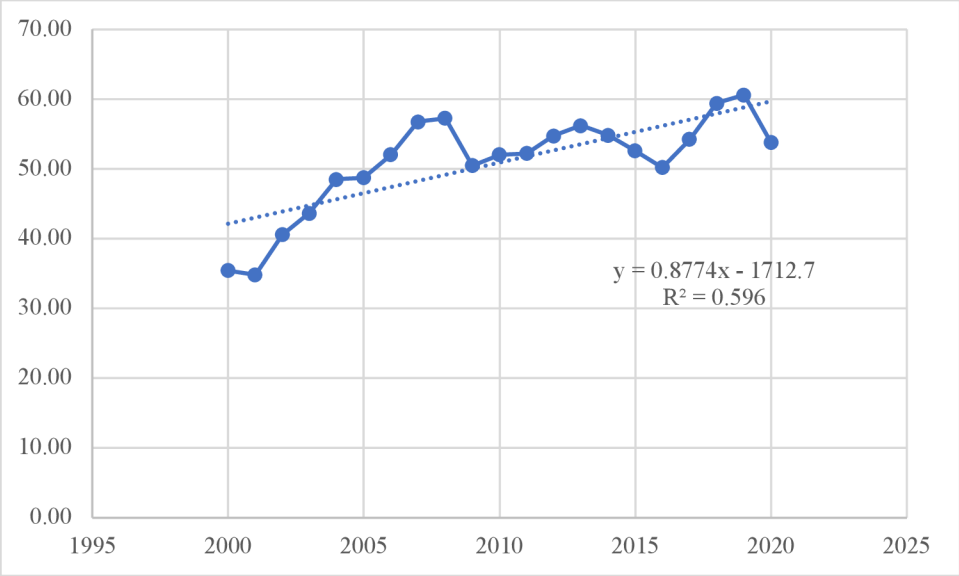
Figure 1, the time series plot of the terms of trade



Source: Author's own analysis in Excel based on WB, 2023

Based on the time series plot, it becomes pretty apparent that the country was in the best situation in terms of its international weighted terms of trade base index in 2010-2015, but with the shift to the floating exchange rate regime, the country's terms of trade significantly worsened, but they still remained to be much more favorable than in 2000, which was highly anticipated from the Kazakh economy. The recent development of the indicator drops a hint that the situation is likely to improve for 2021-2023 since the year 2020 was definitely an outlying observation due to the emergence of the world pandemic of COVID-19. The next variable is one of the most important ones – exports, the time series plot of which is presented in Figure 2.

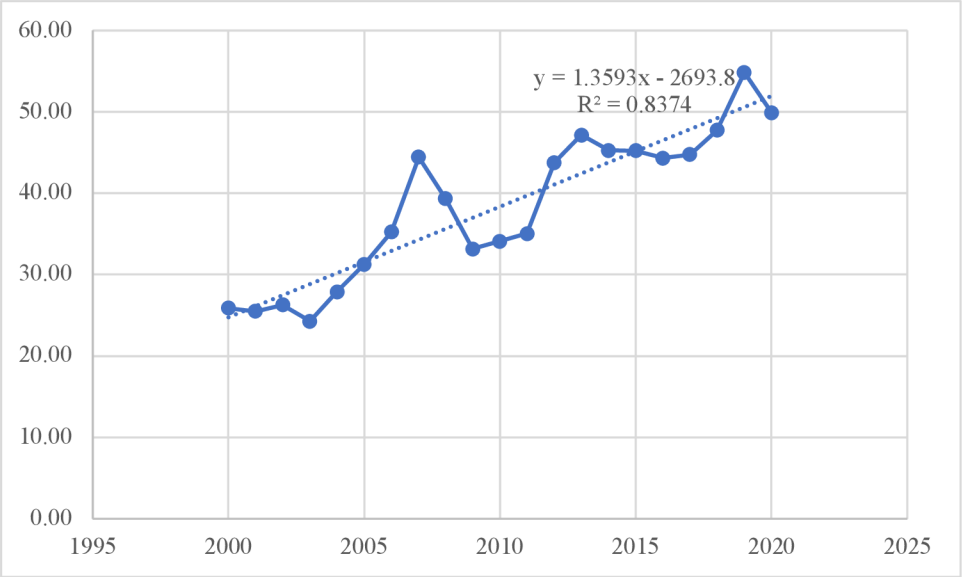
Figure 2, the time series plot of exports



Source: Author's own analysis in Excel based on WB, 2023

The linear trend was the best fit to describe the development of the variable in time. According to the trend, the value of real exports in Kazakhstan goes up annually by 0.87 billion 2015 USD, which is definitely an outstanding result. However, this result stop being so outstanding and astonishing when recalling that the country's main specialization is export of oil and given the recent development of the world market of oil, it is not surprising that Kazakhstan's exports go up – the country presents itself as almost a perfect alternative supplier than Saudi Arabia and OPEC countries, and Russia since the country does not really have any significantly strong geopolitical ambitions outside of the Central Asian region. All in all, it is projected that the development will continue even further, as the economy of the country will keep on getting bigger and bigger, which is a pretty common process for a country that managed to almost finish the transition process from a socialist-based economy to administrative capitalism. The next variable is imports. The time series plot is presented in Figure 3.

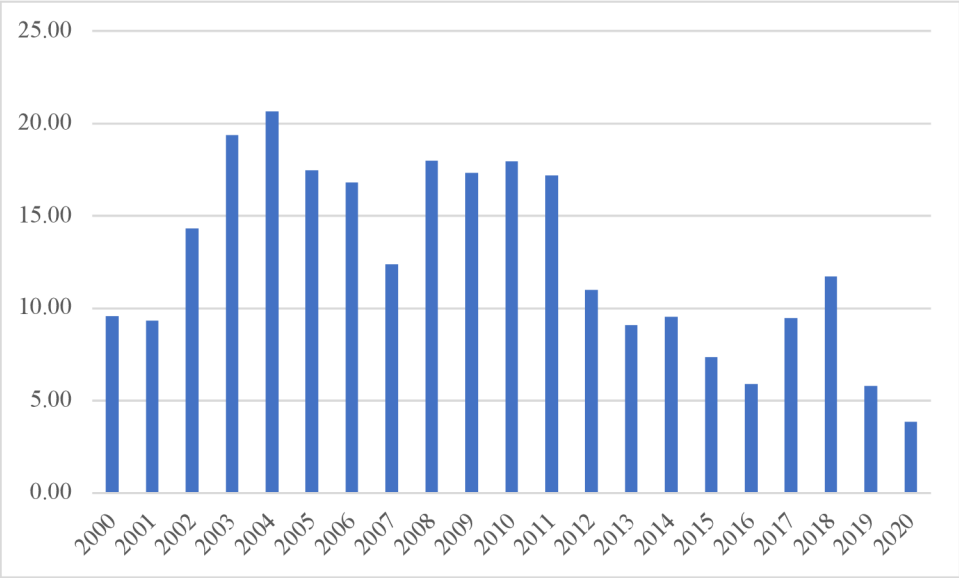
Figure 3, the time series plot of imports



Source: Author's own analysis in Excel based on WB, 2023

As things stand, the development of the country's imports is much more predictable than exports, which is directly linked to the constantly changing nature of the world market and demand for goods in which Kazakhstan specialize – products from the secondary sector of the country, i.e., manufactured goods and good associated with natural resources. Based on the trend function, the value of imports increases annually by 1.359 billion 2015 USD, which directly implies that in the nearest future, the country will become a net importer, which is pretty natural for countries becoming industrialized and developed, but pretty unnatural for countries specializing in natural resources. This is a very valuable insight that helps to understand that the country is expected to face significant structural changes in the nearest future, which might be partially programmed by the government that is seeking to achieve a higher degree of diversity and increase a number of specializations of the country. The next variable is the trade balance, which is presented on the time series plot in Figure 4.

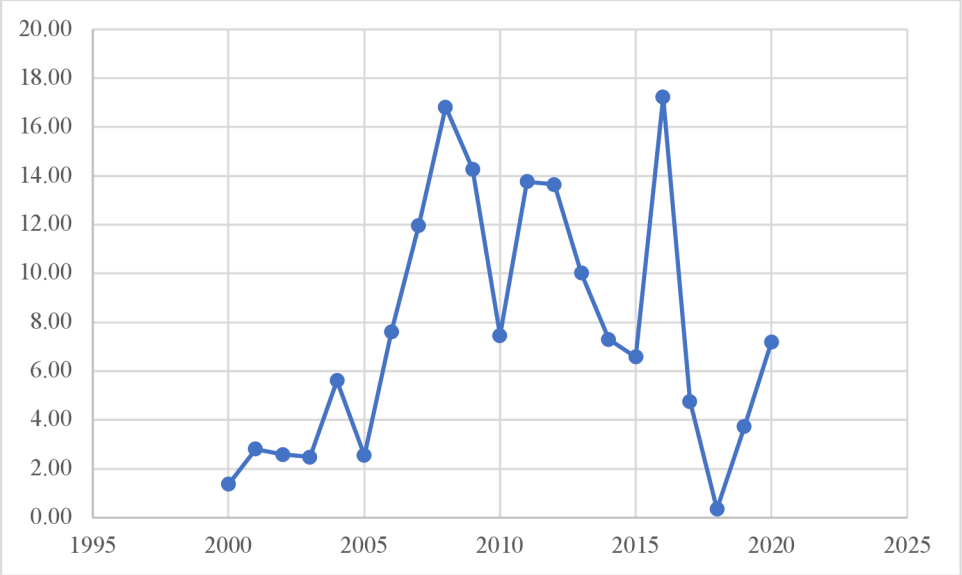
Figure 4, the histogram of the trade balance



Source: Author's own analysis in Excel based on WB, 2023

The histogram of the trade balance of the country definitely suggests that the country is a net exporter with the value of exports significantly exceeding the value of imports. The country managed to secure a huge positive gap in the form of surplus between the two during 2002-2011, but the situation was changed recently when the country started to actively increase the value of exports arising from the improvement in the wellbeing of the nation and diminishing poverty rates. The absolute worst situation in terms of trade balance is identified in 2020, when the balance reached its absolute 20-year low. However, the author believes that the country is not likely to let the surplus go so easily, and it is not anticipated that the country will become a net importer until the end of the current decade, but the fact that the country will one day face a trade deficit, especially given its new agenda of diversification, is absolutely certain. The next variable is the foreign direct investment inflow, which is depicted in Figure 5.

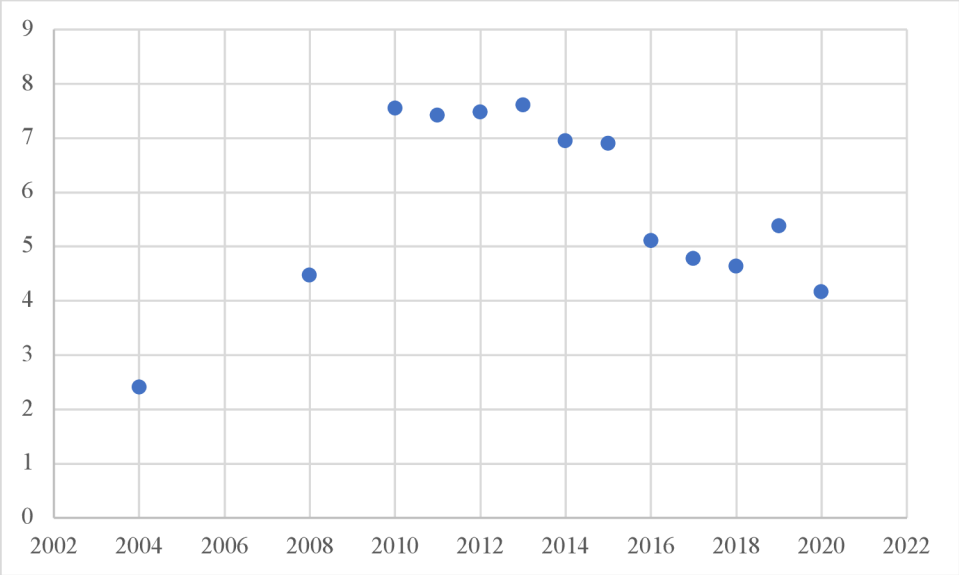
Figure 5, the time series plot of FDI



Source: Author's own analysis in Excel based on WB, 2023

The country's value of FDI received cannot anyhow be projected with neither linear or exponential, or any other time of trend function due to its absolute unpredictable and random nature, which is pretty natural for the FDI, which is subject to an infinite number of different factors prompting investors to reconsider a particular country. All in all, it seems that the country's maximum has been long passed in the middle of the 10s and now the country is facing one of the lowest volumes of foreign investors, which are likely to be the consequence of the political change that occurred in 2019 with the country's long time president – Nursultan Nazarbaev stepping down in favor of Kassym-Jomart Tokayev, which is likely to have caused a serious uncertainty in the eyes of foreign investors that led to the lowest-ever value of the FDI during the analyzed timeframe. The final variable is the average tariff, where some data is missing. The scatterplot is presented in Figure 6.

Figure 6, the time series plot of the average tariff applied



Source: Author's own analysis in Excel based on WB, 2023

The author believes that it would be sensible to split the time series frame into 2 periods, when the structural change occurred – the pre-accession to the WTO period (2000-2015) and the post-accession period. During the first period, the country was inevitably increasing its tariffs, while the wave of the liberalization from the accession to the WTO prompted the country to follow the guideline of the organization and move towards more liberalized trade practices, which is especially visible during the last years of the analyzed time period. All in all, the author believes that there is enough of evidence to suggest that the country has made a huge leap forward towards the trade liberalization and trade definitely plays a huge role for the country that is just emerges on the international arena. The next chapter of the bachelor thesis is concerned with the analysis of the structure of trade of the country – both in terms of the structure, and also in terms of partners.

4.3 Structure of Trade

The author selected rather a narrow methodology for the structure of trade analysis, where she is exclusively interested in the following: the identification of the most exported and imported commodity, and the identification of the biggest-importing nation from Kazakhstan and the biggest import destination. Table 3 presents the overview of the dataset collected with the help of OEC.

Table 3, the structure of trade analysis

Year	Exports		Imports	
	Top Export	Top Destination	Top Import	Top Origin
2000	Crude Petroleum	Russia	Refined Petroleum	Russia
2001	Crude Petroleum	Bermuda	Refined Petorleum	Russia
2002	Crude Petroleum	Bermuda	Planes and Spacecraft	Russia
2003	Crude Petroleum	Switzerland	Cars	Russia
2004	Crude Petroleum	Switzerland	Planes and Spacecraft	Russia
2005	Crude Petroleum	Switzerland	Crude Petroleum	Russia
2006	Crude Petroleum	Switzerland	Crude Petroleum	Russia
2007	Crude Petroleum	Italy	Crude Petroleum	Russia
2008	Crude Petroleum	Italy	Crude Petroleum	Russia
2009	Crude Petroleum	Italy	Iron Pipes	Russia
2010	Crude Petroleum	China	Crude Petroleum	China
2011	Crude Petroleum	China	Crude Petorleum	Russia
2012	Crude Petroleum	China	Crude Petroleum	Russia
2013	Crude Petroleum	Italy	Crude Petroleum	Russia
2014	Crude Petroleum	Italy	Cars	Russia
2015	Crude Petroleum	Italy	Refined Petroleum	Russia
2016	Crude Petroleum	Italy	Refined Petroleum	Russia
2017	Crude Petroleum	Italy	Refined Petroleum	Russia
2018	Crude Petroleum	Italy	Petroleum Gas	Russia
2019	Crude Petroleum	Italy	Cars	Russia
2020	Crude Petroleum	China	Heating Machinery	Russia

Source: OEC, 2023

The author begins with the country's structure of exports, whose situation is pretty straightforward. For every single year out of 21 analyzed, Kazakhstan's top product was the crude petroleum, whose share accounted for nearly 45-50%, not even counting other by-products from the oil and gas sector, such as natural gas and other types of product. On the other hand, the situation with top destinations is slightly different and it is likely to change year by year. In the beginning, the top destination of Kazakh exports was mainly represented by the biggest oil-buying company. For cases of Bermuda, Switzerland and Italy, such a high position in the hierarchy of exporting destinations for those countries during individual years

is explained uniquely by the fact that those countries were buying the most oil. However, the case of China and Kazakh exports to this country is not so simple as China also imports other products from China but once again, mainly industrial ones. Therefore, it is possible to draw the bottom line for the country's exports by saying that the country's exports are fully oriented towards the oil and gas sector and the biggest buyer of Kazakh total goods for the majority of years is also likely to coincide with the biggest buyer of products from the oil and gas sector.

On the contrary to the country's exports, the situation with imports is slightly different, but there is still prevalence of products from the oil and gas sector. Surprisingly, the country's most frequently purchased good during the analyzed time period is crude oil, which is imported by Kazakhstan because of two main reasons – re-export of oil, since Russia supplies it at the cost slightly lower than Kazakhstan, and the second reason is the domestic consumption due to shortages. In fact, as it becomes evident by looking at the second-biggest product being imported to Kazakhstan – refined oil, the country has a problem with processed oil and especially diesel, according to Oxford Analytica (2017). This situation leads the country to buy the fuel in large quantities from the Russian Federation. To some extent, such a high position of the Russian Federation in the list of top origins is explained by the fact that Kazakhstan imports large quantities of the most purchased product from its closest neighbor. In fact, given the shared history under the Soviet Union, it is not really likely that any country will shift Russia from its position in the hierarchy of top origins due to the fact that Kazakhstan purchases a huge number of goods from Russia, especially the ones from the agrarian and food industries, i.e., the primary sector. China, despite its might and geographical proximity to Kazakhstan, is not likely to be able to supply Kazakhstan with the same quantities of food due to the fact that the country has to feed its population significantly exceeding the figure of 1 billion people. Therefore, it is vital to say that the most important commodity purchased is crude oil, as well as refined oil, which is explained by the shortage on the domestic market of fuels. For the most important origin of products, Kazakhstan is keen on strongly cooperating with Russia. In the next sub-chapter of the practical part, the author proceeds to the regression analysis, where the quantitative effect of exports and imports on the real GDP of the country will be identified with the help of linear estimation.

4.4 Regression Analysis

Due to the obvious presence of the multicollinearity problem in the linear estimation process, it was decided that the variable of imports will be transformed into a dummy variable reflecting the increase in the country's volume of imports. Therefore, the dataset will contain one observation less and one of the two variables will be of the binary nature, taking the value of "1" – increase in imports, and the value of "0" – no increase in imports. The dataset for the estimation is presented in Table 4.

Table 4, the dataset for the regression analysis

Year	Real GDP, billion USD constant	Exports, billion USD constant	Imports, billion USD constant
2001	75.11	34.82	0
2002	82.47	40.60	1
2003	90.14	43.65	0
2004	98.80	48.54	1
2005	108.38	48.73	1
2006	119.98	52.05	1
2007	130.66	56.78	1
2008	134.97	57.29	0
2009	136.59	50.48	0
2010	146.56	52.04	1
2011	157.40	52.25	1
2012	164.96	54.76	1
2013	174.86	56.24	1
2014	182.20	54.83	0
2015	184.39	52.58	0
2016	186.42	50.22	0
2017	194.06	54.23	1
2018	202.02	59.44	1
2019	211.11	60.63	1
2020	205.83	53.78	0

Source: WB, 2023

Now, the author will proceed to one of the most fundamental steps before any linear regression estimation – formulation of an econometric model for the case, which is:

$$Real\ GDP = \theta_0 + \theta_1 EXP + \theta_2 IMP + U_e$$

After the model is created, it is the time to test the model for the presence of the multicollinearity, which can negatively influence the model. The correlation between the pair of regressors in calculated in Excel and presented in Table 5.

Table 5, the correlation matrix

	Exports	**Imports**
Exports	1	0.26
Imports	0.26	1

Source: Author's own analysis in Excel based on WB, 2023

As a consequence, it is possible to confirm that the transformation of the import's variable helped to get rid of the multicollinearity problem, so it is possible to estimate the parameters of the model briefly mentioned in the earlier paragraph. The parameters that will be fit into the model are presented in Table 6.

Table 6, regression analysis

	Coefficient	**S.E.**	**T-ratio**	**P-value**
Constant	-139.832	51.8	-2.699	0.0152
Exports	5.82	1.02	5.681	0.001
Imports	-19.49	12.75	-1.529	0.1447
R-square	0.65			
Adjusted R-square	0.61			
F (prob)	0.001			

Source: Author's own analysis in Excel based on WB, 2023

The model with fitted parameters is:

$$Real\ GDP = -139.832 + 5.82EXP - 19.49IMP + U_e$$

- In case of a complete autarky (absence of foreign trade, i.e., no imports and exports), the country's real GDP will be equal to -139.832 billion USD. In other words, this specific figure (which is significant, according to the P value) confirms that Kazakhstan cannot actually exist without engaging itself in foreign trade operations.

- With a 1 billion 2015 USD increase in the value of exports, the country's real GDP increases by 5.82 billion 2015 USD, ceteris paribus. The variable is significant and the contribution to the country's real GDP and economy from this variable is identified.

- For years when the imports go up, the country's GDP falls by 19.49 billion 2015 USD. The variable is not significant, so it is possible to suggest that imports do not significantly contribute to the change in the real GDP. However, this can also result from including the dummy variable in the model.

Further interpretations, suggestions and assumptions are presented in the next chapter dedicated to the results and discussion.

5 Results and Discussion

The author believes that thanks to the methodology selected at the beginning of the thesis, she was eventually able to present a complete overview of the current situation with foreign trade in Kazakhstan. During the analysis, where the author applied many different techniques, including the descriptive analysis, time series analysis, structure of trade (geographical and product) and regression analysis, which contributed a lot to the understanding of the current state of play in the studied topic.

To begin with, one of the main objectives of this bachelor thesis was the identification of whether the foreign trade policy of Kazakhstan, as well as its dynamics have chained after the accession to the World Trade Organization in 2015. To begin answering the question and providing the explanation, it is essential to specify that the whole process of joining such an organization generally has a series of prerequisite conditions that have to be met before being granted the full membership in the organization. Of course, every country negotiates those conditions individually with the organization, but they are mostly related to the liberalization of trade and starting to get rid of the majority of non-tariff barriers, such as customs and specific domestic legislation allowing countries to instantly reject any goods entering the country. Therefore, assuming that Kazakhstan out of nowhere started to significantly change everything right after 2015 will not be correct, as Amirbekova et al. (2017) specified it. Instead, what has been identified by the author of the bachelor thesis is that the country has selected a wise approach of not drastically changing something, but they gradually decreased the percentage of ad valorem tariff applied on goods entering the country. Of course, in the context of the country, it is vital to understand that even before the accession, there were no tariffs between the members of the EAEU, which is shared by Kazakhstan and its one of the biggest partners and the biggest importing origin – Russia. Therefore, it is essential to understand that this decrease in tariff provided a good platform for Western countries to trade with Kazakhstan on better terms thus accelerating the integration of the 9th largest country in the world to the world economy. Therefore, it is possible to say that with the ongoing liberalization of the foreign trade and the accession to the WTO, the country managed to partially diversify its partners but most importantly, the country became more open for international companies thus increasing the potential to cooperate with the world's

most prosperous economies on equal terms on day in the future. The author's findings replicate the findings of Amirbekova et al. (2017), EV (2017) and Turakulov (2020).

When it comes to the analysis of the structure of trade in Kazakhstan, the situation cannot be classified as favorable due to a huge dependency on the oil and gas sector, which is especially visible in the structure of exports. Unfortunately for the country, the abundance in oil did not help it to evade problems with the domestic supply of fuel, so the country has to import additional quantities from Russia, which is seen as a huge disadvantage for the country. The troubled state of Kazakhstan's economy in relation to oil and gas is often referred to as a case of the Resource Curse, but the author believes that given its economic performance and a recent political change, the country has all chances to quickly change the situation and become less vulnerable to shocks associated with the oil and gas industry. Those findings of the author contradict numerous findings of international authors – Akylbekova (2015) and Ibadlidin (2011), who believe that Kazakhstan is a perfect example of a country suffering from the Resource Curse.

Finally, it is essential to mention that the country's exports significantly contribute to the growth in the real GDP of the country. The country is attractive to foreign investors, but the recent political change negatively influenced the desire of potential investors to set their foot in Kazakhstan, which is also mentioned by Rakhmatullayeva (2020). Coming to the terms of trade, the country's recent stance highlights that Kazakhstan significantly improved its positions in negotiations with other major players thanks to its strong economic performance and an image of a trustworthy partner, which is often selected alternatively to the Russian Federation, which has had a series of devastating blows to its credibility – the War in Ukraine, the Annex of Crimea and other major international issues. Therefore, the author believes that the country is able to properly use its foreign trade to generate constant benefit to the country thus significantly accelerating the rate of its development.

For the recommendation, given the positive dynamic and relatively good economic performance, there is just a minor suggestion that might increase the potential of Kazakhstan in the long-term perspective. Hence, it is suggested that the country should not fully abandon its specialization in petroleum because the country presents almost a perfect alternative to

Russia, but the country should also develop other sectors of the domestic economy, which can bring even bigger benefit in the future, when all of this oil will be gone one day.

6 Conclusion

With the help of the empirical analysis involving a series of complex techniques – the time series analysis, the descriptive analysis, the structure of trade analysis and the regression analysis, as well as with the help of the literature review, the author was successfully able to study the foreign trade of the selected country. Kazakhstan is the 9th biggest country in the world, according to its surface. Despite the fact that the country has not until lately been a major player on the international economic arena, the country, right after its accession to the WTO, started to be substantially more welcoming towards foreign investors and partners willing to export their goods to the country, which can be noted with the help of the time series analysis.

When it comes to the general role of trade for the country, it was identified that the country cannot actually exist in the case of a complete autarky, which would result in a tremendous economic loss. Alternatively, to the scenario of autarky, the active participation on the international arena is expected to yield the country a significant series of benefits that will positively contribute to the country's economic growth and consequently to the economic development of this rather underrated state. Contrary to the common belief that developing countries that had been a part of the Eastern block are not able to yield a long-term healthy economic growth, and that they trade solely within their region, the case of Kazakhstan proves something significantly different – the country manages to properly balance the trade with the partners from the former Soviet Union region, and the trade with other international partners, such as the European Union (EU), China and Switzerland. Undeniably, if the country will continue in the same way, it is quite likely that the United Kingdom and the United States will also join the others.

The author recommends Kazakhstan not to fully abandon its specialization in the export of oil and gas because it has been yielding the country a lot of revenue over the last two decades and continue to do so even further due to the fact that Kazakhstan started to often being considered an alternative to the Russian Federation, which has proven itself to be not fully reliable and trustworthy due to its controversial foreign policy and strong geopolitical ambitions that often do not go in foot with the country's long-term economic development.

Contrary to the closest neighbor, Kazakhstan seems to follow a distinctive way, which is likely to yield a considerable number of benefits to the country and its residents.

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