

Czech University of Life Sciences Prague
Faculty of Economics and Management
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Bachelor Thesis

International trade between the EU and Kazakhstan

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

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Thesis title

International trade between Kazakhstan and the EU

Objectives of thesis

The main objectives of the thesis are identifying main commodities exported and imported by the EU to Kazakhstan, conducting an analysis of Kazakhstan's foreign trade and determining the impact of the European Union on its development and possible perspectives for its enhancement.

Methodology

In the theoretical part description and explanatory methods are being used. It is implemented by defining international trade and its forms; policies and agreements meaning within the scope of foreign trade and interpreting data to assess the development of Kazakhstan's trade. To analyze the foreign trade of Kazakhstan with the European Union in the practical part will be applied comparative advantage analyses as well as using trend functions and main statistical characteristics. The data which will be used in the practical part is taken mainly from Eurostat and UN COMTRADE database.

The proposed extent of the thesis

40 – 60 pages

Keywords

international trade, import, export, Kazakhstan, the EU, partnership, development, economic growth, trade market.

Recommended information sources

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Declaration

I declare that I have worked on my bachelor thesis titled "International trade between Kazakhstan and the EU" 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 copyrights of any their person.

In Prague on 23.03.2020

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International trade between the EU and Kazakhstan

Abstract

The bachelor thesis deals with the trade between The European union and Kazakhstan. Theoretical part is focused on the concept of international trade, its forms and fundamental theories of the trade. The topic of the EU policies and existing barriers, an economic integration was also touched upon, as well as the relationship built between the two partners and main goals to achieve from it.

Practical part is concerned about the overview of Kazakhstan's economy in the present time, analysis of the commodity and territorial structure of the trade between sides, scrutiny of the key categories of goods imported and exported between and reviewing the European Union countries which are trading with Kazakhstan the most. The last parts of practice are dealing with comparability of prices for the main Kazakhstan's export category of goods between rival countries and a comparative advantage of the country as whole. Results cope with the interpretation of data obtained in the practical part.

Keywords: international trade, import, export, Kazakhstan, the EU, partnership, development, economic growth, trade market.

Mezinárodní obchod mezi EU a Kazachstánem

Abstrakt

V bakalářské práci jde o trhu mezi Evropskou unií a Kazachstánem. V teoretické části jedná se o konceptu mezinárodního trhu, jeho druhů a základních teoriích trhu. Dotknuto téma politiky EU vůči mezinárodnímu trhu a existujících překon, jde tady taky o ekonomické integrace, stejně jako o budování vztahu mezi dvěma partnery a o dosažení hlavních cílů.

Praktická část se týká přezkumu současného stavu kazašské ekonomiky, analýzy komoditní a teritoriální struktury obchodu mezi stranami, studie klíčových kategorií zboží dováženého a vyvezeného mezi zeměmi a přezkumu zemí Evropské unie, které obchodují nejvíce s Kazachstánem. Poslední díl praktické části se týká srovnatelnosti cen pro hlavní vývozní kategorii zboží z Kazachstánu mezi konkurenčními zeměmi a komparativní výhody celé země. Získané výsledky se zabývají interpretací dat získaných v praktické části.

Klíčová slova: mezinárodní obchod, import, export, Kazachstán, EU, partnerství, vývoj, ekonomický růst, obchodní trh.

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List of abbreviations

EU	European Union
USSR	Union of Soviet Socialist Republics
RK	Republic of Kazakhstan
SITC	Standard International Trade Classification
UN	United Nations
RCA	Revealed Comparative Advantage
WTO	World Trade Organization
UK	United Kingdom
H-O	Heckscher–Ohlin
PPF	Production Possibility Frontier
PCA	Partnership and Cooperation Agreement
GDP	Gross Domestic Product
CAGR	Compound Average Growth Rate
mln	million
bln	billion
kg	kilograms

Introduction

Nowadays, the well-regulated foreign trade of the country is an important part of successful economics. These factors as globalization, industrialization, and the development of new technologies predominately have an influence on external economic relations.

The formation of international economic relations of Kazakhstan began after the collapse of the USSR in the 90s of the last century and went simultaneously with the transition from a centrally planned system of management to a market economy. During this period, the Republic also faced many economic problems associated with the rupture of former economic ties within the USSR. The most important tasks of the country were the inclusion in the system of the international division of labor, support of market reforms, creation of currency funds, a saturation of the consumer market, overcoming the crisis of the transition period. Kazakhstan is a young developing country; therefore, it's needed reliable political and economic partners. European direction in the foreign economic policy of Kazakhstan is one of the most important due to the political salience of the European Union in the international system of economic potential and a number of other factors. The EU is one of the largest trading partners and major investors of Kazakhstan, for this reason, it plays a crucial role in economics' development of the country.

This final thesis deals with the importance of foreign trade between Kazakhstan and the EU.

1 Objectives and Methodology

1.1 Objectives

The main objectives of the given thesis can be defined as follows:

- To review the way countries operate foreign trade and to study its forms.
- To ascertain crucial commodities exported and imported by Kazakhstan to the EU.
- To determinate the main EU countries traded with the RK.
- To examine the competitive advantage of Kazakhstan with the rest of the world.
- To compare prices of the main category of Kazakhstan's export to the EU with other predominant trade partners.
- To calculate the growth of imported and exported commodities through the time.

1.2 Methodology

The theoretical part concentrates on determining world trade, its obstacles economies can meet, practices of cooperation. To achieve the given objectives were used description and the explanatory methods by operating with corresponding books, articles, and online resources. The practical part is dealing with the conduction of the analysis of Kazakhstan's foreign trade with the EU, its structure and development.

Implementation of indices in foreign trade statistics to measure the dynamics of commodities turnover, the volume of import and export, production price changes are meant to be used. For calculating indices in foreign trade, it is used two methods of measuring:

1. Base method, when the base of the comparison period remains constant during the examination of several periods. To measure an aggregate index of actual volume in the framework of base method the following formula is being applied:

$$I_{p^{n/0}} = \frac{\sum p_n q_0}{\sum q_0 p_0} \quad [7]$$

2. Chain method uses the levels of the indexed indicator which are compared with the level of the previous period, as in the following example for aggregate volume index:

$$I_{p^n/n-1} = \frac{\sum p_n q_0}{\sum p_{n-1} q_0} \quad [7]$$

Where p is a price of the commodity in the study period, q is a quantity of the given commodity in the period, and n is a given period of measuring.

To structurize the commodities by its origin Revision 4 of Standard International Trade Classification (SITC) accepted by United Nations Statistical Commission is applied:

Table 1. Standard International Trade Classification Rev. 4

SITC Code	SITC Title
SITC 0	Food and live animals
SITC 1	Beverages and tobacco
SITC 2	Crude materials, inedible, except fuels
SITC 3	Mineral fuels, lubricants and related materials
SITC 4	Animal and vegetable oils, fats and waxes
SITC 5	Chemicals and related products
SITC 6	Manufactured goods classified chiefly by material
SITC 7	Machinery and transport equipment
SITC 8	Miscellaneous manufactured articles
SITC 9	Commodities and transactions not classified elsewhere in the SITC

Source: UN Trade Statistics [20]

Evaluation of revealed comparative advantage is provided by the Balassa index. It measures the ratio of a product or industry in national exports to the share in world exports:

$$RCA_t = (X_{ij} / X_{it}) / (X_{nj} / X_{nt}) = (X_{ij} / X_{nj}) / (X_{it} / X_{nt});$$

Where X is an export, i – examined country, j is a commodity or an industry, t is a total and n is a group of the country [7].

The data used in the practical part is taken from United Nations Comtrade statistics database to analyze traded commodities in the period of 2007-2018.

To find out the growth rate of each SITC category during the period was applied Compound Average Growth Rate with the following formula:

$$CAGR = (EV/BV)^{1/n} - 1;$$

Where EV is an Ending Value, BV is a Beginning Value and n is a number of years. [7]

2 Literature Review

2.1 Global Trade overview

Global trade also referred as international trade is an important clue to the well-existing economy. The trade has the influence on relations between countries, job distributing, investment flows, environmental decisions. It avails to use the country's resources more efficiently, to share the world's achievements in technology faster and to meet all the population's needs more fully.

2.1.1 Definition of global trade

International trade is a form of communication between producers of different countries, arising on the basis of the international division of labor, and expresses their mutual economic dependence [6]. By Avdokushin (2003) it is defined as "*aggregate paid turnover of commodities between all countries around the world*".

In most sources, the definition of international trade is given as the process of buying and selling performed by buyers, sellers, and intermediaries in different countries.

2.1.2 Forms of international trade

International trade is defined by two main types: import and export trade. Depending on the origin and use case of goods there are several types of export trade:

1. Export of goods manufactured (or remanufactured) in the country.
2. Export of raw materials and semi-finished products for processing abroad under customs control.
3. Re-export - export of commodities formerly imported from abroad, along with goods sold at international auctions, commodity exchanges, etc.
4. Temporary export of national goods abroad (to exhibitions, fairs, etc.) with subsequent return or export of previously imported foreign goods. (to auctions, exhibitions, etc.)
5. Export of products in the order of direct industrial relations.

The classification of import is including:

1. Import from abroad of goods, technologies for realization in the domestic market of the importer.

2. Reimport-the return importation from abroad of national goods previously imported there.
3. Import of raw materials, semi-finished products, components and parts for processing in this country and subsequent export abroad.
4. Temporary import of goods to international exhibitions, fairs, auctions.
5. Import of products in the order of direct industrial relations [6].

2.1.3 Tariffs and non-tariff barriers

The main goal to achieve by the government using such restrictions toward export and mainly import producers is to protect domestic production on the market with an opportunity to compete.

Majority countries used these tools to restrain exports on the first phases of their development but today such policies have been censured because of unreasonable protection of insufficient domestic industries. The more than 140 countries-members of WTO have tried to quit such regime and have later moved significantly towards freer trade.

The imposition of taxes is the most common using the form of tariffs. There are two fundamental reasons to levy taxes on import production:

1. Protection of domestic production activity to compete with imports;
2. Increasing government wealth.

The government can employ two types of tariffs towards import producers:

1. Specific tariffs

Fixed tax imposed on one unit of an imported good

2. Ad valorem tariffs

The amount of imposed tax depends on the percentage of good's price [5].

Hence, tariffs have a direct influence on the price of import products but only indirect on quantity of it so imported goods on the market can be as many as consumer is capable to buy it. Direct affection on the quantity of import goods has the less wide-spread type of restriction, quota. It is considered as a limitation on the quantity of import products.

The leading forms of quotas:

1. Global quota

Imposed on particular good without specifying from which country it is imported

2. Group quota

Restriction on import for a specific group of countries

Thus, quotas in the opposite of tariffs effect on the quantity of imported goods and indirectly affect prices through the simulated scarcity.

As other nontariff barriers can be included:

- Embargo
A type of quota that completely prohibits the importation of a certain commodity, usually for political purposes
- Sanction
Restriction or prohibition by one country of trade contacts with another country whose actions or policies are condemned by the first
- Voluntary Export Restraints
Request of importing country to exporting to let up import voluntarily

As a result of barriers implementation and taxes levied, the government can increase its revenue, domestic industries benefit from cutting competition but for consumers, as individuals or businesses it means increasing of good prices and the necessity for finding substitution [1].

2.1.4 International economic integration

International economic integration is an economic strategy between at least two countries to eliminate trade, investment and competition interferences [4]. Depending on the period of time and country, there are different motives to assemble an economic integration. Developed market economies are considered the integration as the way to implement the most effective technologies and to allocate them more sufficiently while for developing economies it is usually an instrument for economic growth. In the time of the German Customs Union, economic integration was used by the reason of interdependence and self-certainty.

There are seven types of international integration given by Jovanovic (2015):

- A *preferential tariff agreement* presumes lower tariffs on trade among countries-members by contrast with third countries.
- A *partial customs union* is applied to the assumption of maintaining initial tariffs by participated economies and implementing external tariffs toward third countries.

- A *free trade area* is an agreement between countries of removing all tariffs and non-tariffs barriers on mutual trade, but each country implies its own restrictions toward third countries.
- A *custom union* eliminates all trade barriers between countries-members and creates common external tariffs towards the third party.
- In *the common market*, there is free mobility of factors of production.
- An *economic union* assumes a common market and harmonization of economic policies
- A *total economic union* is considered an absence of barriers to goods, services and factors movement. There is a single economic policy that takes place [4].

Table 2. Implied policies within economic integration

Policy action	Type				
	Free trade Area	Customs union	Common market	Economic Union	Total economic union
Removal of tariffs and quotas	Yes	Yes	Yes	Yes	Yes
Common external tariff	No	Yes	Yes	Yes	Yes
Factor mobility	No	No	Yes	Yes	Yes
Harmonization of economic policies	No	No	No	Yes	Yes
Total unification of economic policies	No	No	No	No	Yes

2.2 International trade theory

2.2.1 The theory of absolute advantage

Adam Smith in his famous book *Wealth of Nations* (1776) firstly mentioned that sold commodity on the international market by domestic country is a product of world division of labor and made the conclusion: if any foreign country can import a product with lower price than the cost of production in the domestic country, it is better to buy it from foreign with some part of the product of our own industrial labor, applied in a field

where we have an absolute advantage. The theory of absolute advantages states that it is expedient for a country to import those goods where its production costs are higher than those of foreign countries, and to export goods for which its production costs are lower than abroad, i.e. there are absolute advantages. Adam Smith stood for free trade and business competition of domestic and world market and strung along with French economic school of physiocrats approach of non-intervention in economic matters by the government [2].

The main point of absolute advantage theory is the following: if a country can produce a particular product quantitatively more and cheaper than other countries, it has an absolute advantage. Under the conditions where there is no foreign trade, each country can consume only those goods and the amount of them that it produces, and the relative prices of these goods in the market are determined by the national costs of their production. Local prices for the same commodity in different countries are always varying. The distinction is based on special features of factors of production, the technologies used, the skills of the workforce, etc. To make a mutually advantageous trade, necessary to have a commodity price on the international market higher than the domestic prices on the same commodity in the exporter country and lower than in the importer country. The benefits that countries derive from foreign trade will be in the increase in consumption, which may be due to the specialization of production [5].

According to the theory of absolute advantage, every country should make specialization out of good production, where it has a particular absolute advantage. Based on the assumption of the theory, foreign trading always stays remunerable for both sides. As long as in correlation of internal prices between two countries the difference is kept, each side will dispose of comparative advantage, i.e. it always has the good, the production of which is more profitable at the existing cost ratio than the production of the rest. The gain from the sale of products will be greatest when each product is produced by the country in which opportunity costs are lower [5].

2.2.2 The theory of Comparative advantage

In 1817 by David Ricardo was described as the first international trade model in his book *On the Principles of Political Economy and Taxation*. The key factor of the international trade model is the Concept of Comparative Advantage.

The Concept of comparative advantage characterizes the opportunity costs of production of goods in the country, which show the relative costs of the production of different goods and services. Countries specialize in the production and export of goods, the production which costs relatively cheaper. The purpose of international exchange is to minimize opportunity costs of production or, if we look at the situation from the other side, to maximize the productivity of the resources available to the country. Trade flows are determined by comparing opportunity costs. The country with the lowest opportunity cost will act as the exporter of any goods, and the country with the highest opportunity cost will be the importer of the goods [3].

Any reasonable export price is not lower than the opportunity cost of domestic production of the goods by the seller, and any reasonable import price does not exceed the opportunity cost of domestic production of the goods by the buyer. The final equilibrium price is a set of the ratio of supply and demand, the results of a negotiation between two countries and other non-economic factors.

A Ricardian model is a useful tool for the understanding reasons for trade and its impact on national welfare on countries. But in the real world, the theory makes misdirect forecasting. Simple Ricardo model predicts an extreme degree of specialization that we don't see in the real world. Also, the Ricardo's model assumes the negative impact of international trade on the distribution of income within countries and thus predicts that countries as a whole will always benefit from trade; in practice, international trade has a strong impact on income distribution. There is a difference in resources between countries as a reason for trade which model is not assuming as well. In addition, it ignores the possible role of economies of scale as a cause of trade, which prevents it from explaining large flows between apparently similar countries [5].

One of the first methods to calculate the comparative advantage index was suggested in 1958 by H. Liesner, which based on this indicator conducted empirical studies of the comparative advantages of the UK in trade with Common market countries. The index is calculated as the ratio of exports of an individual product by a given country to the total exports of a given product by a group of countries:

$$RCA_i = X_{ij} / X_{nj}$$

Where x is an export, i – examined country, j – commodity (or productive industry) and n – a quantity of countries [7].

One of the most implemented ways to calculate the comparative advantage of the country is the Balassa index which was presented by B. Balassa in 1965. The Index is calculated as a ratio between export of one particular commodity in the total export volume of country and the share of this commodity in the total world export volume:

$$RCA_2 = (X_{ij} / X_{it}) / (X_{nj} / X_{nt}) = (X_{ij} / X_{nj}) / (X_{it} / X_{nt}),$$

Where X is an export, i – examined country, j – commodity (or productive industry), t – commodity group and n – group of countries. Under the condition the index is greater than one, the product will have a comparative advantage.

The index is also called Revealed comparative advantage because the calculation is made on the base of already given data about the commodity's export of the given country or group of countries [7].

2.2.3 The Heckschler-Ohlin theory

Further development of the classical theory of international trade is connected with Swedish economists Eli Heckscher and Bertil Ohlin. According to their theory, the country will export goods with relatively surplus resources of production and will import these goods, where there is a relative lack of factors of production [2].

Necessary conditions for existing:

1. The tendency of a member country to export these goods and services which are mainly using surplus resources, and vice versa tendency to import goods and services for which there is a deficit of any production factors.
2. Developing international trade is leading to price equalization of production factors, which means the holder's income of this factor.
3. The ability of redeployment of production factors between countries in case of sufficient mobility.

Intercountry differences in costs relationships H-O theory explains by the relative availability of factors of production (land, labor, capital) and their ratio. Countries will seek to export goods requiring significant costs or, on the contrary, requiring small costs of scarce factors for the country, in exchange for goods produced using factors in the inverse proportion. As a result, surplus factors will be exported implicitly, and scarce factors of production will be imported. Excess factors of production do not refer to their quantity, but to the relative endowment of a country. The relatively greater endowment of the country with factors of production means that the price of the factor itself and the product created

with its participation is lower than in other countries, thus the use of a cheaper factor in the production of goods provides the country with comparative advantages, which determine the structure and direction of foreign trade [5].

The Heckscher-Olin theory successfully explains many patterns of international trade. Indeed, countries mainly export products that consume excessive resources. However, not all phenomena of international trade fit into the theory proposed by Heckscher and Olin. The structure of manufacturing resources available to industrialized countries is gradually equalizing. The center of gravity of world trade gradually shifted to the mutual trade of similar products between similar countries [2].

2.2.4 The Specific Factors theory

The Specific Factors Model was developed by Paul Samuelson and Ronald Jones as a spin-off by testing of the H-O model. Authors assume that the economy produces two goods on the competitive market using two factors of production: labor and capital. In contradistinction to H-O model, only labor can freely move between industries, capital is specific for each producer and absolutely immobile. As an example of specific factors could be equipment or skilled workers.

The equations for both goods are the following:

$$X=f_x(N_xL_x)$$

$$Y=f_y(M_yL_y)$$

Where N_x and M_y represent kinds of capital that are specific for producing of goods X and Y. Furthermore, due to having fixed total supplies of capital and labor, there are the following constraints:

$$N = N_x$$

$$M = M_y$$

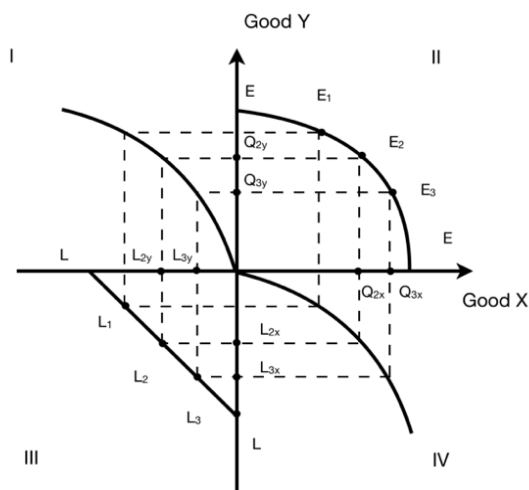
$$L=L_x+L_y$$

Full employment labor is supposed, which means that labor's sum of both industries compiles the labor endowment. Also, it is assumed that all specific factors in industries are involved [3].

The graph consists of four quadrants. Quadrant IV shows the production possibilities frontier (PPF) of the country in case of using all labor resources for production commodity X. Growth of labor cost in this industry is reflected by shifting down on the

vertical axis and growth of its output is shown on the horizontal axis to the right. There is a PPF of the country if it uses all inputs to produce commodity Y in Quadrant I.

Figure 1 Distribution of labor in Specific Theory



In quadrant III on curve LL, there is a wide range of labor distribution between goods X and Y presented. Quadrant II displays a change of the output ratio of product X and Y (in points E1, E2, and E3) on the curve PPF according to different variants of distribution of labor resources between branches of their production (L1, L2 and L3, respectively). EE curve reflects a decreasing return on labor cost in the production of both goods.

The theory of specific factors assumes that two countries have an equal demand and different amounts of produced goods conditioned by an unequal endowment of factors of production. Proceeding this assumption, if there is an abundance of specific factor N for producing good X in country A, and in country B there is relatively higher supply of good Y, in case of absence of foreign trade, the price ratio P_x/P_y in country A will be lower than country B and vice versa. This difference in relative prices on products is leading to foreign trade development. The extension of international trade, in exchange, causes price equalization. Suppose that in the absence of foreign trade, the distribution of labor resources in country A between the production of goods X and Y is given by the point L2. With the development of foreign trade, the increase in the output of goods X will cause the movement of labor resources into this industry (in the graph this will be reflected in moving point L2X to point L3X). Accordingly, the growth in the volume of production of

goods X (Q3X) is reflected in the curve of production capabilities of this product (quadrant IV).

The consequence of moving resources to the production of goods X will be their outflow from the production of goods Y (on the graph this will be reflected in the displacement of the point L2Y to the point L3Y). The corresponding decrease in the volume of production of goods Y (O3U) will be reflected in the curve of production capabilities of this product (quadrant I). The change in the ratio of the output of goods X and Y finds its expression on the curve of production capacity of country A as a whole (respectively, there is a shift from point E2 to point E3) [3].

As a conclusion can be said that the development of international trade leads to price increases on specific factors for export industries and increases of owners' income and also to price decreasing on factors specific to competitive import industries and as a result owners' income decreases.

2.3 Trade policy of the EU

Trading of goods and services has a substantial contribution to develop a stable economic system and to create workplaces, therefore establishing a proper framework is a prior aim for the EU. Trade policies are one of the ways to react to global economic fluctuations and to use potential advantage from trade. The main goal of it is to enhance trade capabilities for companies by free trade and fair competition.

The trade policy of the EU incorporates the market of goods and services, investment flows, intellectual property rights from the perspective of patents and government purchasing [11].

There are three components of EU trade policies:

1. Trade agreements with non-EU countries.

It opens new perspectives on the market and divided into three categories:

- Economic partnership agreements with developing countries of Africa, the Caribbean and the Pacific.
- Free trade agreements with developed countries.
- Association agreements extending political agreements [8].

2. Trade regulations to protect the EU producers from the unprincipled competition as dumping or subsidies.

The adoption of a new set of regulations was made to reduce the risk of dumping from foreign economies for domestic producers. New rules were approved on 20 December 2017 and came into force. Reformed anti-dumping methodology requires the Commission to calculate dumping regards to the proved significant market distortion between the sale price of a commodity and its net cost.

On 28 January 2019, the Council has ratified a regulation to imply safeguard measures for trade agreements. To eliminate the danger of losses in domestic industries by increased imports of particular industry the bilateral security measures were connected to trade agreements. The adjustment regulates free trade agreements with Japan, Singapore, and Vietnam.

To secure businesses and to keep up public assurance on the subject of foreign investments in Europe in April 2019 the framework for the screening of foreign direct investments has come in force. The main goal of the project is the preservation of crucial technologies and interests from risks by creating official points to exchange information on FDI and establishing procedures for quick reactions concerning FDI [9].

3. EU participation in the World Trade Organization to set the rules of global trade.

Fundamental aims for EU in participation in WTO are improving the world's trade market to ease the flow of European goods, services, and benefits; supporting developing countries to establish economic relations worldwide and to strengthen the economy, providing fair trade based on common rules [10].

According to The Treaty of Lisbon that placed in 2007 as a representant of country-members and decisive bodies refer to European Parliament and Council. Parliament influences on adopting international trade agreements by voting in favor of them [11].

2.4 Kazakhstan-European Union relations

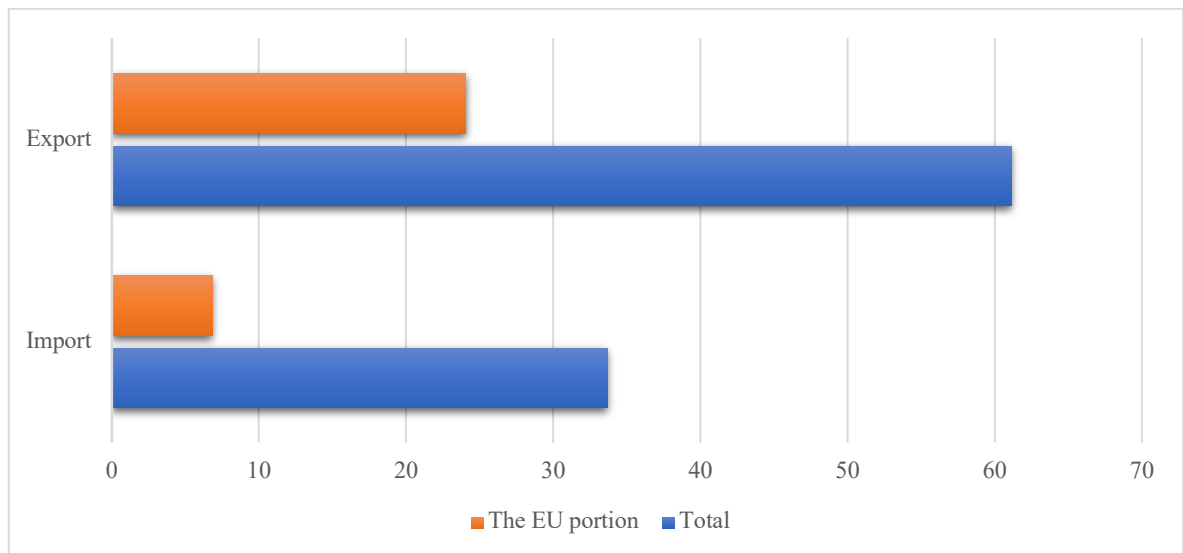
The first decade after Kazakhstan had gained independence, the fundamental directions of relation were trade and investments. After 2002 relationship of two parties started to expand towards policies, energetics, transport, and problems of administration of justice and public order. Within the framework of "The European Union and Central Asia: Strategy for a New Relationship" Kazakhstan is a country of first concern on the regional position.

During the period of 1991-2014, the EU financed about 350 projects to provide a recommendation to the RK government pertaining to health and safety, justice, protection of the environment, education and etc. From the beginning of 2014, Kazakhstan received the status of a middle range income country.

At the current moment from the EU side, Green Economy model transition is supported as well as judicial reform of the penal process and the procedure for enforcing judicial acts and projects to strengthen rural and community tourism [12].

The EU is the prime trade partner for Kazakhstan, it accounts for nearly 40% of the country's amount of export and roughly 20% of its total import for the year 2018:

Figure 2: Kazakhstan's trade flow of goods in value for 2018 in billion \$



Source: UN Comtrade Database [19]

2.4.1 The Partnership and Cooperation Agreement

One of the crucial episodes in relations of Kazakhstan and EU was the signing of the Partnership and Cooperation Agreement (PCA) on 23th of January 1995 in Brussel during the next following meeting of the Council of Foreign Ministers of the EU. From Kazakhstan, the agreement was signed by the president of Kazakhstan Nursultan Nazarbayev and from EU President-in-Office of the European Council Alain Juppe.

The main objectives of the PCA were the following:

1. To arrange required conditions contributing the development of political relations.
2. To encourage trade, investment and stable economic relations between two sides.
3. To create a framework for legal, economic, social, financial, cultural and technological cooperation in the field of peaceful scientific research.

4. To provide support to Kazakhstan in creating conditions for a full transition to a market economy and democracy

By 1999 the ratification of PCA by each member-country was completed and the 1st of July 1999 the agreement came into operation. This process finalized the official political processing of relations between both parties.

As a result of the partnership, the EU already became the largest trade partner of Kazakhstan, over the third of external trade of the country. Export to EU overwhelmingly is petroleum, products of chemical industry and other provisions. Import from the EU is mainly machinery and transport provision, pharmaceutical products and medical facilities. Furthermore, the EU is major investor for Kazakhstan, around 50% of the whole amount of direct foreign investments [13].

2.4.2 The Enhanced Partnership and Cooperation Agreement

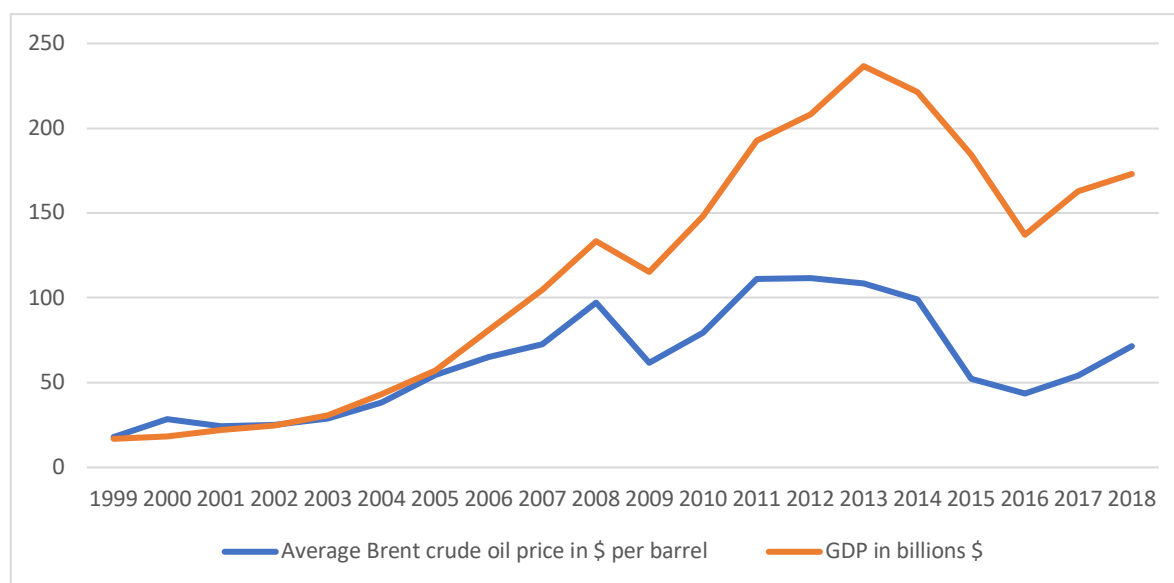
The Enhanced Partnership and Cooperation Agreement was signed on the 21st of December 2015 in Astana to replace existing PCA. The main goal of the agreement is to expand existed economic and political relations between two Parties. It is the first such agreement signed by the EU and country of Central Asia which brings relations of Kazakhstan and the EU to a new level. Replacing of the previous agreement became necessary as a result of significant political, economic and social changes of both partners. In addition, a new Enhanced Agreement expands the cooperation in 29 sectors of politics including transportation, power industry, environment and climate issues, education, social and cultural matters. The ratifying of the new agreement by all members is forthcoming [14].

3 Practical Part

3.1 Development of Kazakhstan's economy

The economy of the RK is reckoned as the largest one in Central Asia. After the dissolution of the Soviet Union and a decreased demand on commodities of Kazakhstan's heavy industry, it suffered from a sharp decline in the economy in 1991, where the lowest slump was in 1994. Nevertheless, after the government's economic reforms and privatization in the period of 1995-1997 boosted general economic growth and led to a shift of assets to the private sector. A significant moment for the growth was the rise of oil prices in the world since oil is the fundamental commodity of export for the country. To see how the economy is relied on the price of oil, in Table 3 GDP value of Kazakhstan, as the appropriate indicator of country's growth, and an average annual price of crude oil are taken. Since Brent crude oil is counted as benchmark crude, the price of other oil brands is highly dependent on it.

Figure 3. Dependency of Kazakhstan's GDP value on oil price (1999-2018)



Source: Statista [18]

On the chart, it is seen that the GDP rises with the price and with a similar tendency drops, especially in the period of the world crisis in 2009 and in 2015-2016. [18]

Moreover, Kazakhstan has the potential to be an exporter of world-class oil from a middle-term perspective. The dominant region of oil production is Atyrau district, where 52 % of all republic oil extraction takes place. Meanwhile, 15 thousand people are employed in the sphere of Atyrau region and 80 thousand people work in oilfield service

companies for the year 2019. An object of foreign investment in the RK is oil company Tengizchevroil. The company is a venture of four companies – ChevronTexaco (US) within 50 % of the share, 25 % - ExxonMobil (US), KazMunayGaz (Kazakhstan) – 20% and 5 % for LukArco (Russia).

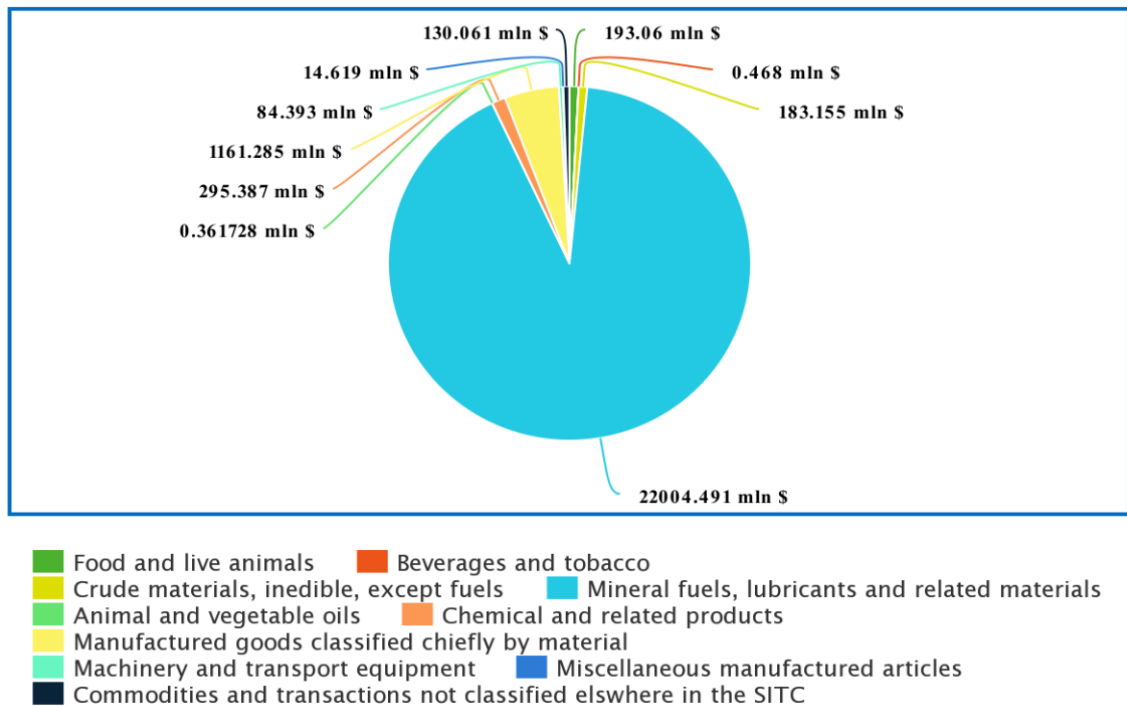
Karachaganak production field is the second largest place of oil and gas extraction, where Karachaganak Petroleum Operating B.V develops the territory. The company is owned by Royal Dutch Shell (Netherlands) with 29,25 %; Eni (US) – 29,25 %, Chevron (US) – 18 %; Lukoil (Russia) – 13,5 %; KazMunayGaz (The RK) – 10% of the share. [17]

3.2 Analysis of international trade between the EU and the RK

3.2.1 The commodity structure of Kazakhstan’s export to the EU

Classification SITC of 4 Revision was taken to review and scrutinize the share of all goods supplied by Kazakhstan to the EU for period of 2018. The fundamental section of goods exporting by Kazakhstan as it is shown in Figure 3 remains *Mineral fuels, lubricants and related materials* with roughly 91% of all export. It represents that Kazakhstan’s economic position highly depends on the prices of these commodities. The second place is taken by Section 6: *Manufactured goods classified chiefly by material* with almost 5%. Remained seven categories of goods (0 – Food and live animals, 1 – Beverages and tobacco, 2 – crude materials, inedible without fuels, 4 – Animal and vegetable oils, 5 - Chemicals and related products, 7 – Machinery and transport equipment, 8 – Miscellaneous manufactured articles, 9 – Commodities and transactions not classified elsewhere in the SITC) cover roughly 4% of all export turnover.

Figure 4. Structure of exported commodities by Kazakhstan in 2018 in mln \$



Source: UN Comtrade Database [19]

Table 3 demonstrates crucial products with the highest value of export of the main segment. Group 333: Petroleum oils and oils obtained from bituminous minerals; crude leads the whole section with 21.6 billion dollars. Residuary three groups of commodities accumulate together nearly 395 million dollars, which makes its share less than 2% of all dominant products.

Table 3: Important products of SITC-7 exported in 2018

Code by SITC	Name of product	Amount in mln \$
321	Coal, whether or not pulverized, but not agglomerated	127.9
333	Petroleum oils and oils obtained from bituminous minerals, crude	21654.9
342	Liquefied propane and butane	154.29
334	Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations, n.e.s., containing by weight 70 % or more of petroleum oils or of oils obtained from	112.53

	bituminous minerals, these oils being the basic constituents of the preparation	
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Source: UN Comtrade Database [19]

In Table 4 the graph reveals the development of the RK's export turnover beginning from the period 2007. During 2007-2008 can be observed a moderate increase in every section apart from Miscellaneous manufactured articles where the value has dropped from 87,7 million dollars to 6,8 and has been staying on somewhat the same level during the next 10 years. Within the period of the world crisis in 2009, almost every group suffered from the dramatic decline in an amount: Section 3 (Mineral fuels, lubricants, and related materials) decreased by nearly 9 billion dollars and Section 6 (Manufactured goods classified by material) fell from more than 2 billion to 625 million dollars. Significant upward is traced especially in fuels category after recovering from the crisis and till the year 2014 can be seen the most profitable period for Kazakhstan's economy. Due to falling of price for petroleum [15]. there is a substantial collapse of fuel's value (from 29,5 bln \$ to 15 bln \$ in 2015) what led to the devaluation of local currency tenge [16]. Since 2016 the value climbed to 22 billion dollars by the year 2018.

Table 4. Export of Kazakhstan in the period of 2007-2018 in mln \$.

Year	Food and live animals	Beverages and tobacco	Crude materials, inedible, except fuels	Mineral fuels, lubricants and related materials	Animal and vegetable oils
2007	171.8	4.27	329.613	15213.447	0.014
2008	330.8	5.07	511.17	22698.924	0.008
2009	154.5	2.89	129.823	13570.249	0.102
2010	159.2	2.98	225.17	18902.566	
2011	164.5	0.427	264.093	29168.037	0.198
2012	172.5	0.683	323.78	29170.187	
2013	140.4	0.193	214.485	29622.263	0.131
2014	114.4	0.312	284.283	29523.497	0.549
2015	102.6	0.621	158.638	15810.372	
2016	102.8	0.223	141.579	11929.324	0.190

2017	138.25	0.124	136.178	17294.635	0.0015
2018	193.06	0.468	183.155	22004.491	0.361
CAGR in %	1.1 %	-18.2 %	-5.2 %	3.4 %	34.2 %
Year	Chemical and related products	Manufactured goods classified chiefly by material	Machinery and transport equipment	Miscellaneous manufactured articles	Commodities and transactions not classified elsewhere in the SITC
2007	244.642	2085.39	25.726	87.774	112.741
2008	209.84	2200.152	40.78	6.815	108.357
2009	315.222	625.859	41.392	6.811	110.805
2010	384.302	743.201	60.953	11.566	175.47
2011	611.757	787.35	106.328	8.881	245.456
2012	377.447	673.744	150.803	11.206	229.029
2013	395.507	785.705	44.171	13.469	153.752
2014	495.622	572.772	97.636	14.748	104.9
2015	390.045	1139.271	50.867	8.726	94.825
2016	342.158	1220.472	91.324	8.837	57.969
2017	316.421	1290.617	48.469	16.962	313.178
2018	295.387	1161.285	84.393	14.619	130.061
CAGR in %	1.7 %	-5.2 %	11.4 %	-15.0 %	1.3 %

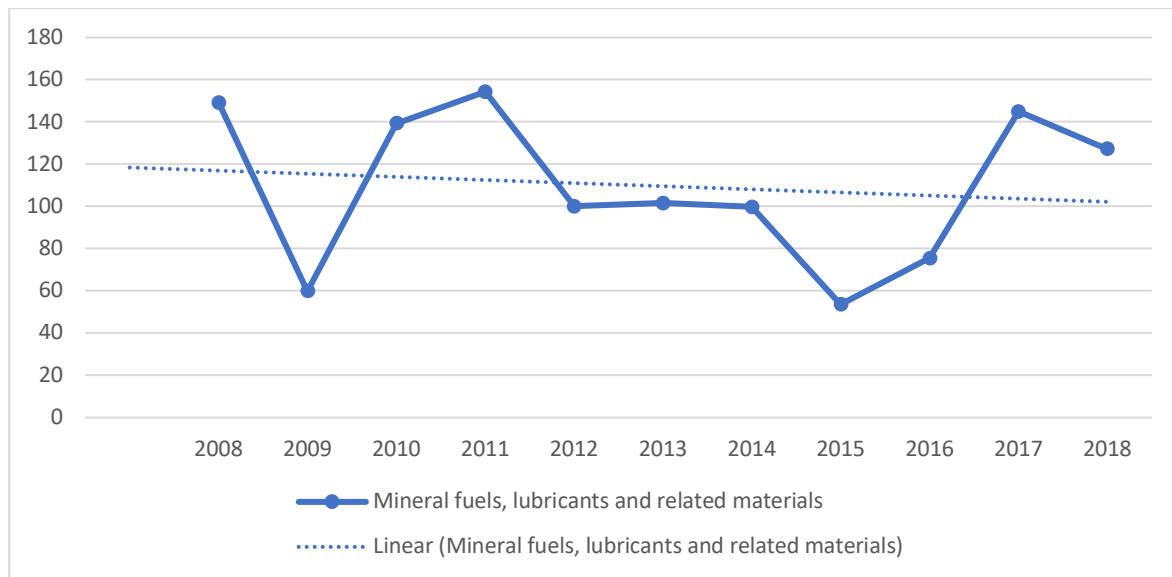
Source: UN Comtrade Database [19]

After every group of commodities was calculated Compound Average Growth Rate (CAGR). The top value is accounted for category SITC 4 *Animal and vegetable oils*, where the growth during 11 years makes 34.2% and the undermost rate is -18.2% in SITC 1 *Beverages and tobacco*. SITC 3, as the fundamental export category has increased by 3.4%.

For measurement of fluctuation in the prevailing categories of export to the EU countries was taken chain index which showed in percentage. Like the first year, 2007 is used and not demonstrated on the graph. Figure 5 shows the oscillation of the amount in each period in comparison with the previous. On the graph, within the year 2008, there is a

value of 149.2 what illustrates a climb by 49.2% of fuel’s section. During the crisis, the amount dropped by 41.3%. The maximum increase was in 2011 where the index reached a peak of 154.3% and the lowest downfall occurred in 2015 where the number plunged to point 53.5. As an average tendency during the whole timeframe from the linear trend the decrease by around 9% is noticeable. The reason for such low inclination can be a slow rise in oil prices and a dramatic drop in it in some periods of time.

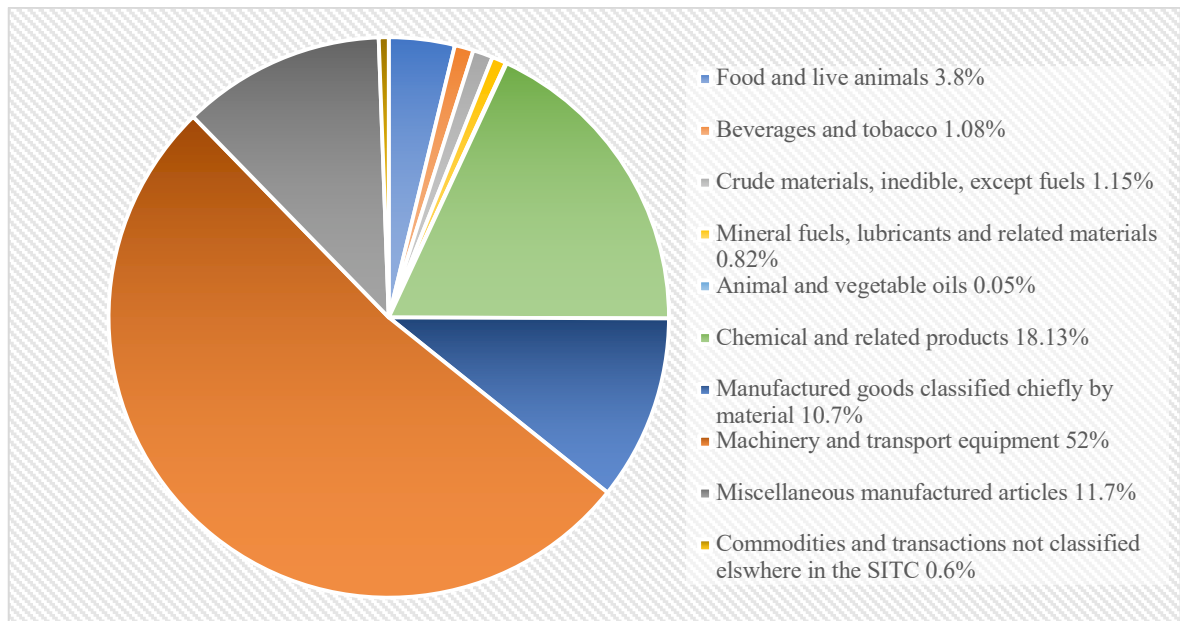
Figure 5. Growth of traded value of SITC 3 (chain index in %)



3.2.2 The commodity structure of Kazakhstan’s import from the EU

The European Union contributes around 20% of the total country’s import (2018 year), where the dominant share of SITC sections is *Machinery and transport equipment*, it comprises 52% of import turnover. Three major sections ensuing after SITC 7 are *Chemical and related products* (18%), *Miscellaneous manufactured articles* (11.7%) and *Manufactured goods classified chiefly by material* (10.7%). The minor group of goods is SITC 5 *Animal and vegetable oils* where the share is only 0.05%.

Figure 6. Commodity structure of imported products by the EU to Kazakhstan by value for the year 2018 within SITC Rev.4 in %



Source: UN Comtrade Database [19]

Since Kazakhstan is developing an oil-focused country, the development of new technologies is the underlying weakness of the country. It is the reason, why it is highly demanded in machinery equipment for the establishment of oil section and further industries in the economy.

Table 5 below clarifies what are the major five products of goods are traded by the EU under group SITC 7. First place takes division 74 *General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.* where the fraction is 33.6%, further divisions 72 and 71 (*Machinery specialized for particular industries* and *Power-generating machinery and equipment* respectively) are somewhat the same level 20.4% and 19% accordingly. Last two sections, 77 and 79, grip 27% in sum.

Table 5. Five main imported products of SITC 7 in 2018

Division by SITC	Name of product	Amount in mln \$
74	General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.	941.6
72	Machinery specialized for particular industries	574.4
71	Power-generating machinery and equipment	537

77	Electrical machinery, apparatus and appliances, n.e.s., and electrical parts thereof (including non-electrical counterparts, n.e.s., of electrical household-type equipment)	440.7
79	Other transport equipment	319.2

Source: UN Comtrade Database [19]

Table 6. Growth of import from the EU to Kazakhstan in the period 2007-2018 in mln \$

Year	Food and live animals	Beverages and tobacco	Crude materials, inedible, except fuels	Mineral fuels, lubricants and related materials	Animal and vegetable oils
2007	174.124	64.703	51.104	59.775	4.532
2008	170.099	53.094	56.762	78.884	8.015
2009	139.54	37.934	51.498	63.161	6.045
2010	223.322	47.174	54.158	76.244	8.13
2011	275.643	63.947	67.866	105.675	12.51
2012	316.95	73.521	94.796	106.733	9.482
2013	321.862	74.132	99.828	117.783	9.345
2014	371.462	77.497	77.739	119.801	6.709
2015	277.432	50.847	63.859	77.894	4.575
2016	220.797	50.195	54.627	60.126	4.429
2017	258.788	56.566	81.072	54.112	3.298
2018	258.794	74.062	78.69	56.246	3.679
CAGR in %	3.7 %	1.2 %	4.0 %	-0.6 %	-1.9 %
Year	Chemical and related products	Manufactured goods classified chiefly by material	Machinery and transport equipment	Miscellaneous manufactured articles	Commodities and transactions not classified elsewhere in the SITC
2007	965.497	987.338	4825.853	968.523	122.04
2008	1066.837	1110.239	4774.452	847.33	169.575

2009	973.083	1050.071	4047.23	840.626	151.924
2010	1165.671	696.527	3505.622	1017.826	106.756
2011	1351.023	860.924	4237.353	1106.549	171.525
2012	1491.607	916.673	4454.244	1178.548	216.593
2013	1835.397	899.008	5047.933	1315.535	150.364
2014	1615.643	848.882	4537.074	1155.406	108.235
2015	1265.523	1371.981	2740.631	901.379	77.558
2016	996.5	858.682	2550.691	723.085	65.504
2017	1217.722	622.204	2587.618	785.837	42.787
2018	1236.311	728.402	3541.615	798.918	39.162
CAGR in %	2.3 %	-2.7 %	-2.8 %	-1.7 %	-9.8 %

Source: UN Comtrade Database [19]

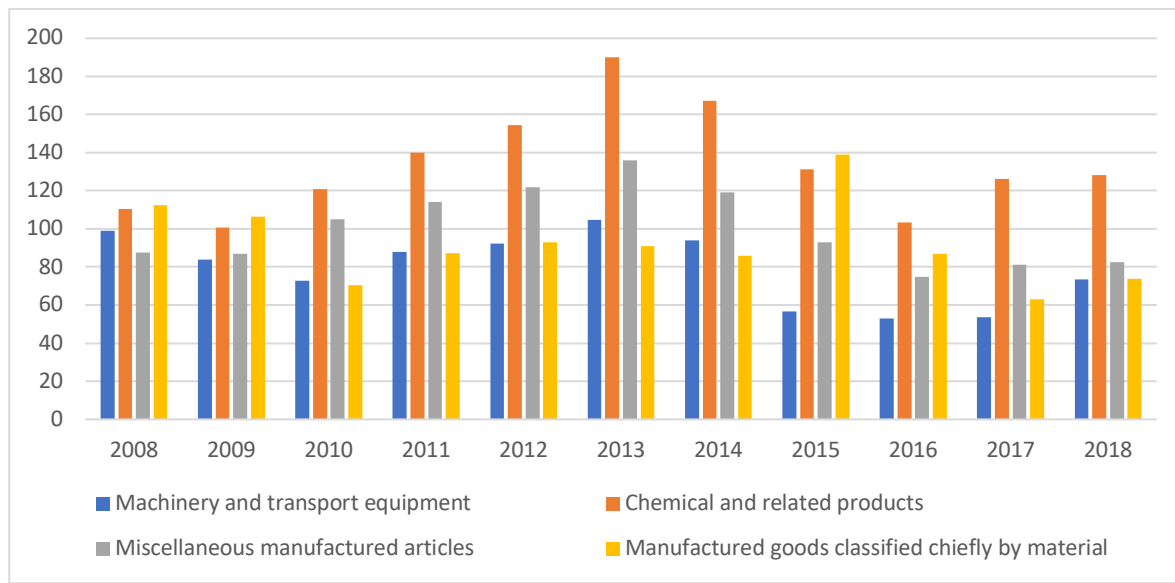
In table 6 is demonstrated growth of imported goods to Kazakhstan on the period from 2007 to 2018. The minimum value of the timeline in each section is highlighted in red color and the maximum reached highlighted in bold.

After the crisis every section of imported goods suffered from loss especially SITC 0 *Food and live animals*, where the amount reached the minimum number of 139 million dollars, compared with the entire period, SITC 1 *Beverages and tobacco* decreased by 9 million dollars in 2009, SITC 3 *Crude materials, inedible, except fuels* dropped from 56.7 to 51.5 million dollars, and SITC 4 *Mineral fuels, lubricants, and related materials*. Group 5 *Chemical and related products* collapsed by 8 % and hit its least amount, which is significant for the total import as one of the prime groups of supplied commodities. It is explicitly observed that each category has its topmost value in the phase of 2011-2015. For instance, SITC 6 in 2013 increased the value by 23 % in contrast with the previous year. In addition, in each section below the last period Compound Average Growth Rate was depicted. There are six groups with a negative rate, where the lowest is SITC 9: *Commodities and transactions not classified elsewhere in the SITC* (-9.8%). The greatest value is a category of *Crude materials, inedible, except fuels* (4%). Machinery and transport equipment, as the dominant import category, has dropped by -2.8 % during the period of 2007-2018.

For scrutiny of the development of four dominant sections was applied base index with 2007 as the base year, therefore in Figure 6, it does not shown. Each index in the chart below is displayed in percentage. In the beginning, 2008, *Miscellaneous manufactured*

articles section has 87.5 data point from which follows it is less by 12.5 % with the base year 2007. For this group, as for *Chemical and related products*, the most remarkable spots are 2013 and 2014. SITC 7 suffers a noticeable downfall in 2015. Comparing with 2007 this period it dropped by nearly 43 % and has a tedious change during further years. More detailed calculations are attached in the Appendix.

Figure 7 Growth of four major import categories in 2007-2018 (base index in %)



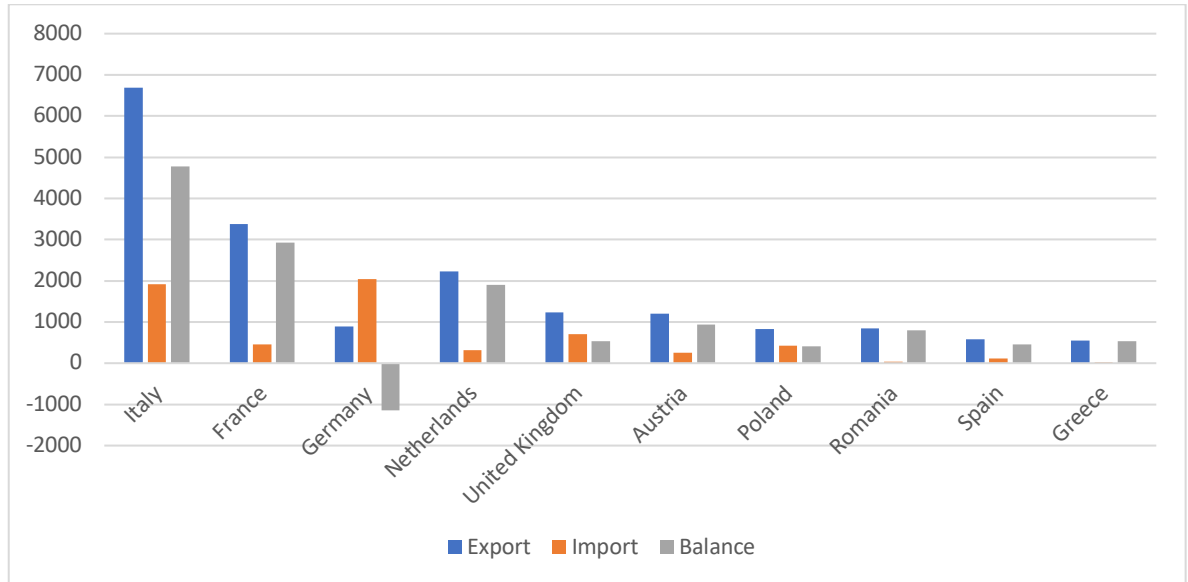
3.2.3 Territorial structure of Kazakhstan trade with the EU

For examination of the territorial pattern of foreign trade by Kazakhstan with the European Union were considered ten countries with the highest value of import and export in two timeframes, 2009 and 2018.

For the first scrutinized period there are five key partners: Italy, France, Netherlands, Germany and the UK. From figure 7 it can be observed that in 2009 predominant trade partner was Italy with the upmost amount of imported and exported commodities (1.9 and 6.7 bln \$ respectively). The most valuable category of imported products of Italy was machinery and transport equipment (1.3 bln \$). The same as Italy, in 2009 Germany specialized mostly on providing machinery equipment (1.1 bln \$) which covers about half of all imports. Significant for imported goods also were chemical products (300 mln \$). The UK in 2009 provided machinery equipment for about 315 million dollars and manufactured goods from metal for 174 mln \$. As an apparent section for exported goods from Kazakhstan to each country is the category 333: petroleum oils. For instance, to France, it was exported by the value of 3.08 billion dollars, 2.04 billion dollars to

Netherlands, 6.4 billion \$ for Italy. As it is visible from the chart below, the only negative number for balance has Germany, where the amount is about -1.14 billion dollars.

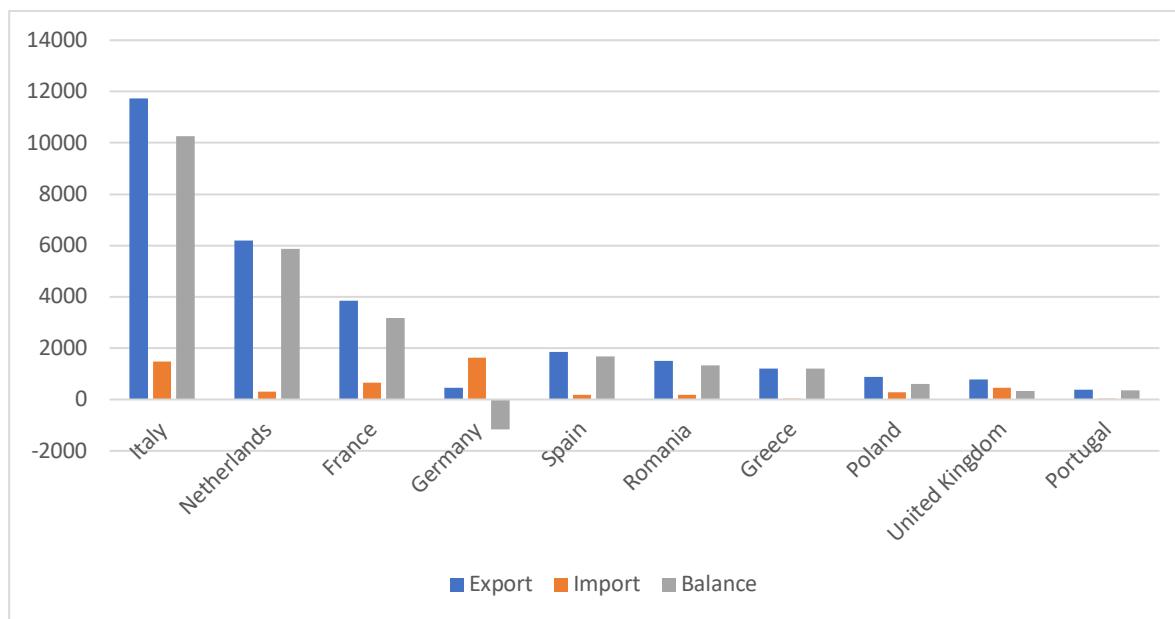
Figure 8. Top-10 European trade partners of Kazakhstan 2009 in million \$



Source: UN Comtrade Database [19]

In 2018 there are remarkable changes in the territorial pattern of trade outlined compare with the previous time frame. Italy almost doubled its import and reduced the amount of exported goods by nearly 30 %. Germany has changed its position by lessening both sections. Still Germany the only partner with a negative balance number in the list (-1.17 billion \$) with the most tradeable countries with Kazakhstan. The Netherlands has enlarged export value in almost 3 times in 9 years, while the import dropped by 10 million dollars. Portugal replaced Austria in top 10 list and such countries like Romania, Spain and Greece raised indicators during these years.

Figure 9. Top-10 European trade partners of Kazakhstan 2018 in million \$



Source: UN Comtrade Database [19]

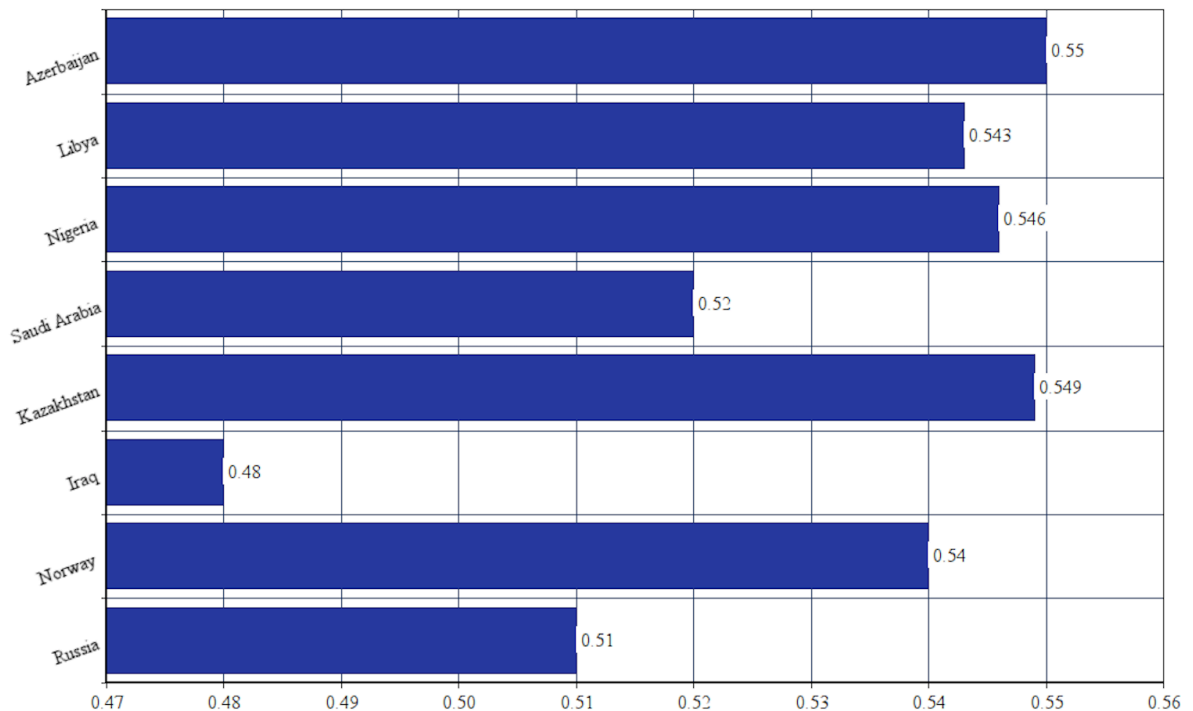
Italy, since it imports 85% of the energy country consumes, has been staying the main European country for Kazakhstan for the last ten years. Business-forum “Kazakhstan – Italy” in 2010 played an important role in the development of economic relations between two countries, where 12 agreements for enhanced trade were signed. Such Italian groups as Eni company (where Italy owns about 20 % of it) and Finmeccanica play a key part in the volume of petroleum oil traded. For instance, it took responsibility for the first stage of the development project of the huge Kashagan offshore field. The entire project employs about 19 thousand local workers. [15]

3.2.4 Price comparison of imported oil to the EU

The main energy consumed by European Union countries is petroleum products. Most of it is imported by third countries. The essential partners for oil trade are Russia (30.3 %), Norway (11.4 %), Iraq (8.2 %), Kazakhstan (7.4 %), Saudi Arabia (6.6 %), Nigeria (6.4%), Libya (5.2%), Azerbaijan (4.5%). Russia is considered as the primary partner, who supplies crude oil, natural gas, and fossil fuels.

For comparison of prices for category 333: *Petroleum oils and oils obtained from bituminous minerals, crude* were taken a net weight of commodity in kilograms what was traded for the year 2018 and trade value during the whole period to see the average price for one kilogram from the particular country what supplied the most.

Figure 10. Average price of category 333 per kg in \$ for the year 2018



Source: UN Comtrade Database [19]

In the chart above averaged prices are shown, where the lowest amount is taken by Iraq with 0.48 \$ per kg, and the most expensive oil is from Azerbaijan, a little bit more than 0.55 \$ per kg. The second high-priced oil is in Kazakhstan – 0.55\$. Nigeria is about the same as Kazakhstan. Russia, as the key partner, sells its commodity for 0.51\$ per kg. Libya and Norway are on that same level with the number 0.54 per unit.

3.3 Kazakhstan’s revealed comparative advantage according to the Balassa Index

The comparative advantage of Kazakhstan with the rest of the world regarding the EU was calculated with the use of the Balassa index and observed by every category of SITC Revision 4 with the whole export turnover of the year 2018 and compared with 2009.

Table 7. Comparison of the Balassa indices in 2009 and 2018

Year	sitc 0	sitc 1	sitc 2	sitc 3	sitc 4	sitc 5	sitc 6	sitc 7	sitc 8	sitc 9
2011	0.1	0.03	0.18	3.58	0.001	0.22	0.23	0.01	0.002	0.15
2018	0.015	0.004	0.207	4.88	0.003	0.118	0.442	0.011	0.004	0.133

It is conspicuous from Table 7 that the only section 3 of *Mineral fuels, lubricants and other materials* has a comparative advantage in both periods. But it is seen that the index has increased in 7 years from 3.58 to 4.88, which in turn means that this category

remains the most valuable for Kazakhstan's economy through the time. SITC 6 *Manufactured goods classified chiefly by material* in 2018 has only 0.442 but comparing with the previous period it has increased by 52% which is quite optimistic growth for such short period of time. If to take a look more into details in the table, it is noticeable that the category of *Beverages and Tobacco, Chemical and related products* and *Commodities and transactions not classified elsewhere in the SITC* has slumped over time. From the commodity structure review, it is expectable to see section 6 *Manufacture classified goods chiefly by material* to be the second predominant category and having a comparativeness with other countries, since it is on the second place of all exported commodities from Kazakhstan in the given periods. But the table reveals the index less than 1 in both ascertained cases. So, as a result, can be said that the only export of category 3 gives revealed comparative advantage to Kazakhstan by trading with the EU.

4 Results and Discussion

4.1 Results

Practical part of the bachelor thesis was dealing with the overview of Kazakhstan economy condition and the analysis of economic relationship between Kazakhstan and the European Union, where was mostly observed period of 2007-2018.

After the USSR dissolution, Kazakhstan had a dramatic deterioration of the economy due to low demand from foreign partners of its heavy industry. Due to increasing of oil prices, the interest from international investors in Kazakhstan's production fields had raised what led to improving of economic situation of the country.

The analysis of commodity structure of export from the RK to the EU shows that prevailing share of traded goods is category 3 of SITC *Mineral fuels, lubricants and related materials*. Chapters 3.2.1 and 3.2.2 shows that the reason of such strong mutual relation between sides (40% of all export from Kazakhstan and 20% of the import in 2018) are connected with the availability of natural resources in Kazakhstan and such technological progress in the EU, which helps to perform extract operations of resources in the country (52% of imported goods are machinery and transport equipment).

From the scrutiny of territorial structure was observed that Italy plays a dominant role in the export to the whole EU, while the Netherlands keeps gaining momentum last years and takes the first places in cooperation. Germany remains strong partner for imported goods what shows how Kazakhstan is dependent on its supply.

From the comparison of oil prices between the main countries what import the commodity we see that Kazakhstan doesn't have an advantage in that, it takes 7th place by the oil cost among 8 countries which are trading the most. The reason of such position can be the remote location of Kazakhstan from the EU what entails to high cost of delivery of the product as well as slow development of new technologies to cut the cost of the extraction.

If to look at revealed comparative advantage of the RK, from the Balassa index we can witness highest rate of category SITC 3 in both periods 2011 and 2018 and growing pattern in it. Besides, SITC 6 *Manufactured goods classified chiefly by material* has a potential for having a comparative advantage in the world, since its index doubled after 7 years.

4.2 Discussion

The results and practical part of the bachelor thesis bring us to the fact that Kazakhstan – The European Union economic cooperation is well established but the main issue is the evidence of how Kazakhstan is relying in its export on just one category of export, what entails to the dependence of the economy condition on prices of oil. Vivid example of such risky influence shows the dramatic drop of petroleum prices in 2015-2016, when the devaluation of local currency is occurred, and the value of exported oil has reduced over the period. Such oscillation makes it extremely difficult to plan the economy as for the state, as for businessmen and citizens. In addition, the concentration on natural resources trade entails to stagnation in the progress of the scientific-technological field and dependence on foreign partners in supplying of required equipment. From the view of the processing of the European market with regard to Kazakhstan, it has solid position due to well-diversified groups of traded commodities. Even with the one most prevailing category, it has three types of goods with substantial amount of share.

From the result of territorial export dominance, Kazakhstan has a weak variety of partners. Having one trade partner who is that much above from the other EU countries in exported goods means strong dependence on it.

If to take into account calculations of Balassa Index, Kazakhstan holds quite strong position in competitive edge in its prevailing export category and it has an improvement with time. But for better diversifying of the economy would be beneficial to enhance export of categories with visible potential, such as *Manufactured goods classified by material*.

5 Conclusion

As a developing country, Kazakhstan has a great prospect for the economic growth and enhance its connection with strong trade partners.

This bachelor thesis was dealing with international trade of the RK and the European Union. Theoretical part focuses on the overview of global trade. More precise about the definition of it, clarifying types of trade, such as export, import, re-export, re-import of goods, were taken into account barriers implied by governments to restrain absolutely free trade in the world, range of economic integration and its difference, distinguishing between existing trade theories for understanding how an international trade processes. To get an idea of the way two sides are operating, it was observed what policies the EU applies for trade with third countries and it was reviewed how the cooperation is pursuing and what agreements were signed between the two partners.

Practical part analyzed which commodities were traded the most and on the base of the research it was discovered that Kazakhstan's prevailing category of exported goods: Mineral fuels, lubricants and related materials, where the share comprises about 91 %. In particular, the category 333: Petroleum oils and oils obtained from bituminous minerals is leading. In import from the EU the most significant group was Machinery and transport equipment with 52% of total traded commodities, in particular categories of General industrial machinery and equipment, Machinery specialized for particular industries and Power-generating machinery and equipment. There are also three superior section which are Chemical and related products, Miscellaneous manufactured articles and Manufactured goods classified by material. In the scrutiny of commodities through the time was observed solid decrease by 9.8 % after 11 years in imported category of commodities and transactions which are not classified elsewhere in the SITC and the maximum increase by 4% in Crude materials, inedible, except fuels. Concerning the import, it was noticeable drop by 18.2 % in Beverages and tobacco and jump by 34.2% in Animal and vegetable oils from 2007 to 2018.

From the territorial perspective of the trade, Italy plays considerable part in its development, especially in export. France and Germany are reckoned as important partners of the RK, specifically Germany, since it is the biggest importer during the last 10 years. The Netherlands for the last 9 years has changed its position in export from the 4th place to the 2nd.

In the last part of the analysis of international trade between the partners were compared oil prices of the main Kazakhstan competitors, since it is the key export category. The results showed 6 countries out of 8 win in terms of commodity price, specifically, Iraq and Russia with the lowest number.

The last chapter of practical part reveals the comparative advantage with the rest of the world in two periods: 2011 and 2018, where the only category with the Balassa index greater than one is Mineral fuels, lubricants and related materials in both years.

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7 Appendix

Table 8. Calculation of base index in % in 4 main imported categories

	Machinery and transport equipment	Chemical and related products	Miscellaneous manufactured articles	Manufactured goods classified chiefly by material
2008	98,93	110,50	87,49	112,45
2009	83,87	100,79	86,79	106,35
2010	72,64	120,73	105,09	70,55
2011	87,81	139,93	114,25	87,20
2012	92,30	154,49	121,69	92,84
2013	104,60	190,10	135,83	91,05
2014	94,02	167,34	119,30	85,98
2015	56,79	131,07	93,07	138,96
2016	52,85	103,21	74,66	86,97
2017	53,62	126,12	81,14	63,02
2018	73,39	128,05	82,49	73,77