

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Master's Thesis

**The Analysis of Economic Performance and Foreign Trade Development in the
Republic of Kazakhstan**

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

DIPLOMA THESIS ASSIGNMENT

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Economics and Management

Economics and Management

Thesis title

The Analysis of Economic Performance and Foreign Trade Development in the Republic of Kazakhstan

Objectives of thesis

The main aim of the present Master thesis is to identify the main determinants of Economic growth and foreign trade development in the Republic of Kazakhstan over the last 20 years.

Since Kazakhstan possesses significant oil reserves, minerals, metals as well as considerable agricultural potential it becomes interesting to investigate whether mentioned advantages contribute to a sustainable economic growth and what are the country's foreign trade developmental trends.

To achieve the formulated main goal the following partial research questions will be stated and gradually answered:

1. Which countries were the main trade partners for Kazakhstan in the beginning of the analysed period and which of them became key partners at the end (both importers and exporters)?
2. What goods constitute the bulk of foreign trade turnover in Kazakhstan?
3. Trade in what items had demonstrated a revealed comparative advantage over the analysed period?
4. What is the dynamics of associated macroeconomic indicators in Kazakhstan?
5. What are other factors, that play an important role in economic development of Kazakhstan?

Methodology

The theoretical part of the Master thesis will be mainly based on a relevant literature review (represented by printed literature, scientific articles, surveys, web sources) and the research of similar studies, using methods such as abstraction, inductive reasoning, analysis, synthesis, and deduction.

The practical part will contain descriptive statistical analysis and qualitative thematic synthesis of the main economic indicators, and selected for the analysis variables will be used in regression analysis.

The results of the conducted analysis will be discussed and complemented with the author's corresponding recommendations.

The proposed extent of the thesis

60-80

Keywords

Kazakhstan, GDP per capita, Foreign Trade, Economic growth

Recommended information sources

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Declaration

I declare that I have worked on my master's thesis titled " The Analysis of Economic Performance and Foreign Trade Development in the Republic of Kazakhstan" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the master's thesis, I declare that the thesis does not break any copyrights.

In Prague on 2022

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I would like to thank Mgr. Elena Kuzmenko, Ph.D for support and supervision of the thesis during writing and for understanding

Abstract

Kazakhstan was part of the Soviet Union 30 years ago, where the country was the centre of an oil region. Industry and the service sector did not play a significant role in the economy during the Soviet period. The country was basically adapted for the export of oil and original raw materials. Moreover, it was regulated by central consumption, where the country could not make any economic decisions. After the collapse of the Soviet Union changes in the country's economy. First, the government changed its audience from an agricultural country to an agro-industrial one, which was at the initial stage of development independence. Kazakhstan is one of the developing countries in the world. Collaborate in America trade with foreign countries like the Commonwealth of Independent States, China, Germany, South Korea and so on. The government was included as a member of the World Trade Organization. In this master's thesis on foreign trade of the Republic of Kazakhstan has been analysed. Analysis of the rationale for the period 2000-2020 major changes. In this thesis the representative commodity structure of foreign trade. Comparison foreign trade partners have also been reviewed for an appropriate period of time. According to this analysis, all dependent variables (gold, oil, inflation, population, environmental impact) has a strong impact on foreign trade turnover of Kazakhstan.

Keywords: GDP, Export, Import, Foreign Trade.

Analýza ekonomické výkonnosti a vývoje zahraničního obchodu v Republice Kazachstán

Abstrakt

Kazachstán byl před 30 lety součástí Sovětského svazu, kde byla země centrem ropné oblasti. Průmysl a sektor služeb nehrály během sovětského období v ekonomice významnou roli. Země byla v podstatě uzpůsobena pro export starých a původních surovin. Navíc to bylo regulováno centrální spotřebou, kde země nemohla dělat žádná ekonomická rozhodnutí. Po rozpadu Sovětského svazu

změny v ekonomice země. Za prvé, vláda změnila své publikum

ze zemědělské země na agropřemyslovou, která byla v počáteční fázi rozvoje nezávislosti. Kazachstán je jednou z rozvojových zemí světa. Spolupracujte v americkém obchodě se zahraničím, jako je Společenství nezávislých států, Čína, Německo, Jižní Korea a tak dále. Vláda byla zařazena jako člen Světové obchodní organizace. V této diplomové práci byl analyzován zahraniční obchod Republiky Kazachstán. Analýza zdůvodnění hlavních změn v období 2000-2020. V této práci je reprezentativní komoditní struktura zahraničního obchodu. Srovnání

po přiměřenou dobu byla rovněž přezkoumávána zahraniční obchodní partneři.

Podle této analýzy mají všechny závislé proměnné (zlato, ropa, inflace, populace, dopad na životní prostředí) silný dopad na obrat zahraničního obchodu Kazachstánu.

Klíčová slova: HDP, Export, Import, Zahraniční obchod.

Table of content

1.Introduction.....	9
2.Objectives and Methodology.....	11
Objectives.....	11
Methodology	11
3.Literature Review	13
3.1 Overview of international trade.....	13
1.2 International trade theories.....	14
1.3 Global organizations that have influence on foreign trade.	15
1.3.1 Foreign trade operations.....	17
3.2 The role of foreign trade in the country’s economy	18
3.2.1 Structure of international trade.....	20
3.3. WTO vs protectionism policy	25
3.4. Formation of international trade.....	28
3.5 Balassa index.....	31
4.Practical part – The analysis of foreign trade development in the Republic of Kazakhstan.....	34
4.1 Overview of Kazakhstan economy.	34
4.1.2. Kazakhstan and WTO	37
4.1.3 Kazakhstan during the World crisis 2007-2008.....	39
Key sectors in the economy of Kazakhstan	41
4.2 Export and import of Kazakhstan.....	43
4.3 Goods that make up the bulk of the foreign trade turnover of Kazakhstan.....	49
4.4 Dynamics of associated macroeconomic indicators in Kazakhstan	49
4.5 GDP of Kazakhstan during 2000-2020.....	51
4.5.1. The regulation of trading activities	53
4.5.2 Objectives and principles of regulation of trading activities	54
4.5.3 Structure of Foreign Trade in Kazakhstan	55
4.6 RCA analysis	56
Conclusion.....	59
References	60
List of abbreviations.....	62

1.Introduction

Foreign trade is the most important fact for every county in the word for economic growth and development. For sure, this is also can be limited by the variety of goods in a particular country. This thesis describes economic performance of the Republic of Kazakhstan and development in forms of foreign trade.

Kazakhstan is the post-Soviet Union country. During years1936-1991 (the existence of the Kazakh SSR) leading industries were mining non-ferrous and ferrous metallurgy and was also considered an agrarian industrial country. The country is rich in resources and, in this regard, the share of the extractive sector in the total volume of industrial output of the republic was twice as high as the average Union level (Esentugelova, 2021). After the collapse of the USSR, Kazakhstan, having survived the most acute socio-economic crisis, was one of the first in the region to begin to form a national economic model based on market principles. (MGIMO, 2013).

Due to its favorable location and friendly attitude, Kazakhstan pursues a balanced foreign economic policy. After independency Kazakhstan has economic and political ties with Russia, China, several other Asian countries and the European Union. Our country has rich, vast agricultural lands, skilled workers, and significant industrial potential. Today Kazakhstan has a really working market economy.

At present, the source of economic growth is the exploitation of the country's raw material potential. Compared to the years of Soviet power, the volume of raw materials production increased by 225%, while worldwide production increased many times less.

Kazakhstan consistently pursues an open foreign trade policy. According to EU Commission Kazakhstan and EPCA was signed in 2015 and applied on May 2020. Thanks to agreement it was created a better regulation in bussines such as:

- trade in services;
- establishment and operation of companies;
- capital movements;
- raw materials and energy;
- government procurement, and;
- intellectual property rights. (EU comission, 2021)

Trade and economic relations between the Russian Federation and the Republic of Kazakhstan are characterized by a high level of comprehensive partnership. At the same time, cooperation in the fuel and energy and mining and metallurgical complexes, agriculture, transport and communications, automotive, mechanical engineering, manufacturing, chemical and aerospace industries is especially active and large-scale.

Export of the main goods of the Republic of Kazakhstan to the PRC - mineral products, metals, and products of the chemical industry. Imports of the main goods of the PRC to the Republic of Kazakhstan are machinery, equipment, vehicles, instruments and apparatus, products of the chemical and related industries, metals, and products from them.

Kazakhstan is an independent republic relatively recently, but despite such a short period, our country is making progress in developing the economy not only internally, but also externally.

This Master's thesis will show the current state of the economy of Kazakhstan and analyze the performance of foreign trade from 2010 to 2022. Changes in the commodity structure of the country and the main trade partners of Kazakhstan will also be considered. At the very end of the thesis, a conclusion based on the analysis and recommendations will be provided.

2.Objectives and Methodology

Objectives

The main aim of this diploma thesis is to analyse the performance of the Republic of Kazakhstan economy in terms of foreign trade development during 2000-2020. The analysis will be performed based on the statistics of Kazakhstan's import and export data.

In order to achieve this goal, the following subjects will be reviewed:

- General concept of foreign trade in Kazakhstan
- Explore the main products that are exported and imported 2000-2020
- What economic policies were applied on those specific years and how effective is it?
- Findout the factors that affect the foreign trade of Kazakhstan
- Which countries were the main trade partners for Kazakhstan in the beginning of the analysed period and which of them became key partners at the end (both importers and exporters)?
- What goods constitute the bulk of foreign trade turnover in Kazakhstan?
- Trade in what items had demonstrated a revealed comparative advantage over the analysed period?
- What is the dynamics of associated macroeconomic indicators in Kazakhstan?
- What are other factors, that play an important role in economic development of Kazakhstan?
-

Methodology

This thesis will first present the current situation of foreign trade in Kazakhstan. To cover main objectives were used several analytical methods like regression model, Balsall's index.

The first part of the thesis will theoretically explain the economic indicators in the world, theories of trade, which trade organizations have influence on economical market

based on relevant literature review (represented by printed literature, scientific articles, surveys, web sources)

The practical part will contain descriptive statistical analysis and qualitative thematic synthesis of the main economic indicators and selected for the analysis variables will be used in regression analysis.

The results of the conducted analysis will be discussed and complemented with the author's corresponding recommendations.

3.Literature Review

This part of thesis will discuss literature review which were gathered from books and online materials and during study of Bachelor and Master's degrees. Then, there will be a discussion, literature on Balassa index. And then will be the literature for a simple regression analysis.

3.1 Overview of international trade

Foreign trade is an extremely significant utility of economic growth and with the beginning of globalization is becoming more. Trading is determining in the concept that it allows countries to benefit not individual in economic terms but also in community terms.

Through trade, states can buy services, raw materials and even finished products that they cannot produce for various reasons: whether it is territory or a lack of important resources. As long as the country has financial and political capabilities, trade provides for the basic needs of the people, as well as for luxury goods. In today's world, such activities allow the availability of services and products in all corners of the world. In addition, international trade allows not only the flow of goods but also money capital, thereby stimulating the quality of life and the development of the economy. Nowadays, trade between countries is developing and increasing in connection with attempts to achieve success in the development of countries. Moreover, it is impossible to develop the country's economy without being present in the international trading arena. World trade is the basis of foreign economic relations. As a result, deepened opportunities for capital appeared and financial international credit relations began.

Factors in the generation of international trade:

- Unequal distribution of resources between surfaces and nations. For example, Kazakhstan exports crude oil, copper, and natural gas mostly to Russia and China. (Kapital. kz, 2020)
- The principle of absolute advantage is that countries benefit from trading with each other if each of them specializes in the production of goods that it can produce with fewer resources than its trading partners.
- The principle of relative advantage is that it is more profitable for each country to export those goods for which its selection prices are relatively lower than in other

countries. For example, Russia has a relative advantage over Ukraine in glass production, and Ukraine has an advantage over Russia in cement production.

Recently, there have been and are now significant changes in the directions and structure of the world trade, which are increasingly difficult to explain within the framework of the classical theory of trade. In this regard, existing theories are being developed and new ones are being developed. Among such developments, the factor of technological development is also taken into account, which becomes the dominant factor in world trade, thereby increasing the trade turnover of industrial goods produced in countries with approximately the same supply of factors of production and a sharp increase in the share of world trade in commodities in intra-company trade.

Improvement in the quality of production, communications and logistics around the world makes trading easier, which means that the development of international trading is inevitable. Each factor has its pros and cons. The development of international fashion trade will bring income inequality as well as large multinational companies take a large part of the market share.

1.2 International trade theories.

The evolution of economic development on international trade relations spans more than one century, and the methodology of theoretical tools covers almost all economic schools. This chapter provides an overview of the theories of foreign trade and foreign trade regulation. It covers both classical theories and modern ones.

The theory of absolute advantage, according to which it is profitable for each state to export those goods, the cost of production of which in the country is lower, than in other countries (the absolute advantage of the exporting country), and to import those goods whose production costs are relatively higher (absolute advantage of importing countries). That is, trade between states can be mutually beneficial. The main prerequisite for mutually beneficial trade is the differences in production costs in different countries. A prerequisite for economic development is non-intervention in the economy by the state and the development of production through the division of labor and competition.

In practice, states do not always specialize in the production and export of goods that are competitive in the external market in terms of price. Most often this happens when specializing in one product. The reason for the inconsistencies observed in real life is strict assumptions of the theory of absolute advantages. Such as elastic demand for goods and services, labor as the only factor of production, full employment, zero transportation costs, the absence of foreign trade barriers, etc. All these conditions rarely occur simultaneously in practice, which makes the theory of absolute advantages largely an abstract construction.

1.3 Global organizations that have influence on foreign trade.

Foreign relations and trade involve coordinating actions with various countries that help organize and facilitate trade flows and supplies.

World Trade Organization (WTO).

The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. (WTO, 2022) WTO is in Geneva, Switzerland and was established on 1 January 1995, created by: Uruguay Round negotiations (1986-94) And has membership: 164 members representing 98 per cent of world trade. The WTO operates on a one-nation one-vote ideology meaning that each member has equal standing in the organization. However, one of the criticisms for WTO is the existence of smaller groups where the real negotiations take place and least powerful member countries are left out in informal discussions which influences overall decision-making.

International Development Association (IDA) was set up in 1960 as a partner of the World Bank. IDA was set up essentially to offer fund to the less developed countries on a soft loan basis. (International Business, 2022). To provide resources on better terms than those offered by the World Bank, IDA provides special "loans". These loans are interest-free loans with a longer repayment period of 35 to 40 years and a grace period of 10 years. These types of loans are offered to the poorest countries to help them achieve their development goals, at times despite illness and conflict. IDA has 172 member countries that pay contributions every three years to replenish their capital. a position in the IDA is only available to countries that are members of the World Bank, in particular the IBRD. To qualify for IDA support, countries are assessed for poverty and insufficient creditworthiness for commercial and IBRD loans. The association ranks countries based on

their per capita income, lack of access to private capital markets, and the effectiveness of policies in implementing economic or social reforms that promote growth and fight poverty.

International Monetary Fund. The IMF is an international organization that aspires to promote financial stability, economic growth, and cooperation among its members. Headquartered in Washington D.C., it is made up of 189 member countries. (International Monetary Fund, 2021). The Fund does not financially help poor states, but its participants during short-term crises. The scheme can be described as follows. The participant needs the currency in order to improve the financial condition. The IMF helps him financially - it issues loans under certain circumstances, as well as a series of recommendations that the participant must follow. The situation in the state stabilizes (in the best case), the loan is returned. The fund is formed from the contributions of the participants. In the future, the size of the contributed quota affects the distribution of votes. The global goals of the fund include: assistance in the development of cooperation between states in the field of finance and currencies, as well as in the development of a multilateral settlement system; assistance for trade between states, as well as measures to allow currencies to remain stable; providing sources to participants who are in difficult financial circumstances. The IMF, first of all, controls that the monetary and financial system in the world remains in balance, and that there is also a stable system of exchange rates and settlements. This allows predicting acceptable crises, inflation and powerful fluctuations in rates. The organization is engaged in education and helps to train economic personnel. Independently develops standards of financial statistics, collects and publishes them. At the moment when the participant is in a difficult condition, he is credited and given a set of recommendations.

International Chamber of Commerce. As supplier of standards for international trade. The ICC carries out various activities, the main interest for exporters and importers is the role of the ICC as a developer of international trade, legal and banking standards. Thus, the ICC has developed rules governing international practice for documentary letters of credit. The ICC serves international business by facilitating trade and investment and opening markets for goods and services, as well as the free movement of capital. It protects the private enterprise system and encourages business self-regulation. Founded in 1919, the ICC is a non-governmental organization whose members are thousands of companies and business associations from over 143 countries and all sectors of the economy.

Approximately 90 ICC National Committees around the world inform their governments about the views of the international ICC community and, on the other hand, draw the attention of the international headquarters in Paris to the problems of national business.

1.3.1 Foreign trade operations

Foreign trade operations is a set of economic actions on the part of different countries. It is prepared by different economical agreements between developed countries, measured by monetary tools, which is characterized by the ability to develop the volume of foreign trade of the country for a certain period of time.

Based on international trade experience, several basic principles can be distinguished:

- Export policy should be long-term and focused on meeting the needs of partners. It is necessary to become useful for a partner to such an extent that he cannot and will not want to do without you and will not prefer you to any other competitor. You cannot look at exports only as a source of foreign exchange earnings, this is the wrong way. The goal is usefulness to the partner, and foreign exchange earnings are the result of an effective export policy.

Priority in organizing trade in foreign markets should be given to rich countries. At the same time, it is necessary to use all the possibilities of other markets with maximum completeness. This is explained by the fact that developed countries have much more capacious markets in terms of needs and income than other countries.

Orientation to such markets creates the basis for the large-scale development of the production potential of the exporting country.

- It is necessary to constantly update the structure of exports and move up the steps of progress. Stopping at any stage means giving way to competitors-followers and losing the driving forces of growth. An example is Japan Turban G.V. Economics and management of foreign economic activity.

At the end of the 1950s, when the foundations of mass automobile production in Japan were being laid, Western Europeans dissuaded Japanese businessmen, referring to the principle of comparative advantage in foreign trade, the meaning of which was discussed

in the previous paragraph. They argued that it was necessary to use the advantages of Japan in the production and export of textiles, to develop this specialization, relying on nearby sources of raw materials, and to buy equipment in the West in exchange for textiles. This is in line with the international division of labor. But if Japan followed this path, then after some time the developing countries would push it aside in the competition in the textile market due to the huge mass of cheap labor. But by this time, Japan had already gone ahead and began to export capital to these countries for the production of textiles, while itself remained an exporter of textiles to the United States.

- All the best and advanced - for export. This is the basis of structural policy and foreign economic strategy. The best domestic goods, with which many propose first to saturate the domestic market, can only be considered competitive on the world market and thus provide a source of income to provide their population with them tomorrow.

Foreign trade turnover of the palace complex of states (or areas, lands)

export is also import. Foreign trade work - joint commercial work in the field of trade international products, activities (service). In addition, foreign trade work is approaching export also import of products, labor. Foreign trade can be calculated as:

$$\text{Foreign Trade Turnover} = \text{Export} + \text{Import}$$

The rest of foreign trade is able to have a positive or negative significance is also extremely rare merges to zero. In accordance with this, it is possible to say about the positive or negative balance of the trader's balance state. A negative commercial equilibrium indicates the emergence of an inactive trader's equilibrium. Also, on the contrary, a positive balance determines the intensive commercial equilibrium of the state.

3.2 The role of foreign trade in the country's economy

International trading activity – this procedure for exchanging products and offers among different states are also integrating. International trading activity has been from ancient times but has become the most general scientific word only in the nineteenth century, if practically without exception all formed states began to participate in international trade.

The formation of international trade is based on the benefits that the beloved gives to the state's assistance in mute. The concept of international trade provides an understanding

of this, what is in the database income from foreign trade, or in this case, something that sets the direction of foreign trade jets.

International trading activities are intended as a device, with the support of which state, forming their own qualifications, able to increase the efficiency of existing resources also, in a similar way, increase the size of products also the services they create also increase the degree of well-being of the residents.

International sales were traded by numerous popular economists. Basic the concept of international trade is a given mercantilist concept, the concept of unconditional positive aspects. A. Smith, The Theory of Comparative Advantage by D. Ricardo and D. S. Mill, Heckscher-Ohlin theory, Leontief paradox, product life cycle theory, M. Porter theory, Rybchinsky's theorem, as well as the theory of Samuelson and Stolper.

In economics, absolute advantage refers to the capacity of any economic agent, either an individual or a group, to produce a larger quantity of a product than its competitors. Introduced by Scottish economist, Adam Smith, in his 1776 work, "An Inquiry into the Nature and Causes of the Wealth of Nations," which described absolute advantage as a certain country's intrinsic capability to produce more of a commodity than its global competitors.

Smith also used the concept of absolute advantage to explain gains from free trade in the international market. He theorized that countries' absolute advantages in different commodities would help them gain simultaneously through exports and imports, making the unrestricted international trade even more important in the global economic framework. (What is Absolute Advantage? , 2022)

In our time period, international trading activities are characterized by similar features, as well as outdoor trading activities. Commodity circulation, export also import, commercial equilibrium. International trading activities and joint work are considered the base for the purpose of significant income for many states, for example, today emerging states export a variety of varieties of products and services to emerging states as well as states with economies in transition. Today, the Celestial Empire is also the Country of India joining the number of more developing countries with a significant increase in their share in international trade.

International trading activity is of major importance in providing competitive strengths to local firms, bringing them to overseas markets, spurring financial growth as well as generating more zone workers.

Another benefit of international trade:

- The greatest variety of products available to the public for the purpose of use. The introduction of international trade into today's entrepreneurship is able to help the brand to obtain the natural resources of the material from the states that work in its manufacture, instead of providing them with modern and translating food products.
- Efficient separation is also the best use of resources. An excellent understanding of the international trading power can help you to clarify the highest management according to the prevention of duplication of resources, which is capable of harming the surrounding area, thus most providing your state with the best promotional ability as well as manufacturing. Made a revolution in goods.
- Increases production efficiency. The admission of LLM graduates of international trade credentials is able to provide an opportunity for a firm to create strategies for manufacturing a product with the least likely cost, thereby increasing the share of bargaining as well as increasing brand benchmarks.
- More zone workers. The international trading activity has kept its own stamp, establishing more workers in the zones in order to meet the needs of foreign countries, thus contributing to the society and mutual understanding the most, which have every chance to combine to a minimum amount of swing in trade and balance the world economy.

During our WTO period, merchandise imports are projected to increase by 10.8% in 2021—in line with a change from the 8.0% predicted in March—due to how the 4.7% increase in 2022 follows. Difficulties with prescription margins, such as semiconductor shortages and ports shortages, have the potential to trigger chain congestion and also impact trade on a large scale, however unlikely to occur in bulk joint performance. The largest cases of infection. (WTO, 2022)

3.2.1 Structure of international trade

International trading activity is considered to be a more well-formed and popular configuration of international financial relations. It captures the main role from among the current political interests and issues of the states of society. For this reason, the study of its essence, the dynamics of the formation and the current texture is considered a significant

component in order to establish the outward politicians of the country of its formation projects.

Qualification in one state, certain product can be obtained according to low cost also in excellent condition. This enables them to effectively apply the means in the manufacture of products. In state, products that are by no means elementary in application or which have no chance of being made, are taken from worldwide trade. The interchange is carried out at wholesale prices also through international exchanges. During the final decade, the share of trade among the formed also developing states in the total amount of international trade increased over time - from 20% in 1985 to 22% in

1995 The formed states trade according to the old chief among themselves, but with the aim of developing states they existed also remain important trading partners, more profitable bazaars implemented their export product is also the best basis of the foreign product they need. Of course, during the 1980-1990s. foreign trade requirement of developing states deteriorated in connection with the fall in world prices in raw materials, which until the last period constituted a prohibitive share of their export. Over the period since 1980, according to 1995, world crude prices oil, for example, decreased by almost 4 times, in cocoa beans - almost 3 times, but in espresso approximately 2 times. Experts continue to discuss it, this reduction of the world cost fleeting or continuous. But the emerging states, the export profits of which to a significant extent were dependent on the cost in the data also other commodities, previously suffered substantial financial losses that significantly stopped their financial increase is also shaping.

Significant share of international trade control

considered to be a World Trading Company. Based in 1995, January 1st. WTO has been replaced prior trading system Leading contractual agreement under Tariffs Also of Trade (GATT).

The main task of the WTO is solved for this, in order to conduct mass discussions about international trade, in which place at the court welfare of the people of its members. The government of Kazakhstan is a member of WTO. Kazakhstan joined the WTO in 2015 27 June. Presence of joining the WTO The country has opened the market for the purpose of supplying products from more than 160 states of the society. The dynamics of the texture of imports demonstrates that the share of WTO member countries in the total amount of imports from the Republic of Kazakhstan is 95%. (Tengrinews, n.d.)

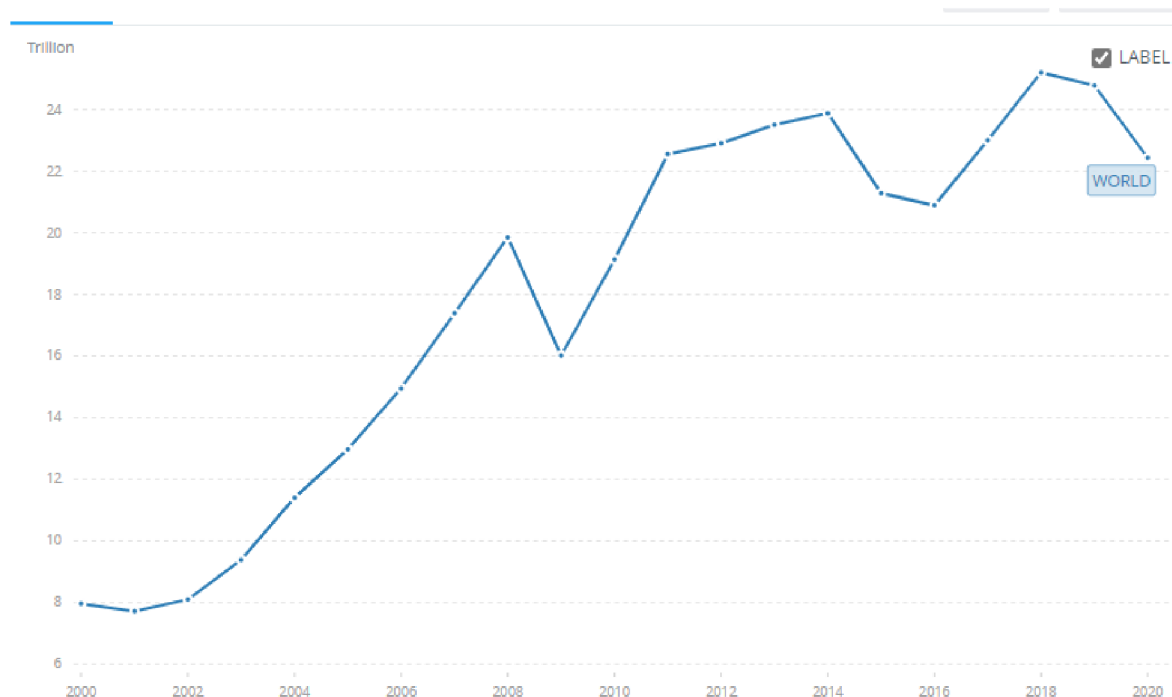
According of Minister of affairs:” The first to benefit from joining the WTO are export-oriented domestic enterprises due to the removal of barriers to the access of Kazakhstan goods to the markets of WTO member countries. And the obvious beneficiary of Kazakhstan's WTO membership will be agriculture. The agreements reached on the permitted levels of support for domestic agriculture, together with a fairly high tariff protection of the market for basic types of food, will make it possible to complete the modernization programs for the domestic agro-industrial complex and develop exports. Moreover, in the medium term, the country will be able to increase Kazakhstani food exports using the WTO as a mechanism to open up world food markets.”

Entering the trading system is this acquisition of a single system of positive aspects: the development of the forecasted trade and investment sphere, increasing the course of its integration into the world economy, providing access to world markets for Kazakhstani products and services, reducing tariff and non-tariff barriers in trade in industrial and agricultural products, subsequent liberalization of international trade and the formation of circumstances for the purpose of independent and reliable competition. In addition, the state is able to assist in the regulation of international trade in products and offers on the basis of general principles as well as laws, but also in accordance with the generally recognized standards of the state's trading legislation, which also corresponds to internationally recognized standards and standards. Participation in the WTO also makes it possible to apply a productive multilateral mechanism for the settlement of trade disputes in foreign markets, in this amount through the use of a company in the property of a "negotiation platform" in order to carry out multilateral negotiations. (Tengrinews, n.d.) The great opportunity of the world market is showing a huge impact in public markets, which have every chance of being positive or negative in the interests of states.

International exchange – given the totality of absolutely all states that satisfy the market demand for imports. industrialized states prevail in the formed market and participate in finished products (most 70 percent of world exports), in which case the period as well as the emerging states in the main will take part in the export of material used materials also activities.

According to the World Bank exports of good and services were decreased from 2018 to 2020. Such deterioration is due to pandemic worlds as COVID 19.

Figure 1. Exports of goods and services in the world. (USD trillion).



Source: World Bank, 2020

Above graph shows how world export reached to 25.1 trillion USD in 2018 which is the highest score during 2000-2018. It remained to raise since 2000 till 2008 where world crisis had occurred during this year. Before increasing, it dropped by 15.8 trillion USD in 2009. And on 2020 decreased again on 22.3 trillion USD.

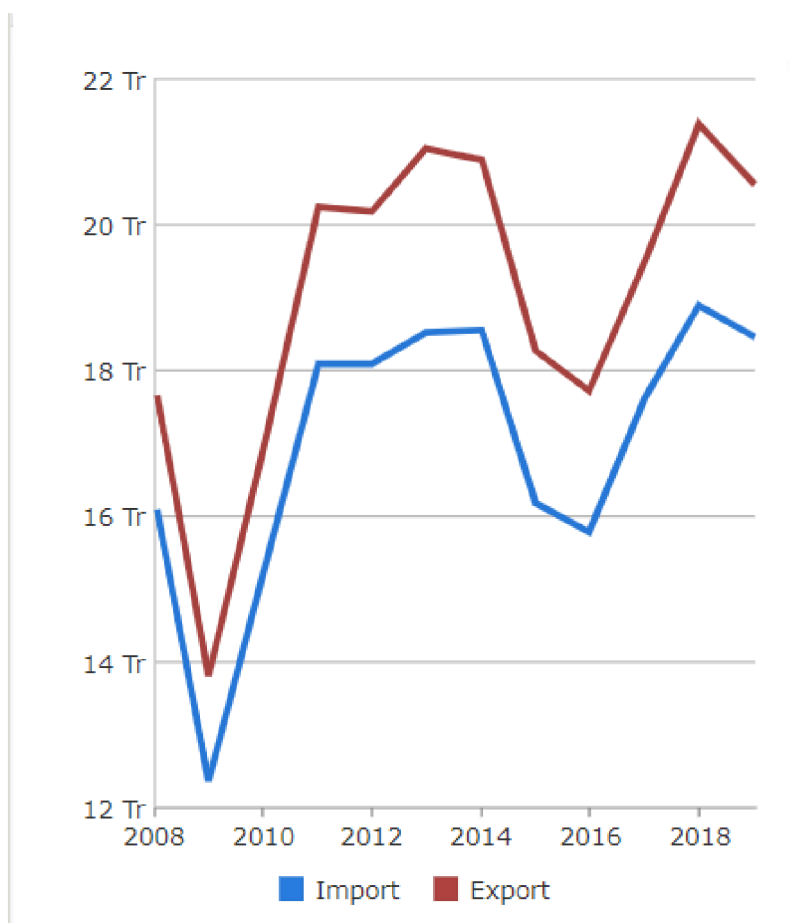
As mentioned before Kazakhstan participates in the world market with its exports of raw materials, energy, non-ferrous metals and other imports of technology, chemical products and foodstuffs. The main partners of Kazakhstan in international market are Russian and China.

During 2000-2021 years international trade activity was formed in sharp pace, as well as its no less sharp declines. In 2008, the global crisis severely shook the economy of the whole world. The largest state-owned mortgage companies in the US have also been hit. And subsequently, accordingly, all this caused a wave of decline in the American market. And this fall affected absolutely the entire market, not just because the American economy (the American stock market) has a direct impact on all markets on our planet. But also because these financial instruments, created on the basis of mortgage portfolios of

American banks, were invested by investors from all over the world. Including, Kazakhstan lost quite a lot of millions of dollars that were invested in American securities. The second fall for the global market was a world pandemic. Never has the world dealt with such a global problem. The depth of the fall of the Kazakh economy after the start of the pandemic is still being clarified. In the first half of the year, it decreased by 1.8% with an observed current account surplus of 3.8% of GDP. Exports in January-May fell by 5.5% in annual terms, but the trade balance avoided deterioration due to a 9.3% drop in imports. Despite the fall in oil prices in March this year, the contracts signed earlier helped Kazakhstan to increase oil exports by 14% year on year. (World Bank , 2020)

According to WITS (World integrated trade solution) world export and import. It has increased upwards also downwards due to a gap due to various circumstances, such as international financial decline, sanctions due to some states or a change in the value of strategic foodstuffs oil and gold.

Figure 2 World import and export



Source: World integrated trade solution.

Foreign trade activities provide great opportunities for profit and offers with government This is in addition to the fact that there is an opportunity to change the financial characteristics of states. Society participation in international trade through exports and imports activities. According to the opinion of the World Bank specialists, the main part of international trade is required in the old way, the acquisition of educated states in the coming year, just as the states of America, England, Germany, Japan. It is also significant that China and India are also taking on significant revealing in world trade, therefore, as well as in relation to the income data of the more than 2 trillion inhabitants of the society.

According to experts, at the beginning of the 21st century, the United States of America also Asia is considered a more competitive state in international trade. By 2030 the United States of America, Japan also China has every chance to be recognized as more competitive states. Germany, Singapore, South Korea, Malaysia and Switzerland will lead this kind of long-term opportunity, forecasts.

A study of the current capital of international trade demonstrates that international trading activity intensively formed and improved over the past decades. Someone contains not only formed, but also emerging transitional economies, around any state financial benefit. But this circumstance, that the formed states are giving great interest outdoor trading activity is also a great financial opportunity of the state - see what sets the perspective international trade policy.

3.3. WTO vs protectionism policy

The World Trade Organization is a multilateral interstate organization that has been operating since January 1, 1995. It meets as a successor to the Tariffs and Trade Agenda (GATT) at the end of the Uruguay Round of many of the 1986-1994 trade conferences held under the auspices of the GATT. Uruguay Capture Round on 15 April 1994 by the Marrakesh Protocol (Final Act), which opened the signing of the Agreement Establishing the WTO. (WTO, 2022)

The mission of the WTO is the liberalization of international trade through its regulation mainly by the coefficients of the possibility of the presence of a gradual reduction in

import benefits, but excluding the exclusion of various non-tariff barriers, as well as quantifiable restrictions.

The functions of the WTO are supervised by the implementation of trade agreements, serving the consequences among the ordinary WTO, taking part in attracting traders from among the WTO members, monitoring trade representatives of WTO representatives, permitting a public organization (WTO, 2022)

Principles of the trading system:

- Trade without discrimination. Under WTO agreements, countries generally cannot discriminate between their trading partners. Give someone a special favor (such as a lower customs duty rate on one of their goods), and you should do the same for all other WTO members.
- Freer trade: gradually, through negotiation. Reducing the risk of barriers is the most obvious environmental violation of trade. Relevant barriers include customs duties (or tariffs) and restrictions such as import bans or quotas that selectively limit quantities.
- Predictability: through binding and transparency. Sometimes a promise not to raise a trade barrier can be just as important as lowering it, because the promise gives businesses a clearer picture of their future options. With stability and predictability, investment is encouraged, jobs are created, and consumers can enjoy the full benefits of competition—choice and lower prices. The multilateral trading system is an attempt by governments to make the business environment stable and predictable. (WTO, 2022)

The main task of the WTO is to oversee trade liberalization procedures among member states. The most significant impact of the WTO - includes its discussion identified treaties among countries. Relevant cases have every chance be regarded mainly by 4 steps causing dispute in the WTO:

- consultations between the parties;
- adjudication by panels and, if applicable, by the Appellate Body;
- the implementation of the ruling, which includes the possibility of countermeasures in the event of failure by the losing party to implement the ruling. (WTO, 2022)

There are a constant discussion in the world market about this, “should the state exercise independent trade by the politician or should it apply some kind of protection for the purpose of certain goods?” Economists, philosophers, experts, politicians, and other

academics have been discussing this issue for several decades in the past. Factor at the same time also in protectionism, also in independence

Trading Activity has its own advantages and disadvantages. In this problem, up to these times, there is no exact or ideal solution.

Protectionism is a type of trade policy by which governments attempt to prevent or limit competition from other countries. While it may provide some short-term benefit, particularly in poor or developing nations, unlimited protectionism eventually harms the country's ability to compete in international trade. (Longley, 2018)

Protectionism Methods:

- Tariffs. More commonly applied in protectionist practices, tariffs, except for those referred to as "duties", are taxes levied on specific imported products. prices paid by importers, the cost of imported products in areas of income growth. One of the most famous tariffs is the Smoot-Hawley Tariff of 1930. Initially intended to protect American farmers from the post-World War II influx of European agricultural imports, the bill eventually approved by Congress added high tariffs on many other imports. (Longley, 2018)
- Import Quotas. Trade quotas are "non-tariff" trade studies that involve quantifying what product can be imported during a given period of time. Limitation of demand for imported products occurs synchronously, paid by buyers, given to regional manufacturers the opportunity to keep a fortune in the auction due to the result of tobacco consumption.

Protectionism has its own pros as well as cons. The superiority of protectionism is usually attributed to further:

- Protectionism protects young sectors of the economy. The newest area formed in other states, but previously formed in others, in the absence of protection (According to at least for the time being). These foodstuffs often do not compete with provisions during the stay.

from abroad, however according to the lowest cost. The newest sphere needs the independence of protection. In this case, the cost has every chance of being reduced

- Customs payments are considered significant earnings of the government budget. Given profit the publication is quite significant for the purpose of the budget.
- Protectionism is prescribed by severe structural unemployment generated by the importation of the most inexpensive also the most readily available products. As a

result of monitoring the workers of the zone, auxiliary economic expenses claimed from unemployment benefits, but also increasing access restrictions also in states. There are enough shortcomings around protectionism, the most noticeable with which participants adhere to the foundations of independent trade. I protectionism considers the price as well as all sorts of other measures required in limiting imports to remote areas within the interests of protecting domestic firms from foreign takeover. A domestic manufacturer does not have to worry about foreign competitors, as well as their missing catalysts. Small sets are almost available, and they also give the opportunity to purchase access to the smallest number of products in the trade due to the limitation in foreign products. Buyers are primarily interested in not seeing this or that or significant improvements in the product. This often leads to social and political activities as well as cultural endowment, which, during the next rotation, leads to even more emissions. To get succeed, protectionism demands the unrealistic expectation that the protectionist country will be able to produce everything its people need and expectation. (Finance Rule, 2021)

3.4. Formation of international trade

A retrospective assessment of the formation of international trade is carried out in accordance with this aspect, which is equal to the main actions in society. Emphasize 5 stages of development of international trade.

- Stage I - the initial commercial period (1500-1850);
- Stage II - the period of formation of international trade (1850-1914);
- Stage III - the period between the two world wars (1914-1945);
- Stage IV - the post-war period (1945 - the first half of the 70s);
- Stage V - the period of globalization of the world economy (the end of the 70s - to our time).

The first stage comes from the time of the famous geographical discoveries, which caused an intensive export of products to the newly discovered territories. Export products were finished products made from regional material. Trading activity with colonial products contributed to the formation of capitalism in Europe and for more than three hundred years characterized the formation of international trade. The implementation of colonial trips was

accompanied by a huge risk, but the extraction of rapid and significant profits, meant a powerful catalyst to attract the newest accomplices of trade.

The second stage is characterized by the final consolidation of the colonial states against the backdrop of the rapid industrial formation of European states, USA. Trading Activity is increasing at a faster pace than manufacturing. By means of this, the macroeconomics of different states becomes the most open. Commodity composition of international trade is changing. Thus, the trade in spices, which had flourished in the preceding centuries, is being replaced by the exchange of raw materials (approximately 60% of the total trade) also by the exchange of industrial products.

The third stage is characterized by similar main events:

- The First World War, which broke the economy of European states.
- A huge financial decline in 1929-1933, which was rather firmly determined by the problem of the productivity of domestic trade.
- World War II, which shattered the world financial concept, also rapidly shook the confidence of developing nations in trade as well as the driving force of financial growth.
- Subsequent reassignment of world bazaars.
- Transformation in 1944 to a new, most effective Bretton Woods monetary concept.
- Development of 2 global concepts of the economy.

Already after the 2nd World War, the issues of trade liberalization became the focus of interest of the governments of almost absolutely all states of the society.

The 4th stage of the formation of international trade is characterized by the corresponding main actions:

- The collapse of the international colonial concept is also the active formation of the former colonial countries, which are made by the newest players in the world markets.
- Increasing the formation of world economic concepts: capitalist and socialist.
- Export of funds from abroad within the state limits, what provided the increase in the export of products, the appropriation of profitable bazaars realized, the keys of the material.
- Promotion of integration and trans nationalization actions.
- Formation of massive international institutions.

The 5th stages have such events:

- World financial decline in 1971 and 1973, which led to the failure of the Bretton Woods monetary concept. Introduction to the process in 1978 verb. Jamaican money concept.
- The first and 2nd oil declines in 1974 and 1979 are due to a significant increase in the value of black gold by the System of Petroleum Exporting Countries (OPEC);
- The banking decline in the United States of America in 1979 verb., which led to a single increase in profitable pond also set numerous emerging states, recipients of individual bank loans, on the verge of ruin;
- International debt declines 1982 verb., which is associated with the difficulties of service duties by developing countries;
- Strengthening of existing also emergence of the latest integration associations (in 1989 year. - APEC, in 199, in 1994 year. -oil, COMESA, in 1995 year. - MERCOSUR ;
- Formation of the World Trade Organization, which is the basis for functioning in 1995 year.
- The introduction in 1999 by states of a single currency is also the implementation of a collective monetary policy.
- Since the beginning of the 1990s, international competition has increased significantly, its newest figures appear, which are based in an increasing number of subjects of world economic relations, which in no way have a specific national adaptation. .
- Scientific and technological changes in the field of communications, data processing, motor transport, which turn the globalization of bazaars and manufacturing into a material reality.
- The international economic decline of 2008-2009, which prompted a decline in global demand, which is why there was a reduction in the size of manufacturing in Europe, China, the Land of the Rising Sun, India. This led to a sudden contraction of the world trade in products and services, a reduction in the cost of raw materials, an increase in the lack of work.

3.5 Balassa index.

According to the UN Conference on Trade and Development, Revealed Comparative Advantage (RCA) is “based on the Ricardian theory of trade, which postulates that patterns of trade between states are governed by their relative relationships, productivity difference. however, any difference in performance is difficult to observe.

The RCA metric can be easily calculated using trading data to "detect" such differences." As the key idea of RCA is to help "bring out the difference", the usual RCA approach is “compare the occurrences of industry shares with their occurrence and draw a conclusion about the capture comparable advantageous studies of the actual turnover of production and / or trade flows "

The Balassa Index was first introduced by Bela Balassa in 1965 and was based on traditional trading theory and the first empirical use of Lisner (1958)

The Balassa index appears to be the main and most widely used measure of RCA in the literature (Yu, 2009). The government is said to have a revealed comparative advantage in a given product i. when its ratio of exports of product i to its total exports of all commodities (products) exceeds the same ratio for the world as a whole (UNCTADstat) as equation (1) below:

$$RCA1 = \frac{\frac{X_{ij}}{\sum_i X_{ij}}}{\frac{\sum_j X_{ij}}{\sum_i \sum_j X_{ij}}}$$

Where:

X_{ij} = exports of commodity i by country j

X_j = total exports of country j

X_{iw} = exports of commodity i in the world

X_w = total world exports

The formula shows that if the result of $RCA1 > 1$, country i has a comparative advantage in production j; the larger the index, the stronger the advantage. on the contrary, if the result of $RCA1 < 1$, this indicates that country i is relatively disadvantaged in production j; the smaller the index, the greater the disadvantage. While the RCA of the Balassa is a useful

measure of whether a country has an advantage in commodities, the issuance index (Yu, 2009). According to UNCTADstat, “While this indicator can be used to get a general idea of

and as a first approximation of profitable exporting countries, it should be noted that accidents that affect economic efficiency, such as tariffs, non-tariff measures, subsidies, and others are not counted in the RCA metric. Balassa

RCA contains empirical inconsistencies such as population index and variable mean, hence, this prompted a private change in the Balassa index. Gnidchenko and Salnikov (2015) measure that results may vary depending on number of goods. For example, the RCA result for one country with excess export consumption goods will be higher in a country with large exported product categories. Another discovery, RCA Balassy ran into the animals due to the fact that the data was post-trading. data, therefore, any changes applied in the commercial trade, (Vicente, 2020).

One of the RCA indices, proposed by Donges and Riedel, in which there is not only exports, but also imports of the country, can be found in the form of equation (2) below:

$$RCA2 = \frac{\frac{X_{ij} - M_{ij}}{\sum_i X_{ij} + M_{ij}}}{\frac{\sum_j X_{ij} - \sum_j M_{ij}}{\sum_i X_{ij} + \sum_j M_{ij}}}$$

Where:

X_{ij} = export value of product i of country j

M_{ij} = import value of product i of country j

The formula shows that if the result of RCA2 >1, country i has a comparative advantage in production j; the larger the index, the stronger the advantage. On the contrary, if the result of RCA2 <1, this indicates that country i has a comparative disadvantage in the production of j; the smaller the index, the greater the disadvantage (RCA indices, n.d.). However, in another discussion, the values of this index range from -∞ to +∞ (depending on the net exports index for a country's total trade). If the country is a strong net exporter or an importer (say, its net export index is above 0.5 or below -0.5), then its extreme values

are highly limited (in this example, from -2 to 2). But if a country's exports and imports are close, then the index can potentially take on very large values, and this is a disadvantage of the Donges-Riedel index.

The RCA index proposed by Vollrath to improve the asymmetric constraint of the Balassa index (Yu, 2009). This index calculates exports and imports relative to the rest of the world using a formula as in equations (3), (4), (5) below:

$$\text{RCA4} = \frac{X_{ij} / X_{ik}}{X_{nj} / X_{nk}} - \frac{M_{ij} / M_{ik}}{M_{nj} / M_{nk}}$$

$$\text{RCA5} = \ln \left(\frac{X_{ij} / X_{ik}}{X_{nj} / X_{nk}} \right)$$

$$\text{RCA6} = \ln \left(\frac{M_{ij} / M_{ik}}{M_{nj} / M_{nk}} \right)$$

Where:

X_{ij} = export value of product j of country i

X_{ik} = total export value of other products of country i

X_{nj} = export value of product j of the rest of the world

X_{nk} = total export value of other products of the rest of the world

M_{ij} = import value of product j of country i

M_{ik} = total import value of other products of country i

M_{nj} = import value of product j of the rest of the world

M_{nk} = total import value of other products of the rest of world

According to Vollrath (1991), "positive RCA4, RCA5, or RCA6 values are associated with a significant advantage, while a negative property appears with an observable disadvantage." comparable net exports and therefore Donges-Riedel indices, according to Vollrath, do not calculate comparative advantage, they "both focus on the same product and therefore do not fit opposite requirements." measurements, properties related to relative possessions. According to Vollrath, (3) and (4) have big drawbacks: they are exposed to the risk of contamination, violations arising from the security of imports. As a

result, he agrees that a simple update is not ruled out as preferable to using the Balassa index (5).

4. Practical part – The analysis of foreign trade development in the Republic of Kazakhstan.

The main task of this chapter is to provide a study of international trade Kazakhstan. In addition, analyze the current state of the state, its outdoor sale was developed during 2000-2020. First, there will be an analysis of the country's economy the presence of a circumstance. Then it is necessary to increase the product in 2000-2020. Increasing product moreover will also appear in the pressure of the inhabitants. Subsequently, the composition of foreign trade will become in what place it is possible to get acquainted with the main foreign and export products of Kazakhstan. In At the end of this tutorial, a regression form will be created to consider foreign trade formation in Republic of Kazakhstan in the database of information on imports and exports due to 2000-2020.

4.1 Overview of Kazakhstan economy.

The area of Kazakhstan is large with the territory of Europe, while the population density in the country is one of the lowest in the world. Kazakhstan is located in the heart of Eurasia. It's the 9th largest country in the world, occupying 2 of the surfaces of the globe. Its territory is larger than all Western Europe. The Republic of Kazakhstan is a unitary country with the presidential system of authority. Under the Constitution, Kazakhstan is a democratic, secular, legal and social state which recognizes the man, his life, rights and freedoms as the supreme values of the country.

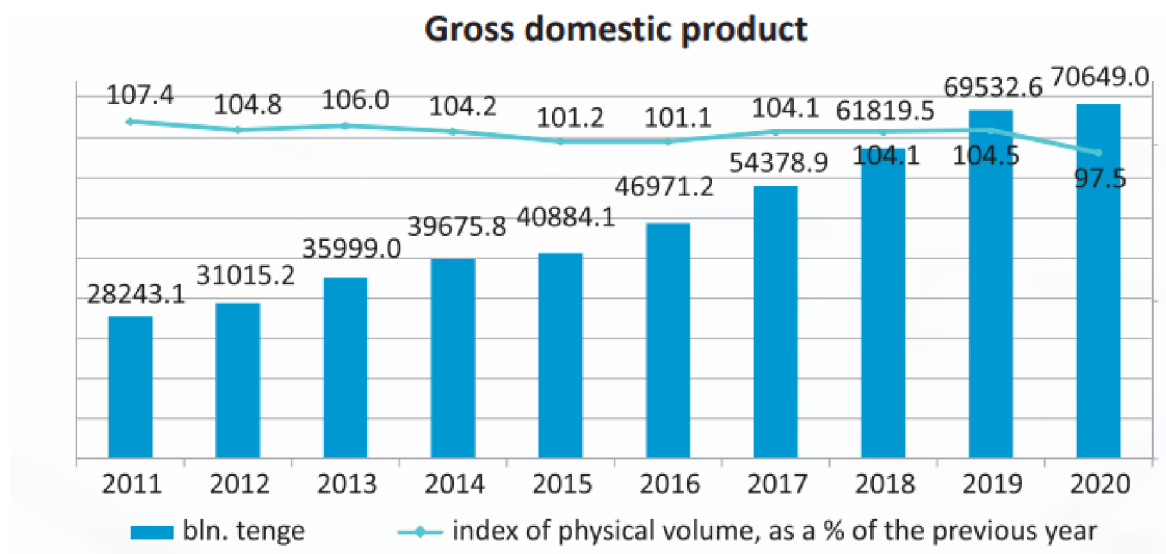
Strategically, Kazakhstan is a link between the individual and rapidly growing markets of China, South Asia and the markets of Russia and Europe, observed by road, rail and sea links on the Caspian Sea.

Since gaining independence in 1991, Kazakhstan has achieved strong economic performance. Rapid growth driven by structural adjustments, exploitation of hydrocarbon

resources, strong domestic demand, and foreign direct investment have helped to reduce poverty and move into upper-middle-income countries. (World Bank in Kazakhstan, 2022) Kazakhstan is officially a democratic, secular, unitary, constitutional republic with a diverse cultural heritage (PARLIAMENT OF THE REPUBLIC OF KAZAKHSTAN, n.d.) Kazakhstan has the largest economy in Central Asia, generating 60% of the region's GDP. According to World Bank estimates for 2019, the country ranks 42nd in the ranking of countries by GDP. Kazakhstan was the first former Soviet republic to repay its entire debt to the International Monetary Fund 7 years ahead of schedule. The country ranked third, after China and Qatar, among the 25 most dynamic economies in the first decade of the 21st century. (Khabar Agency, 2020).

According to the International Monetary Fund rating, Kazakhstan at the end of 2020 ranks 40th in terms of the nominal value of GDP, calculated at purchasing power parity.

Figure 3 GDP of Kazakhstan (Tenge)



Source: (Stat.gov.kz, n.d.)

The Kazakh economy is growing at a dynamic pace. Over the years of independence, the country's GDP has increased more than 10 times over the past decade. The share of GDP per capita increased 17 times - from \$700 to \$12 thousand. The Republic became one of the world leaders in terms of development rates. The state reserves more than \$80 billion. According to British observers, Kazakhstan ranks third among the 25 most dynamic economies of the 21st century, behind only China and Qatar. Kazakhstan's GDP growth for 6 months of 2012 amounted to 5.6%. According to the Statistics Agency of the Republic of Kazakhstan, production growth was observed in 13 regions of the republic. According to

government forecasts, Kazakhstan's GDP growth rate in 2013 will be 5-6%. (Economics, n.d.)

Between this, the level of international ratings of Kazakhstan is also considered to be one of the best among the countries of the Eurasian region.

The investment rating of Kazakhstan according to the version of the three main world rating agencies Standard & Poor's, Moody's Also Fitch since 2004, has been transferred from "speculative" to "investment" class, and until now maintains the position of a stable investment level further increase in the rating of investment attractiveness. This index means with our whole guest, since, taking into account the financial pursuits during the crisis of four systemically important banks, the anti-crisis program based on the subsequent policy of fierce control over public finances, constant significant injections into the economy for the result of export extracts on energy carriers, mobilizations also control financial assets in state funds, develop economies, called Kazakhstan to ensure the stability of internal financing systems in the post-crisis period.

Kazakhstan's successes in market transformations, economic growth and raising the standard of living of the population are well-known and recognized in the peacekeeping community. The inclusion of Kazakhstan by the World Bank in the list of foreigners with incomes above the average level served as a sub-reason for this. The invested economic mortgage and investment climate have been recognized, which has also repeatedly raised the sovereign credit rating of state institutions, leading international rating agencies.

The obvious success of the reforms carried out, as the president noted, brings us to the concept: the primate should make it even more painful in order to nail and multiply what has been achieved. Today we have performed in a new stage of development of the Kazakh community, already mature, feeling its strength and mobility, oriented in the future.

In the whole built foundations of a competitive economy in the long term by taking measures for EE diversification, infrastructure development and the introduction of new technology. Active measures to implement the strategy of industrial and innovative development of the republic for 2003-2015. We study the risks, choose competitive, advantageous economies of the republic. Work has begun on the development of new high-

tech industries in mechanical engineering, the production of building materials, chemical and petrochemical industries, information technology, metallurgy, and aerospace.

Kazakhstan is a member of the CIS, ECO and SCO. Kazakhstan, Russia, Belarus, Kyrgyzstan and Tajikistan created the Eurasian Economic Community in 2000 to revive previous efforts to harmonize trade tariffs and create a free trade area within a customs union. On December 1, 2007, it was announced that Kazakhstan had been elected chairman of the Organization for Security and Cooperation in Europe for 2010. Kazakhstan was first elected a member of the UN Human Rights Council on November 12, 2012.

Kazakhstan is also a member of the UN, the Organization for Security and Cooperation in Europe, the Euro-Atlantic Partnership Council, the Turkic Council and the Organization of Islamic Cooperation. He is an active participant in the NATO Partnership for Peace program

4.1.2. Kazakhstan and WTO

Kazakhstan became a full member of the WTO in 2015 following 19 years of intensive bilateral and multilateral negotiations. During this period of time, the country's trade legislation has been completely changed in accordance with the norms, rules and criteria of the WTO agreements.

The conditions under which Kazakhstan was able to join the global trade organization are aimed at increasing the competitiveness of domestic entrepreneurs, diversifying the national economy, creating a favorable climate for investment in the manufacturing parts of the economy and the service sector, and also take into account transition periods for sensitive sectors of the economy. Since Kazakhstan's accession to the WTO, almost 50% of all foreign investment has been attracted to non-primary sectors, in particular to the service sector (30%) and manufacturing (18%). Currently, 164 WTO member countries provide 98% of world trade.

The work of the WTO shows the policy of external openness of countries, which is based on equality, mutual benefit, cooperation, all these factors have a driving influence on the economic development of the world and actively bear international responsibility, thereby making efforts for the joint development of countries. Despite the fact that Kazakhstan is

taking only the first steps as a full member of the WTO, the country's Minister of Trade noted some important benefits for the economy of Kazakhstan from membership in the WTO

First, the country's business operates under predictable export conditions. Members of the organization cannot suddenly raise duties above those bound by obligations under the WTO, create any non-tariff barriers, introduce unreasonable restrictions that could lead to financial losses for our exporters. Any changes affecting trade should be introduced with timely notification to other countries. The predictability of Kazakhstan's foreign trade policy is also important for improving the investment climate in our country.

Also, the rules of the organization are based on the principle of non-discrimination. Business in export markets receives the same trading conditions as the business of other WTO member countries, and even conditions that are no worse than those provided to local entrepreneurs.

Another plus is that Kazakhstan can influence the trade policy of other countries. The state can comment on the draft laws of other WTO members, hold consultations, thereby eliminating in advance possible negative effects on Kazakhstani goods, works and services. So, it has every right to monitor the protectionist measures of other WTO member countries, and if they do not comply with the rules and norms of the organization, then Kazakhstan can bring such measures to the organization's platform for further discussions. In connection with joining the WTO, Kazakhstan has adopted a list of conditions. With regard to goods, Kazakhstan will reduce the weighted average customs tariff to 6.5% from the current 10.4% under the Common Customs Tariff of the EAEU. It should be noted that before the formation of the Customs Union, the weighted average customs tariff of Kazakhstan was 6.2%.

For agricultural goods, the average level of customs duties will be 10.2% (against 17% under the CCT), and for industrial goods - 5.6% (against 8.7% under the CCT).

For 3,512 commodity items (cars, food products, timber, jewelry, wires, cables, drinks, etc.), Kazakhstan will have exemptions from the EAEU Common Customs Tariff, that is, for these goods, customs duty rates will be lower than CCT.

Agreements were reached to increase the size of tariff quotas for meat (beef, pork, poultry meat).

Kazakhstan will assume obligations to ensure access in 10 service sectors, including 116 sub-sectors (out of 155 sub-sectors provided for by the WTO classification), incl. in the field of telecommunications, insurance, banking services, transport, tourism, trade, etc.

With accession to the WTO, all subsidies related to exports and import substitution are prohibited.

Local content requirements in quasi-public sector purchases for the purpose of commercial resale or use in the production of goods and services for the purpose of commercial sale, should be abolished.

Kazakhstan has also assumed obligations aimed at ensuring that the system of technical regulation, as well as sanitary, veterinary and phytosanitary regulation, complies with WTO rules. (National Chamber of Entrepreneurs of the Republic , 2015)

4.1.3 Kazakhstan during the World crisis 2007-2008

2007–2008 global financial crisis characterized primarily by the speed of distribution and huge scale, capturing almost all countries of the world, The lever of this crisis was the mortgage crisis in the United States, which arose on the basis of cheap credit resources. Subsequently, the crisis spread to the entire financial system, the real economy, and individual regions and countries. On the whole, the emergence of a crisis is associated with the following factors: imbalances in international trade and capital flows; general cyclicality of economic development; overheating of the credit market and the resulting mortgage crisis; overheating of the stock market associated with a large number of derivatives securities on the market; rising property prices.

Kazakhstan faced the first wave of the financial crisis and problems in the construction sector in the fall of 2007. The construction boom in the capital and a number of oil and gas producing regions until 2007 was fueled by rapid credit growth: from 2003 to 2007, the ratio of bank loans to GDP increased by 37% to 62% (excluding intra-corporate borrowings). Gross External Debt to GDP 2000–2008 increased from 73 to 95% (from 13 billion to 108 billion dollars). With the onset of the crisis in the global financial market in the summer of 2007, the private sector faced difficulties in servicing external debt. The lack of liquidity began to affect the pace of industrial growth.

The fall in world prices for hydrocarbons and metals in late 2008 - early 2009 began to seriously threaten the stability of the Kazakh economy: the decline in budget revenues affected the implementation of social programs. In 2008–2009 macroeconomic indicators fell sharply.

Indicators:	2007	2008	2009	2010	2011
GDP at current prices, billion dollars, in % to the previous period	103,9 108,9	132,2 103,2	107,7 101,2	146,0 107,0	186,2** 107,5
Industry products: at current prices, billion dollars, in % to the previous period	62,9 105,0	84,5 102,1	60,5 101,7	79,8 110,0	106,8 103,5
Agricultural products: at current prices, billion dollars, in % to the previous period	8,7 108,9	10,9 94,4	10,9 113,8	9,8 88,3	15,3 126,7
Investments in fixed capital: at current prices, billion dollars, in % to the previous period	26,4 113,5	31,9 105	30,8 102,1	32,4 99,5	34,0 102,4
Retail turnover: at current prices, billion dollars, in % to the previous period	15,2 110,7	20,9 104	17,1 96,1	20,4 112,3	25,0 112,5
Consumer Price Index (for the period, in %)	111,0	117,0	106,2	107,8	107,0
Export: at current prices, billion dollars, in % to the previous period	47,8 124,8	71,1 149,1	43,2 60,7	59,2 137,1	88,1 148,0
Import: at current prices, billion dollars, in % to the previous period	32,8 138,3	37,8 115,7	28,4 75,0	29,8 104,8	38,0 125,0
International reserves (including money from the National Fund), billion dollars	40,0 (20,3)	46,5 (27,4)	47,6 (24,4)	59 (30,4)	73,0 (43,7)
The official exchange rate of the tenge against the dollar (average for period)	122,55	120,30	147,50	146,6	146,9

Main macroeconomic indicators in 2007–2011

Source: www.economy.gov.ru

The government took anti-crisis measures: the National Welfare Fund was formed with a total capitalization of about \$30-35 billion, the republican public association "Kazakhstan Association of Anti-Crisis Managers" was established, state control over subsoil users and

fuel prices was strengthened. In November, an action plan was approved to stabilize the economy in 2009, in particular through support for small and medium-sized businesses, systemically important banks, the real estate market, the agro-industrial sector, and support for a number of innovative and industrial projects. The National Bank devalued the tenge, lowered the refinancing rate to and switched to a floating exchange rate policy. State intervention in the banking system was both direct - contributions to the authorized capital and financing in the form of deposits placed by the National Wealth Fund, and indirect (managing the placement of corporate deposits).

Economic indicators in 2009 declined significantly, and some indicators gave a negative result. The share of production of goods in the structure of GDP was 43.8%, services - 54.8%³⁶. The main factors of GDP growth were the increase in the gross harvest of agricultural crops, the rise in oil and grain prices, the volume of services for the transportation of oil and grain, the high rates of the communications industry and the steady growth of indicators in the social sectors. Gross international reserves and assets of the National Fund exceeded \$50 billion. (RAS, 2013)

The country's foreign trade turnover in 2009 decreased by 34.4% and amounted to \$71.6 billion, including exports - \$43.2 billion (-39.3%), imports - \$28.4 billion (-25%)⁴⁰. According to a study by the World Economic Forum, Kazakhstan dropped two notches compared to 2008 to 47th place among 55 participants with a total financial development index (FDI) of 2.93, losing 0.2041 over the year. (RAS, 2013)

The crisis revealed several serious imbalances in the economy and the financial sector of the country.

4.1.4 Key sectors in the economy of Kazakhstan

Currently, the following sectors have become priority areas for the development of Kazakhstan:

- **Mining and metallurgical complex.** Metallurgy is the basis of the economy of Kazakhstan. In terms of the diversity of mineral resources, Kazakhstan is distinguished by its leading position in the world. In the bowels of Kazakhstan, 99 chemical elements have been identified, 70 have been explored, 60 are being extracted and used. Kazakhstan ranks 1st in the world in terms of tungsten reserves, 2nd in uranium, chromium ore, 4th and 5th in manganese, silver, zinc, lead and other minerals. In general, in terms of reserves of natural resources, Kazakhstan

ranks 6th in the world, and in terms of total production of mineral raw materials (excluding oil and gas) it ranks 10th. Kazakhstan has deposits of rare earth metals such as rubidium, cesium, lithium, and beryllium. The volume index of non-ferrous metal ore production increased significantly by 12%. Also, the volume index of ferrous metallurgy shows an increase from 98.3% to 101.3%. The growth in production is due to an increase in the production of copper and lead-zinc ore, ferroalloys, steel and products from them. (Trend Economy of Kazakhstan, n.d.)

- **Mechanical engineering.** One of the priority areas of the economy is the engineering industry, the volume of imports of which occupies a significant share in the country's market - about 40% of total imports. The most promising areas are the production of electrical equipment, oil and gas equipment, the automotive industry, as well as other machines, equipment, and machine tools.

Main advantages:

- raw material
- competencies
- technology
- stable demand
- competitive environment

The engineering industry has significant potential for expanding production and increasing exports. Mastering the production of new products is possible on the basis of the existing production capacities of existing domestic enterprises.

- **Construction industry.** Production of non-metallic mineral products is a priority investment project. Over the past five years, the construction industry in Kazakhstan has almost doubled. According to the forecast in 2021–2023. the average annual growth rate of the industry is expected at the level of 8.4%. The increase in demand for real estate is driven by population growth. Also, government programs in the field of construction and government support measures contribute to an increase in demand for real estate. Kazakhstan has rich raw materials for the production of building materials. The extraction of other minerals or raw materials increased by 68%. For gypsum, clay bricks, and refractory products, the current capacities of domestic production are able to cover 60%–85% of domestic demand. Domestic production of ready-mixed concrete, cement and mortars fully satisfies consumption, therefore, there is an unrealized potential for

further increasing production volumes for export purposes. Building materials are produced by about 1,000 enterprises in almost all regions of the country.

- **Agro-industrial complex.** More than half of Kazakhstan's land is agricultural land. Agriculture and food industry are among the most important sectors of the economy

The sector has the advantage of naturally meeting global environmental and food safety requirements - Kazakhstan ranks first in the world in terms of the lowest levels of chemicals used in crop production (only 0.1 tons per hectare of cultivated area). The country also secured the status of a grain power, annually supplying 5-8 million tons of grain to the markets of more than 70 countries, and in recent years Kazakhstan has been a leader in the export of flour in the world, exporting up to 2.5 million tons annually. Key factors of investment attractiveness of the agro-industrial complex: land resources, human capital. About 20% of the active population is employed in agriculture. 50% of the population lives in rural areas and is ready to work in the agriculture and agro-industrial complex.

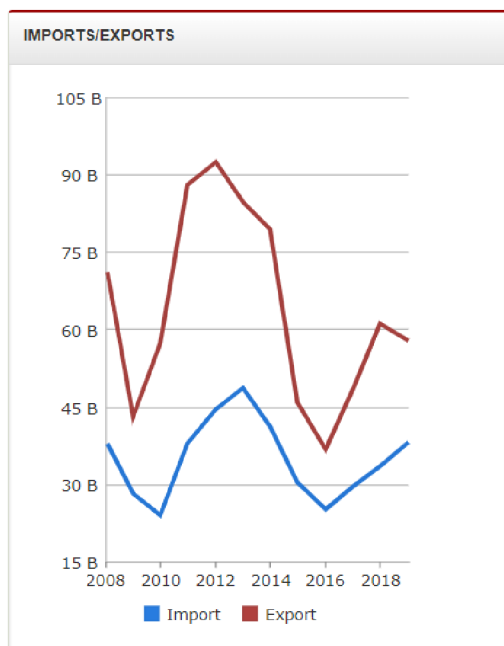
4.2 Export and import of Kazakhstan

Currently, the export potential of Kazakhstan has a pronounced raw material orientation and is formed due to the fuel, metallurgical, chemical complex.

In the structure of Kazakhstani exports:

- oil and oil products - 35%
- non-ferrous metals - 17%
- ferrous metals - 16%
- ores - 12%
- grain crops - 9%
- other — 11%

Figure 4 Export and Import of Kazakhstan



Source: World integrated trade solution.

The main imported products are machinery and equipment, means of transport, instruments and automatic devices, chemical products, mineral fuel, food products. The structure of Kazakhstan's export-import from year to year is undergoing a change towards the diversification of business ties.

However, the share of trade with traditional partners - the CIS (Commonwealth of Independent States) and Baltic countries - is still large: they account for about 59% of exports and up to 63% of imports. Russia remains the main trading partner of Kazakhstan. From far abroad countries, trade relations with China, Turkey, Belarus, Germany, Switzerland, Czech Republic, Italy, USA, Great Britain, South Korea, etc. are successfully developing.

In July 2010, the Customs Union of Belarus, Kazakhstan and Russia began to operate. The creation of the Customs Union stimulates economic development, and according to experts, it can provide an additional 19% to the GDP of the participating countries by 2015. (Economics)

The value of merchandise exports from Kazakhstan totaled \$ 46 billion in 2020. Overall commodity exports from Kazakhstan decreased by 18.6% compared to 2019. Merchandise

exports decreased by \$ 10.7 billion (the value of merchandise exports from Kazakhstan amounted to \$57 billion in 2019) (Trend Economy of Kazakhstan)

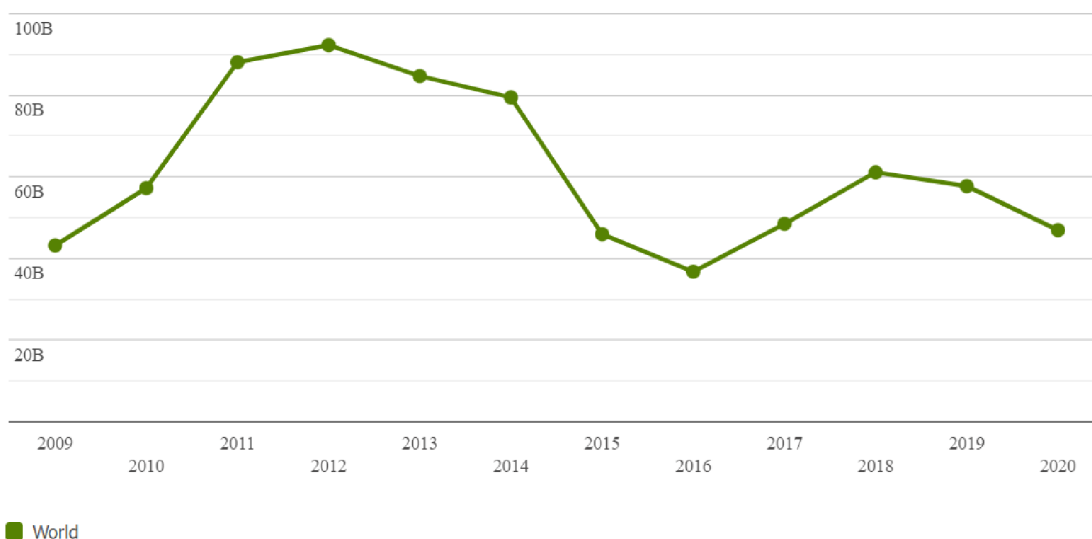
Top export destinations of commodities from Kazakhstan in 2020:

- China with a share of 19.1% (9 billion US\$)
- Canada - 256 million US\$
- Bulgaria - 207 million US\$
- Belarus - 69 million US\$
- Algeria - 63 million US\$
- Sri Lanka - 3.72 million US\$
- Colombia - 1.7 million US\$
- Chile - 310 thousand US\$
- Cambodia - 291 thousand US\$
- Cameroon - 169 thousand US\$ (Trend Economy of Kazakhstan)

Exports structure from Kazakhstan in 2020 represented by the following main commodity groups:

- 58% (27 billion US\$): 27 - Mineral fuels, mineral oils, and products of their distillation; bituminous substances; mineral waxes
- 6.76% (3.17 billion US\$): 72 - Iron and steel
- 6.69% (3.14 billion US\$): 26 - Ores, slag and ash
- 5.94% (2.79 billion US\$): 74 - Copper and articles thereof
- 4.98% (2.33 billion US\$): 28 - Inorganic chemicals; organic or inorganic compounds of precious metals, of rare earth metals, of radioactive elements or of isotopes
- 2.9% (1.36 billion US\$): 10 - Cereals
- 1.48% (698 million US\$): 71 - Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewelry; coin
- 1.32% (620 million US\$): 79 - Zinc and articles thereof
- 1.11% (522 million US\$): 76 - Aluminum and articles thereof
- 1.09% (516 million US\$): 11 - Products of the milling industry; malt; starches; inulin; wheat gluten (Trend Economy of Kazakhstan)

Figure 5 Export of Kazakhstan (USD billions)



Source: Trend Economy of Kazakhstan

According to the graph above export of Kazakhstan was decreased in 2020 to 46 billions of USD due to strict restriction of coronavirus, but according to the agency, exports from Kazakhstan in 2021 increased by 26.9% and amounted to \$60.3 billion. Imports grew by 5.8% and amounted to \$41.2 billion. (Kapital)

Russia, China and Italy remain the main partners of Kazakhstan. The trade turnover of Kazakhstan in January-May 2022 amounted to \$51.3 billion, which is 40.7% higher than in the same period of the previous year (\$36.5 billion) (KZ, 2022)

Today, the Republic of Kazakhstan for the Russian Federation is a significant partner in foreign trade. Kazakhstan holds the 2nd place in the CIS and the 10th place in the world ranking of Russia's foreign trade partners. In this regard, Kazakhstan feels itself on an equal footing with such states as: Great Britain, Spain, Switzerland, India, Finland, Belgium, France, Poland. Kazakhstan mainly supplies Russia with various types of mineral products, metals and products made from them, goods of the engineering industry, chemical products, food and agricultural products. the remaining categories of goods occupy a very small percentage in the share of sales. As for the groups of goods exported to Russia by Kazakhstan, the key shares of deliveries in 2021 were as follows: mineral products - 37.55%, metals and products of various metals, including for the machine-building industry - 33.32%, products chemical industry - 13.32%, food products and agricultural raw materials - 7.03%, engineering products - 7%. As statistics show, the volume of exports from Kazakhstan to Russia in 2021 amounted to 6.87 billion US dollars and increased by 36% compared to the same period last year. Despite the adverse

consequences of the coronavirus infection, the mutual trade turnover between Kazakhstan and Russia in 2021 demonstrated reliability to external challenges and amounted to 25.5 billion rubles. (Trade, 2022)

Trade between Kazakhstan and China for seven months of this year amounted to \$13.5 billion. For seven months of 2022, China ranks first (excluding EAEU member countries) in trade with Kazakhstan. China's share in foreign trade turnover amounted to 22.6%.

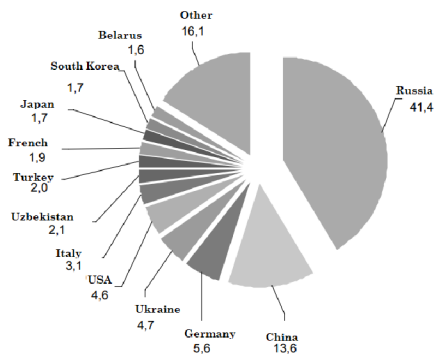
The total trade turnover reached \$13.5 billion, which is 38.3% more than in the same period in 2021, which was then \$9.7 billion. The number of trade turnover increased due to the growth of exports of Kazakhstani goods by 52%, rising to \$8 billion. Over the seven months of the previous year, exports amounted to \$5.3 billion.

The main growth in exports is due to an increase of 84.2% in the supply of mineral products (\$5.1 billion). According to the results of the first seven months of 2021, this coefficient was equal to \$2.8 billion. Exports of fuel and energy goods increased by 2.2 times (to \$3.2 billion), while last year the volume of supplies of this group of goods reached \$1, 5 billion. (Forbes Kazakhstan, 2022)

The share of Italy in Kazakhstan's exports in January-August 2022 increased to almost \$10 billion, according to the Ministry of Trade and Integration of the Republic of Kazakhstan.

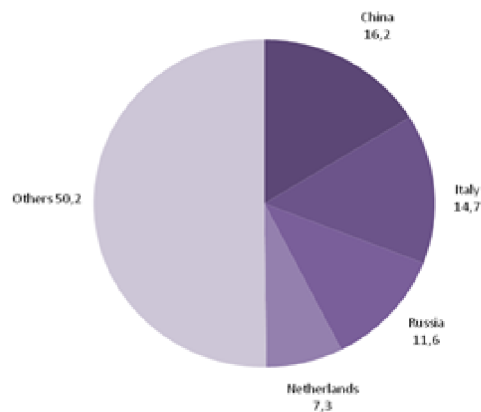
"The share of Italy in the volume of exports of Kazakhstan in January-August 2022 increased to \$9.96 billion or 17.7%, compared with 14.7% in the covid 2021," (lsm kz financial agency, 2022)

Figure 6 Export of Kazakhstan 2000-2011



Source: (STATISTICS OF FOREIGN AND MUTUAL TRADE, 2022)

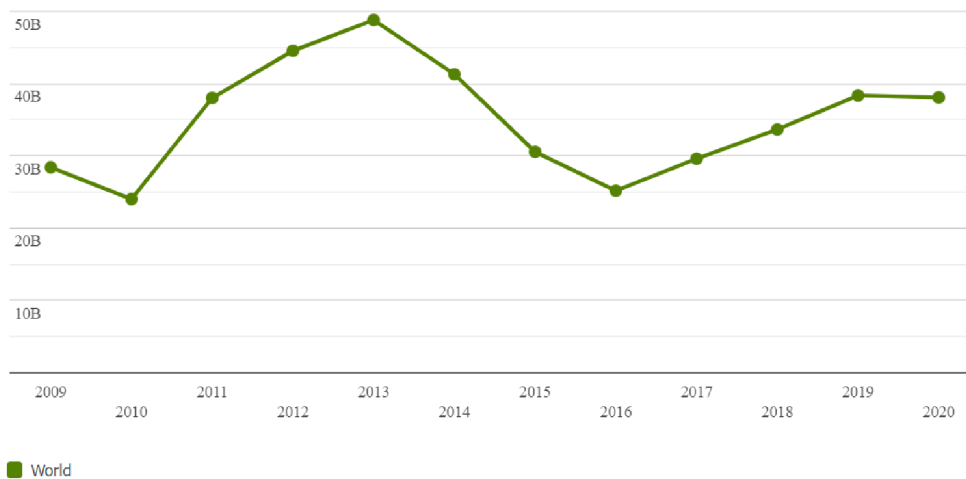
Figure 7 Export of Kz 2022



Source: (STATISTICS OF FOREIGN AND MUTUAL TRADE, 2022)

If we compare the beginning of the period under study and the end, then Kazakhstan began to export more to Italy. At the same time, the share with and China increased, while with Russia, on the contrary, it decreased

Figure 8 Import Of Kazakhstan (USD billions)



Source: Trend Economy of Kazakhstan

In 2021, Kazakhstan exported most of all goods to European countries. During the year, products worth \$25.2 billion were delivered to this region. This is 41.8% of total exports. At the same time, 14.7% or \$8.8 billion falls on Italy, another 7% or \$4.3 billion on the Netherlands and 4% or \$2.3 billion on France. Our republic imports products mainly from the CIS countries. During the year, this figure reached \$20.4 billion. This is 49.6% of total imports, and 42.1% or \$17.3 billion comes from Russia. Another 30% in the structure of

imports is occupied by Asian countries, and 20.2% or \$8.3 billion of them - China. (Kapital)

4.3 Goods that make up the bulk of the foreign trade turnover of Kazakhstan

The main indicators taken into account in the foreign trade statistics are:

foreign trade of the Eurasian economic Union is a trade between the states-members of the Eurasian economic Union with the third countries;

mutual trade of the Eurasian economic Union is a trade between the states-members of the Eurasian economic Union. Merchandise exports is an export from the territory of the state - a member of the Eurasian economic Union of goods that reduce the stock of material resources of the state - a member of the Eurasian economic Union.

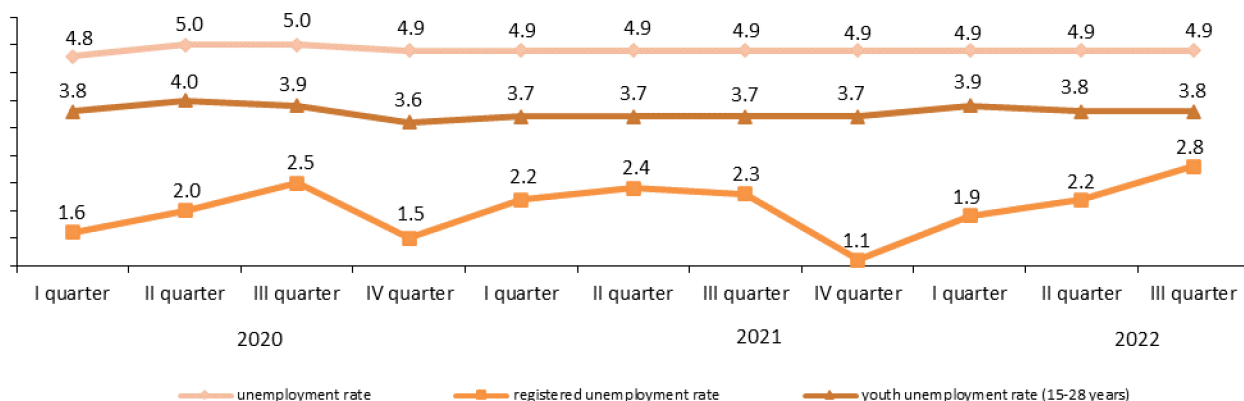
Merchandise imports is an import into the territory of the state - a member of the Eurasian economic Union of goods that are added to the stock of material resources of the state - a member of the Eurasian economic Union. Customs statistics of our Republic keeps records of imports and exports of goods on the basis of the “common” foreign trade accounting system, which takes into consideration all the goods entering the borders of the national territory of the country or leaving them. In this case the state border is the border of the country’s statistical territory. (Trade, 2022)

4.4 Dynamics of associated macroeconomic indicators in Kazakhstan

Level of unemployment in Kazakhstan .

The number of workforces aged 15 years and older in the III quarter of 2022 according to the results of a sample survey of population employment amounted to 9.3 million people, of which 8.8 million people were employed. The employment rate for the population of 15 years of age and older was 65.7%. (Stat.gov.kz, n.d.)

Figure 9 Unemployment 2022



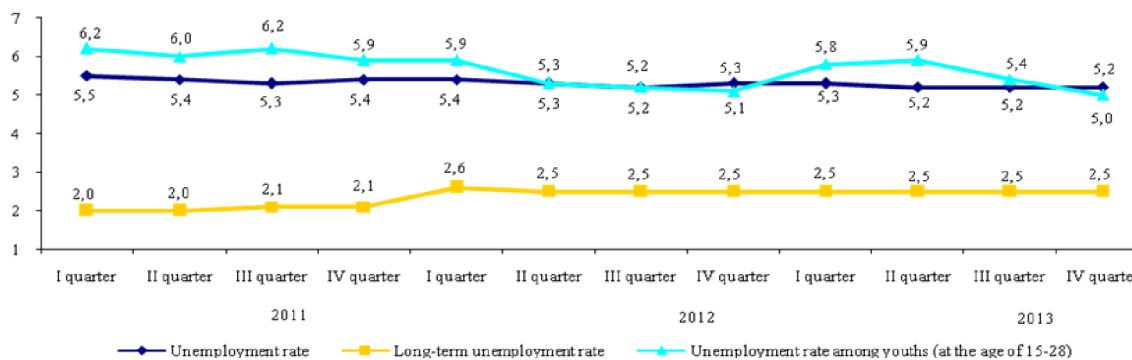
Source: (STATISTICS OF FOREIGN AND MUTUAL TRADE, 2022)

Of the total employed population, 76.1% (6.7 million people) worked for hire, 1.6 million people were individual entrepreneurs, 9.2 thousand people were private practitioners, 6.8 thousand people - founders (participants) of economic partnerships and shareholders (participants) of joint-stock companies, members of production cooperatives, 523.3 thousand people - independent workers.

In the III quarter of 2022, 350.3 thousand people were employed in temporary and piecework work, 63.8 thousand people were employed in seasonal work, 1.6 thousand people had casual work. 0.3% (29 thousand people) of the employed population worked remotely, of which 90.4% used their own means of communication (communications) in the process of work. 0.5% (48.4 thousand people) were busy using the Internet, trading platforms and services. (Khabar Agency, 2020)

Most of the employed population carried out their activities in the field of trade (16.8%), agriculture (12.9%), education (12.7%), and industry (12.4%). (Stat.gov.kz, n.d.)

Figure 10 Unemployment 2011-2013



Source: (STATISTICS OF FOREIGN AND MUTUAL TRADE, 2022)

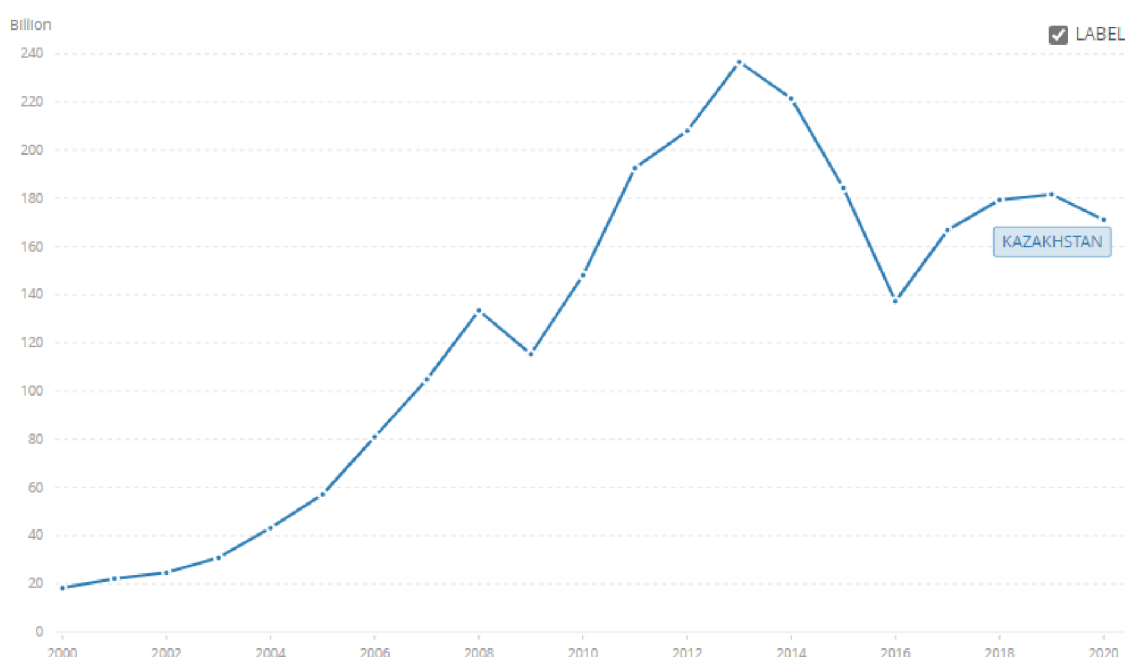
Number of unemployed (persons aged 15 and older who had no gainful employment, it actively sought out and were ready for it) in the IV quarter of 2013 was 466,4 thousand persons and decreased compared to the same period the previous year by 8,4 thousand persons or 1,8%. The rate of unemployment was 5,2% (in IV quarter of 2012 – 5,3%). (Khabar Agency, 2020)

If we compare unemployment in the period of 2011 and 2022, then there is a positive trend, despite the global problems in the world economy.

4.5 GDP of Kazakhstan during 2000-2020

The latest value for GDP (current US\$) in Kazakhstan was \$171,082,000,000 as of 2020 . Over the past 28 years, the value for this indicator has fluctuated between \$236,635,000,000 in 2013 and \$16,870,820,000 in 1999.

Figure 11 GDP of Kazakhstan (USD billions)



Source: World Bank.

The government responded quickly to the COVID-19 crisis and introduced a fiscal stimulus package of around 6% of GDP to support SMEs and the public. To support a continued stable and sustainable economic recovery, Kazakhstan needs to promote structural reforms while effectively fighting the pandemic in order to ensure a rapid, sustainable and inclusive economic recovery. Policy imperatives appear to be varied. (Khabar Agency, 2020)

Over the past decade, Kazakhstan has taken significant steps in economic policy and responsibly approached the distribution of large revenues from the primary sector through the introduction of a fiscal system governed by clear rules. However, diversification

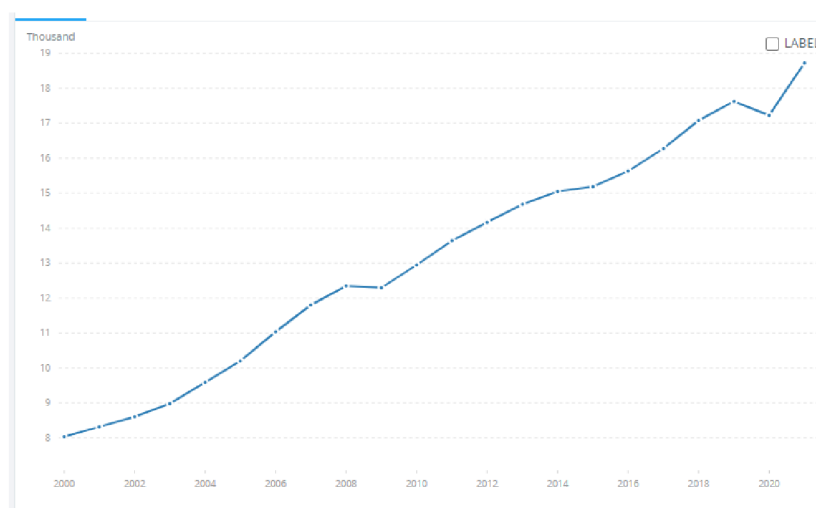
remains a challenge for the country with the 9th largest oil wealth in the world, as hydrocarbon production accounted for 21% of GDP and about 70% of exports in 2019.

The coronavirus pandemic and a sharp decline in exports have significantly undermined the economy of Kazakhstan. In 2020, GDP fell for the first time in two decades, down 2.6%. Nationwide mobility restrictions due to the COVID-19 pandemic have reduced consumer demand and investment. The growth of inflation was due to the increase in food prices and the depreciation of the tenge. Due to the negative impact on employment and income, the poverty rate increased to 14% in 2020. Growth is expected to recover to 3.2% in 2021 as domestic activity resumes, global oil demand returns, fiscal support continues, and the country has successfully vaccinated against the COVID-19 virus. If the pace of recovery is maintained, economic growth is projected in the range of 3.0-4.0% in 2021. (World Bank in Kazakhstan, 2022)

Economic indicators returned to pre-pandemic in 2021. Despite the strengthening restrictive measures due to the COVID-19 epidemic in the first half of 2021, economic recovery in the second half of the year provided a 4% increase in GDP per year. Growth was supported by the continuation of the tax incentives, strong growth in consumer lending and reducing restrictive measures. Thanks to a significant recovery in consumption households, retail trade increased by 6.5%, and retail lending - including mortgages -40% in 2021. After a 3.4% contraction in 2020, total capital investment showed a slight increase of 2.6%, thanks to a strong increase in housing construction. The opening up of the economy led to revitalization of face-to-face services and industries that mainly focused on the domestic market. Due to the sharp rise in world oil prices, the country's trade balance improved, and the account deficit current account declined to 3% of GDP in 2021 (from 3.8% in 2020) (World Bank, 2020). This deficit was covered by FDI inflows and an increase in external borrowing by state enterprises. Against the background of growing uncertainty during the January events and the recent collapse of the ruble, the tenge fell about 17% against the US dollar. At the interests of reducing tenge volatility, the National Bank stepped up its foreign exchange interventions and increased its base rate by 2.25 p.p. up to 13.5% in March 2022. Currency reserves, however, remain at a manageable level of 33.5 billion US dollars. Fiscal policy in 2021 still took into account the negative impact of COVID-19 on the economy of the country. Implementation of measures continued budget support for households and businesses, faced with difficulties, while government investments have moved from the plane of response to pandemic to recovery after it. Thanks to increase in oil

revenues managed to reduce budget deficit up to 3% of GDP, compared to 4 percent in 2020. The ratio of public debt to GDP practically did not change, remaining at around 24.5% GDP. Year-on-year inflation as of February 2022 was 8.7%, exceeding the planned indicator of the National Bank is 4-6%. This, in mainly contributed to food prices and energy carriers. The government has introduced restrictions on price increases for certain food, fuel and utilities services in response to the January mass protests. By continuing to provide guarantees for loans and loan repayment deferrals households and businesses affected by the pandemic, share of problem loans in the banking system decreased to 3.3% in 2021, compared to 6.9% in 2020. However, vulnerabilities may arise due to large financial outflows, prolonged supply chain disruptions, as well as risks of secondary effects of sanctions, given that Kazakhstan has significant trade, investment and social ties with Russia.

Figure 12 GDP per capita



Source: World Bank

As a result of the measures taken to restore the economy of Kazakhstan, last year's gross domestic product (GDP) per capita increased by 6.9% compared to 2020.

4.5.1. The regulation of trading activities

Basic concepts used in this Law of Trading activities:

- automatic licensing (observation) is a temporary measure established to monitor the dynamics of exports and (or) imports of certain types of goods
- export customs duty - a mandatory payment levied when exporting goods.

- trade network - a set of two or more trade facilities that are under common management and are used under a single commercial designation and other means of individualization, with the exception of trade markets
- foreign trade - activities of participants in foreign trade activities related to the export from the Republic of Kazakhstan and (or) import into the Republic of Kazakhstan of goods;
- third party - a foreign state that is not a member of the Eurasian Economic Union, a union of foreign states;

Above were mentioned the main part of Law for trading activities. The legislation of the Republic of Kazakhstan on the regulation of trading activities is contained in the Constitution of the Republic of Kazakhstan, consists of this Law and other regulatory legal acts of the Republic of Kazakhstan. (Constitution of the Republic of Kazakhstan)

4.5.2 Objectives and principles of regulation of trading activities

The objectives of the regulation of trading activities are:

- satisfaction of the needs of the population in goods and development
- trade infrastructure;
- organization of trade services and public catering;
- assistance in the development and improvement of trading activities in the Republic of Kazakhstan;
- providing conditions for the integration of the Republic of Kazakhstan into the world trading system;

The foreign trade activity of Kazakhstan is regulated by the above laws, decrees, foreign papers as well as other official certificates. The state is trying to introduce an international skill in order to form their own economy in international trade. Power has a large number of abilities to help the export and import of the state. Power gives various types of subsidies, if the organization exports products to another state. Among these, the Country gives a variety of varieties benefits, if the imported result is considered unique in the state. In some cases they are not used at all customs duty for the purpose of specific goods. In short, the authority provides the opportunity for exporters and importers with the above documents

4.5.3 Structure of Foreign Trade in Kazakhstan

The country is rich in natural resources. The state has oil, gas, metal, uranium, chemical food products, dark and multi-colored alloys are used. Data on natural vehicles capture a small area in the economic state, especially in exports. In case of occurrence, after all, the period except for the export of agricultural products, but except for the production. same as textiles in this way.

Kazakhstan has an export-oriented economy that is highly dependent on shipments of oil and related products (73 %of total exports). In addition to oil, its main export commodities include natural gas, ferrous metals, copper, aluminum, zinc, and uranium. It counts China, Italy, Russia, the Netherlands, Uzbekistan, India, Turkey, and France as its main export destinations. Others include Switzerland, Greece, Spain, Romania, and South Korea. The United States accounts for 1.3 % of Kazakhstan exports. (Kazakhstan - Country Commercial Guide, 2022)

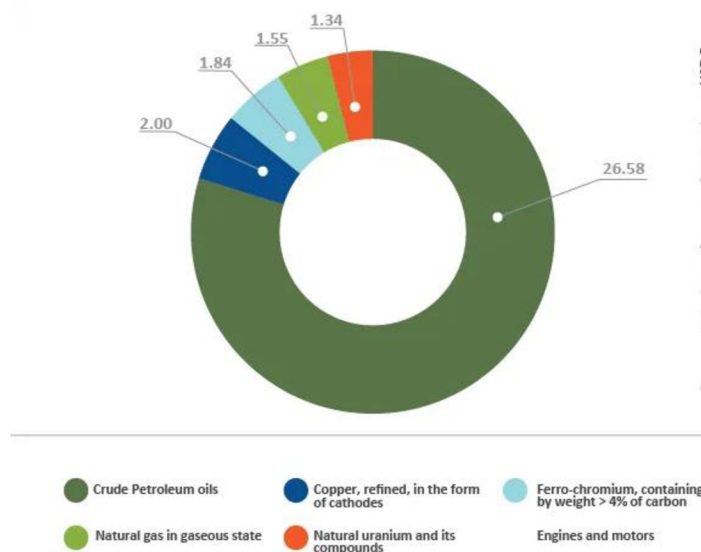


Figure 13 Export of Kazakhstan 2017

Source: (Country Profile- Kazakhstan, 2018)

The total export of Kazakhstan in 2017 amounted to 48.34 billion US dollars. Natural resources are the main export product of Kazakhstan. Its top exports at the HS-6 level last year were crude oil, copper cathodes, ferrochromium, natural gas and natural uranium. These goods make up 71% of the entire export basket of Kazakhstan.

KAZAKHSTAN'S IMPORT FROM WORLD

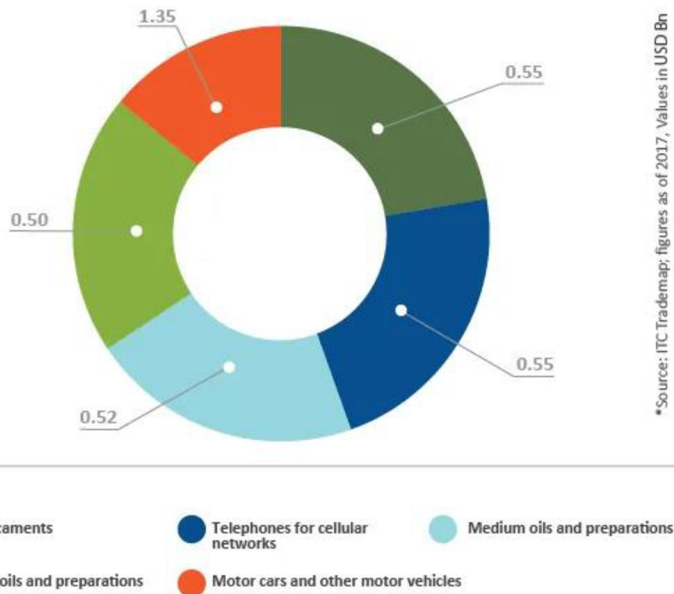


Figure 14 Import of Kazakhstan 2018

Source: (Country Profile- Kazakhstan, 2018)

Kazakhstan's import basket is primarily led by Medicaments, Telephones for cellular networks, Medium oils, Light oils, Motor cars and other motor vehicles and Appliances for pipes, boiler shells, tanks which together make up the Top 5 imports of Kazakhstan. These products constitute 10 % of the total import basket of Kazakhstan. (Country Profile- Kazakhstan, 2018)

4.6 RCA analysis

When assessing the competitiveness of Kazakhstan's products, we will use the classical version the Balassa index, therefore there is a need to use such an indicator to achieve a more accurate determination of the level of competitiveness. The Balassa index was chosen because of its ease of calculation and interpretation. Despite some shortcomings, the study confirms that the index Comparative Advantage Balassa is very helpful and informative. Balassa's formula looks like this:

$RCA_2 = \frac{(X_{ij}/X_{it})}{(X_{nj}/X_{nt})} = \frac{(X_{ij}/X_{nj})}{(X_{it}/X_{nt})}$, (10) Where X is export; i is the country under study; j is the product; t is a group of goods n is a group of countries.

Thus, RCA is calculated as the ratio of the exports of certain goods to the total exports of the country and the exports of the selected product to the total volume of its world exports.

It is assumed that comparative advantage is revealed if the index value is greater than 1; if the index is less than 1, we conclude that the country does not have a comparative advantage in trade in the product and therefore the product is not competitive in the world market. because the Balassa index does not take into account imports, additional methods will be required to determine the competitiveness of Kazakhstani products. Trade statistics data was collected from the Trade Map International Trade Center (ITC) information platform. 4499 products were selected for this analysis. The Harmonized System (HS) for the classification of goods is a six-digit code system from the export basket of Kazakhstan from 2001 to 2018. The six-digit classification level identifies items at a more detailed level in relation to the item. structure of exports and imports and makes it possible to draw a more accurate conclusion. The index was calculated even for those products, the export of which was carried out only within one year from the entire time interval under consideration. It should be noted that the calculation of the Balassa index for some commodity items were not produced, since there are no statistics on world exports of these products. However, a significant problem in the application of the above indices of RCA is that trade patterns can be changed due to the intervention of the state (import restrictions, export subsidies, etc.) that will inevitably entail a distortion of the indicator of comparative advantage. According to the Balassa Index, calculations displayed in Table 1, as of 2016 the number of exported products of Kazakhstan was 2694, of which 246 are competitive and 2448 are uncompetitive. The share of competitive positions in total exports increased from 12% to 9% between 2001 and 2018, despite an increase in total exports. Accordingly, the share of uneconomical goods on the world market still dominates in the total volume of Kazakhstan exports (88% in 2001 and 91% in 2018), which is a negative trend.

Table 1 Results of Balassa index calculation for exported commodities positions of Kazakhstan

Year	TNEP*	RCA>1**	Share in total exports	RCA<1***	Share in total exports
2001	1935	234	12%	1701	88
2002	1837	241	13%	1596	87
2003	1931	257	13%	1674	87
2004	2018	213	11%	1805	89
2005	2041	204	10%	1837	90
2006	2046	196	10%	1850	90
2007	2003	199	10%	1804	90
2008	2132	180	8%	1952	92
2009	2234	156	7%	2078	93
2010	2052	144	7%	1908	93
2011	2439	161	7%	2278	93

2012	2438	164	7%	2274	93
2013	2462	181	7%	2281	93
2014	2477	196	7%	2281	92
2015	2553	210	8%	2343	92
2016	2694	246	9%	2448	91
2017	2835	276	9%	2553	91
2018	2911	299	9%	2658	91

Source: Own proceed

*Total number of exported products of the Republic of Kazakhstan.

**The number of positions for which $RCA > 1$.

***The number of positions for which the index $RCA < 1$

Conclusion

The effects of the economic collapse of the world's problems will lead to disruptions in supply chains in Kazakhstan and worsen growth forecasts. In 2022, real GDP growth is expected to slow down to 1.5–2.0%. The import basket of Kazakhstan also consists of 40% Russian products, which is one of the main partners of Kazakhstan. Trade disruptions, decline entrepreneurial confidence and increase currency volatility will also contribute lower growth rates. Due to additional depreciation of the exchange rate rising food prices and increasing wages, the inflation rate in 2022 will high. It is expected that the responsive monetary state policy will remain rigid. Fiscal policy will continue to provide expenses from the state. budget to improve household living conditions and conditions for maintaining business. Fiscal policy measures will include increased social assistance, subsidies for rental housing and compensation for businesses, affected by the January protests. A small balance of payments is predicted for 2022, underpinned by higher oil prices and lower demand for import. The national poverty rate is expected to fall to 12.0% by the end of 2022, however this forecast may change if the inflation rate is higher expected, and growth will further slow down. The forecasts point to a significant downside risk growth rates: the spill over effects of sanctions on different countries will increasingly disrupt trade and undermine investor confidence; longer interruptions in oil exports; risks of a wage/price spiral associated with a nationwide increase in wages and potential capital outflow against the backdrop of increased uncertainties and less favourable conditions for global financial markets.

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List of abbreviations

CIS – Commonwealth of Independent States

EBRD – European Bank for Reconstruction and Development

EC – European Commission

En – English

EU – European Union

FAO – Food and Agriculture Organization

FDI – Foreign Direct Investment

GATT – General Agreement on Tariffs and Trade

GDP – Gross Domestic Product

GNP – Gross National Product

ISIC – International Standard Industrial Classification

LDCs – Least Developed Countries

RCA – Revealed Comparative Advantage

UN – United Nations

USA – United States of America

USAID – United States Agency for International Development

KazStat – Kaz Statistical Committee

WTO – World Trade Organization

