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**Faculty of Economics and Management**

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**Abstract of diploma thesis**

**Foreign trade of the Republic of Kazakhstan with EU**

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## Foreign trade of the Republic of Kazakhstan with EU

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### Zahraniční obchod Republiky Kazakistan s EU

#### Summary

The present Diploma Thesis deals with the theoretical aspects of foreign trade of the state, its forms, principles and characteristics. The foreign trade is becoming as a more significant factor of the development of the national economy and economic stabilization of the state.

Definitely believing that foreign trade instruments of Kazakhstan are not fully coordinated with the economic functions taking place in the European Union as well as in connection with the growing need to occupy a rightful place of Kazakhstan in the international division of labor and the threat of food safety, the country faces a number of challenges, the solution of which depends on a clear and smart foreign trade policy implementation.

Starting out from this the development recommendation for state bodies of Kazakhstan is conducted in the part of future development of foreign trade of the country and the European Union.

**The aim of the Diploma Thesis** is to analyze the current state of Kazakhstan foreign trade development, to characterize the goods traffic structure of the country with the European Union.

The general scientific means of perception such as observation, generalization, comparison, deduction and induction, dialectical-materialistic approach, descriptive and comparative analysis were used in the Diploma Thesis.

In the course of studies the author used systems and factorial analysis methods as well as statistical analysis methods of economic functions.

These methods provide the opportunity to show the factual data in the maximum exactly way.

Key words: Kazakhstan, the European Union, foreign trade, export, import, merchandising changes, mercantile system, tariff instruments, goods turnover.

## **Aims**

The main aim of the diploma thesis is to analyze the current state of Kazakhstan foreign trade development, to characterize the goods traffic structure of the country with the European Union.

## **Methodology**

The research methodology represents a specific set of methods, research techniques, knowledge principles that apply in a particular science.

Methods of diploma study allow solving set tasks and achieve the thesis research aim.

The practical and theoretical methods, widely applied in the research process of various sciences were used in this thesis research. A practical method allows to record and to describe the phenomena, facts and connection between them (comparison, observation, measurement, description).

In terms of the theoretical method a detailed analysis of the different facts is carried out, significant patterns are revealed; factual material (analysis, classification, modeling, system approach, a statistical method, etc.) are systematized.

In the diploma thesis general scientific means of perception: observation, generalization, comparison, deduction and induction, dialectical-materialist approach, descriptive and comparative analysis were used. In the course of studies the author used methods of system, factorial analysis, as well as the methods of statistical analysis of economic functions.

## **Conclusion**

The following results were obtained in the course of graduate studies.

A foreign trade policy is a part of the foreign trade pol

icy, a set of targeted activities of the state aimed at the development of trade relations.

It was suggest to classify the foreign trade policy for the following items: a duration of exposure; a subdivision; a participation in the international division of labor; a conceptual basis; used methods; industry sign; objects of a foreign exchange; trade flows; a functional orientation.

One of the factors of the expansion of foreign trade activities is the international division of labor.

An important factor is also the international movement of factors of production, such as the movement of capital between countries, labor force, entrepreneurial skills and knowledge.

The methods of the state regulation of a foreign economic activity can be classified into economic,

administrative, commercial and political.

A practical study of the state of Kazakhstan's foreign trade with the European Union showed that the foreign trade turnover of Kazakhstan was increased to eight and a half times for the period 1995-2015.

Kazakhstan is based on the principles of openness and free trade, it tends to take a rightful place in the international market and strengthen integration into the world economy.

For Kazakhstan the foreign trade is one of the main factors of the strategic plan to ensure a sustainable economic growth. The main benchmark of the state policy is to make the country a regional high-tech, export-import, investment, financial and trade center.

The country has gone from the regime of a strict control of a foreign trade activity to a significant liberalization. An important direction of the state's foreign economic policy is to create a unified economic space in the Eurasian region with its partners in the Customs Union. In addition, the country's accession to the WTO has a great importance for increasing of the openness of the Kazakhstan economy.

The analysis of the foreign trade of Kazakhstan shows the high integration of the country into the world economy. More than half of the goods produced in the country (60.1%) are exported abroad; a significant part of consumer goods (39.9%) comes through import channels.

The main trade partners of Kazakhstan are the countries of the European Union, the Customs Union, China and Ukraine. The high rates of Kazakhstan's trade turnover with Russia and China are connected primarily with the large volume of a cross-border trade.

In general, we can conclude that the external orientation of Kazakhstan's economy turned the dynamic development of primary industries, while the share of processing and manufacturing areas remains low.

The dependence of Kazakhstan on external conditions and fluctuations in commodity prices has threatened the macroeconomic and financial stability through the extensive devaluation of currency. The inflation rate in Kazakhstan has increased from 6.0% in 2012 to 13.6% in 2015, or 2.3 times, which led to a decrease in the foreign trade turnover for the last three years by 42.7%, and return to the figures of 2009.

The trade turnover of Kazakhstan with the countries of the European Union has decreased by 17.7% for 2010-2015. The results indicate a high sensitivity of exports of oil prices, due to the high proportion of mineral resources in the mutual trade structure causes a decrease in its value terms. However, the share of trade with EU countries in the total trade turnover of Kazakhstan increased from 41.6% in 2010 to 43.9% in 2014, declined slightly to 40.9% in 2015, due to the fall of the demand for Kazakhstan metals, oil and grain.

There were some changes in the level of the presence of countries in Kazakhstan's exports. So, if

in 1997 the top three countries were Russia, the Netherlands, China, in 2015 the following EU member countries were on the first place as Italy and the Netherlands. Their share was 29.6% in the total exports of Kazakhstan in 2015.

Only 9 EU countries (Italy, the Netherlands, France, Germany, Spain, Romania, Greece, Great Britain, Poland) have 82.3% of the total turnover of the mutual trade with Kazakhstan, 88.3% of exports and 75.6% of imports.

4 EU countries (Italy, the Netherlands, France and Germany) have more than half of the total turnover of the mutual trade with Kazakhstan - 61.6%, 66.0% of exports and 60.2% of imports.

Italy has the first place in the trade turnover of the Republic of Kazakhstan. Its share is 29.7%.

The export to Italy has 33.3% of total exports to the EU, the import from Italy has 3.8%.

The analysis of the foreign trade activity of the country testifies to the persistence of serious structural problems. At the same time the prevalence of exports over imports is determined by the commodity nomenclature.

Nowadays there is a high concentration of Kazakhstan export commodity. In most cases domestic production is not competitive; in this regard the great share of exports is still for raw materials such as oil and gas condensate, metals, grains, etc. Raw materials have 87.7% of the overall structure of the country's exports, which reduce the country's competitiveness in the global market. The most part of the imports are investment and intermediate goods, i.e. products are almost not produced in Kazakhstan. Imports of goods show a little flexibility to the exchange rate fluctuations. Kazakhstan is one of the top ten of the largest grain exporters in the world. The last few years a steady reduction of the dynamics of the export of grain have been observed, which is caused by a decrease in a grain quality due to non-production and storage technology in elevators.

The basis for the increase of the efficiency of the foreign trade is the transition from narrow oriented exports to diversification of export flows, as well as the decrease of imports of goods by increasing the production capacity in Kazakhstan.

The diversification of the economy, avoiding the dependence on oil and the development of an infrastructure with the help of state and private investments will provide a long-term economic growth, as well as the development of the foreign mutual trade of Kazakhstan in the framework of the European Union. Today Kazakhstan is drawn increasingly into the orbit of globalization; it establishes extensive contacts with many countries of the world. Kazakhstan has a high transit potential having a developed system of roads and railways, major airports and access to the sea. The activation of foreign trade activities with the European Union countries gives the Republic the possibility to transform from a regional leader into a major participant in a global economic process, allowing to adjust the flow of goods between Asia and Europe. To summarize, the participation of Kazakhstan in the international division of labor and the entry into the rank of the

50 most competitive countries of the world will depend on the direction of Kazakhstan's foreign economic activity and the effective use of an export potential. Thus, the hypothesis is confirmed.

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