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The development of non-energy export in the regions of Kazakhstan

The article deals with current issues of foreign economic activity of the Republic of Kazakhstan. The volume of trade in all member states of the Eurasian Economic Union is determined. The ratio of exports and imports of goods is analyzed, which determined that the Kazakhstan economy continues to grow at the expense of exports. In the article an important role is devoted to the development of non-energy exports, which contributes to the growth of the economy. The proportion of processed exports in the Republic of Kazakhstan's GDP is determined. Non-energy export in the context of Kazakhstan's regions is analyzed. A number of ways to improve the export support mechanism in the regions of Kazakhstan is offered.

Key words: export, import, trade balance, non-oil exports, the region.

The increasing globalization of the world economy leads to increased interdependence of economic systems of various states, as well as determines the inevitability of harmonization, unification, the universalization of the national legal instruments used in the management of the processes of economic interaction of many different actors at the international level. In these circumstances, any country becomes a party to the processes of globalization, affecting a wide range of social relations. If each state will approach more flexibly and efficiently to the development of economic and legal instruments for the integration of national economic entities in the world economic system, than it will get potentially greater benefit for development and strengthening of its domestic markets (goods, services, capital, labor and financial and etc.), which, in turn, positively impact on the rise of the national economy and filling the state treasury.

The Concept of Kazakhstan's joining to the 30 most developed countries of the world marked long-term priorities of socioeconomic development of the country. The President in his Message to the people «Kazakhstan's way — 2050: common goal, common interests, common future» in 2014 identified the main problems to be solved for this. The first priority is indicated by strengthening innovative industrialization processes [1].

Engaging and activation of innovation and the industrial component in the overall system of reform programs is an urgent problem today. In recent decades the government is actively pursuing a policy of industrialization, diversification, improving the competitiveness of the national economy. The aim of almost all government programs is to ensure sustainable and balanced economic growth through diversification and enhancing its competitiveness.

In recent years the integration processes between Belarus, Kazakhstan and Russia are becoming more developed, the logical consequence of which was the signing of 29 May 2014 the Treaty on the establishing the Eurasian Economic Union (EAEU) from the January 1, 2015. Deepening cooperation between Belarus, Kazakhstan and the Russian Federation raises questions about the relative priorities of structural policy measures and results in the member states of the EAEU and the role and possible contribution of integration processes in the achievement of targets in key areas of economic development.

Areas of economic development, for which the problem of the comparative analysis of national strategic documents and the problem of integration capacity assessment are the most relevant include:

- Improvement of the business and investment climate;
- Modernization, innovation, creation and development of new industries;
- The development of export potential;
- Energy development;
- The development of transport and transport infrastructure;
- Development of international cooperation.

The choice of these areas is due to the degree of their impact on the competitiveness of national economies, global trends and the current macroeconomic situation in the country, as well as the presence of all strategic documents developed in these areas by member states.

Joining the EAEU by Armenia and Kyrgyzstan affected slightly on the intra trade patterns due to the small size of their economies. Most of the mutual trade turnover still accounted for on the trade between Russia and Belarus (56.9 %) and Kazakhstan (34 %). Being the «backbone» of union, Russian Federation also plays a leading role in trade with Armenia (2.6 %) and Kyrgyzstan (3.1 %). Mutual trade between the EAEU states not associated with Russia is insignificant. Significant level was reached only in trade between Belarus and Kazakhstan, which for the first nine months of 2015 is amounted to \$475mln., which is equivalent to 1.4 % of the all-union trade.

The economic situation of the Eurasian Economic Union totally in 2015 is characterized by a decline in economic activity in all member states. The external shocks had a negative impact on economic activity in the region EAEU, also experiencing pressure from structural factors limiting growth potential. Changing macroeconomic conditions in 2015 led to the entry of Russian and Belarusian economies into recession and a sharp slowdown in growth in Kazakhstan. As a result, demand for non-energy exports decreased within the EAEU. In addition, remittances reduced to Armenia and Kyrgyzstan [2].

Development of integration processes in the economy determines the importance of foreign trade activities as one of the most important tools for economic development. The future of world trade, its transformation into the global trading system will depend on a number of economic, political and social factors, including technological innovation, changes in production and consumption patterns, as well as demographic changes.

Many currently implemented international initiatives are aimed at stimulating economic growth. Free trade agreements, investment agreements, and aid for trade aimed at increasing employment and higher wages. Proponents of globalization emphasize the importance of trade in achieving international convergence of labor rights and working conditions. However, most economists agree that free international trade can contribute to both an increase and a reduction of jobs [3].

In some, but not all countries, living standards have improved. It is clear that trade is not the only mechanism, the use of which provides a socio-economic development. The combination of domestic policy, providing support for workers, improving the production infrastructure, improving education and reliability of the legal system are necessary for economic growth.

When custom duties were the main obstacle to the development of trade and its liberalization certainly was useful to consumers who benefited from lower prices, greater variety and higher quality products. But now, when most of the reduced customs duties, non-tariff measures in the form of sanitary requirements and technical specifications are an obstacle to free trade. It is necessary to find a balance between rules that protect consumers, their food, their health, the environment and the principles of free trade.

The development of the global trading system is most evident in the wide geographic distribution of trade and the growth of international supply chains. There are new prospects for liberalization of services which promotes labor productivity growth in the real sector of the economy, employing services for intermediate consumption.

Enhancing the role of Kazakhstan in the international turnover is confirmed by the following facts, which are presented in Table.

Table

Value of export and import of goods in Kazakhstan (mln. USD)

Indicators	2010 y.	2011 y.	2012 y.	2013 y.	2014 y.
Foreigntradeturnover, including:	91 397.5	121 241.7	132 807.2	133 506.0	120 755.3
export	60 270.8	84 335.9	86 448.8	84 700.4	79 459.8
import	31 126.7	36 905.8	46 358.4	48 805.6	41 295.5
Tradesurplus	29 144.1	47 430.1	40 090.4	35 894.8	38 164.3

Note. Compiled by authors based on [4].

According to the ratio of exports and imports of goods, Kazakhstan's economy continues to grow at the expense of exports. The trade surplus is about \$40 billion, and in 2011 it exceeded that amount.

The foreign trade turnover of the Republic of Kazakhstan in 2014 amounted in \$120.8 bln., having decreased in comparison with 2013 by 9.6 %. Export from Kazakhstan decreased by 6.2 % to \$79.5 bln. Import decreased by 15.4 % to \$41.3 bln. The trade balance for 2014 was \$38 bln., which is 6.3 % higher than in 2013.

The decline of exports was mainly due to reduction of the supply of commodities by 6.3 % (\$4.1 bln.), which amounted to \$61 billion. The share of \$3.6 bln. from \$4.1 bln. is oil. Export of processed goods was \$18.5 billion, which decreased by 5.7 % (\$1.1 billion). The reason for the decrease is mainly a reduction in the volume of copper by \$1 billion due to falling world prices and reduced demand in the China market. In addition, the reduced supply of uranium, precious metals, ferro-alloys by \$1 bln. due to the volatility of world prices.

To date, the export is dominated by raw materials and natural resources. It should be taken into account that for trade of natural resources, unlike the trade of industrial and agricultural products, export rather than import restrictions (export taxes) are more important for the market conditions. WTO rules constrain not only import but also export restrictions. As a result, at this stage of participate in the WTO exporters of raw materials and natural resources largely benefit. Under these conditions, the most important task for Kazakhstan is to diversify exports and switching to products with greater added value through the development of processing industries.

Note, however, that high performance of resource export is characterized the countries with large reserves of natural resources, which, no doubt, includes our republic. The dominance of raw materials is an objective, justified and sufficiently rational strategy of foreign policy of well-resourced countries. Today Kazakhstan has positioned itself as one of the largest and most advanced of three major exporters in the world market of goods: oil, metals and grain. In this connection it is necessary to recognize the fact that it proceeds from the sale of raw materials in the most difficult years of the act as «safety cushion» for our economy, ensuring that the state not only its social obligations, but also allowing to implement development programs.

Natural resources, of course, served as a launching pad for Kazakhstan economic growth. But objectively, there is a need of structural changes in the economy, which would realize the gains from possession of natural resources through the development of its own high-tech production, reducing imports of consumer goods, especially agricultural production and food industry.

In carrying out structural reforms must take into account the available human resources, natural resources, financial resources and communication with global value chains. Structural reforms need to attract investment, including foreign investment. This requires a comfortable business environment, which, in turn, formed as a result of structural changes in the economy. The international trading system provides many useful tools for structural change, investment, diversification of exports. Compliance with the international terms of trade provides a clear, predictable business conditions, which are the basis for structural changes and provides the confidence of businesses and investors.

Therefore, the processed products play an important role because they contribute to the growth of the economy. The dynamics of export and import of processed goods is presented in Figure 1.

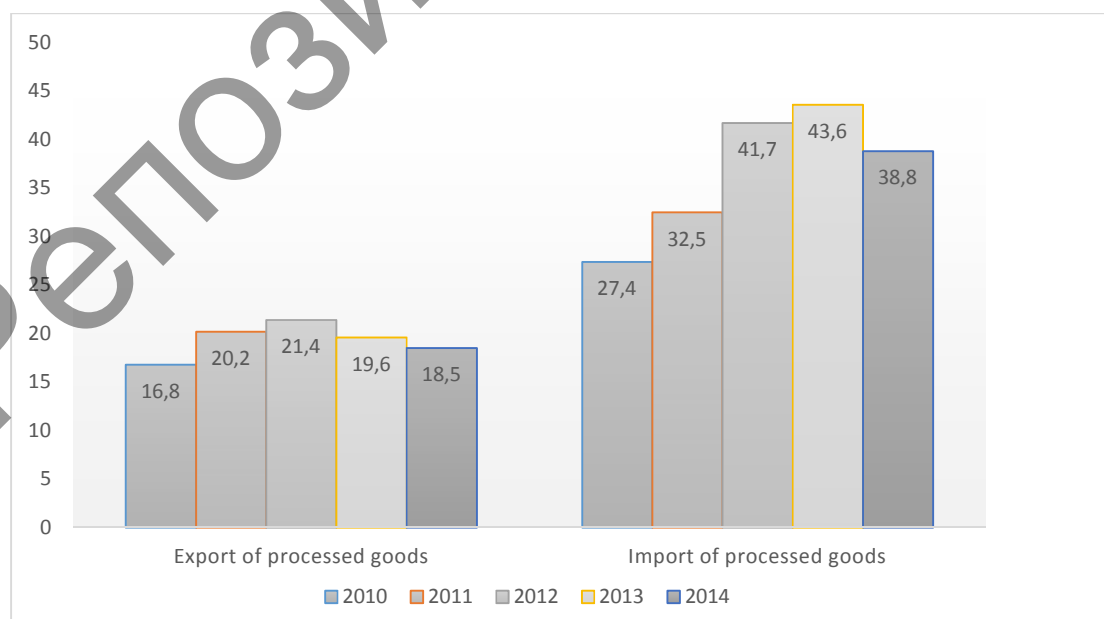


Figure 1. Dynamics of export and import of processed goods (in bln. US dollars) (compiled by authors based on [4])

The export of the country is mainly represented by intermediate goods — 72 % share of the total export of the Republic of Kazakhstan. The import of Kazakhstan is mainly represented by intermediate goods (raw material for processing) and the means of production. Their combined share in the total volume is 69 %. This situation indicates the growing average annual rate of renovation of production and technological park of the country.

The vector of economic development is to move towards a coherent and balanced growth of the processing, innovation, technology and social sectors. The development of non-energy exports is designed to change the structure of foreign trade turnover of Kazakhstan, which today is characterized by a high proportion of mineral resources in exports and domination of production of high-tech industries (machinery and equipment) in imports. The share of processed export of the Republic of Kazakhstan in the country's GDP is presented in Figure 2.

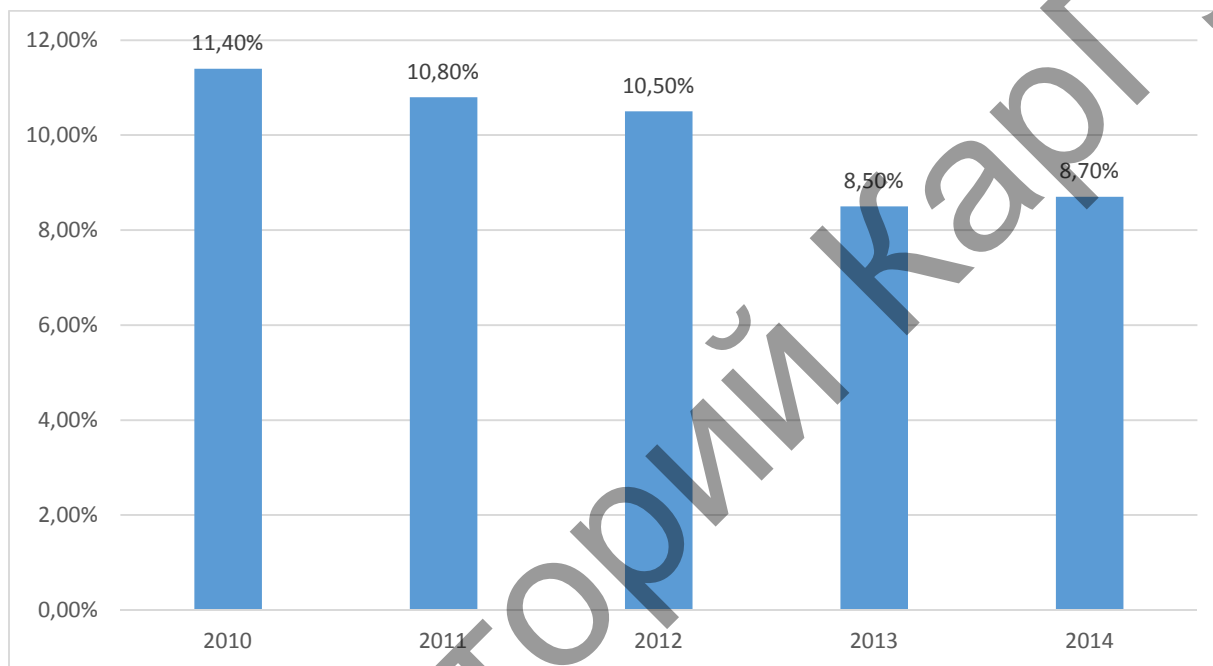


Figure 2. The share of processed export in GDP of Kazakhstan, % (compiled by authors based on [4])

The share of non-energy export in GDP is about 10 %, but the last few years it is declined. However, in conditions of intensive development of non-productive sector of the economy, trade in services is becoming an increasingly important factor for economic growth, collaboration and cooperation within the framework of the EAEU. It contributes to the development of the system of international relations.

Foreign trade has traditionally provided a significant contribution to GDP and contributes to the technological improvement of the production. Without import of components and spare parts it is impossible to produce competitive products for the internal and external markets, many sectors of the economy. Import largely ensures the filling of food and consumer baskets of population. Foreign trade maintains and expands the number of work places, stimulates competitive and innovative vectors of economic modernization. Import intensifies the competition in the domestic market which hinders the further growth of the level of monopolization of the economy because the factors monopolization and obtain monopoly rents are in conflict with an objective and challenging competition on the external market.

The imbalance between the integration processes in the world economy and the necessity sector to protect the interests of domestic producers of services, new limitations of foreign trade operations of Kazakhstan determine the importance of creating favorable conditions for import substitution in the service sector, as well as to promote the export of services as one of the areas of non-primary export development policy. Non-energy export in the context of Kazakhstan's regions in 2014 is shown in Figure 3.

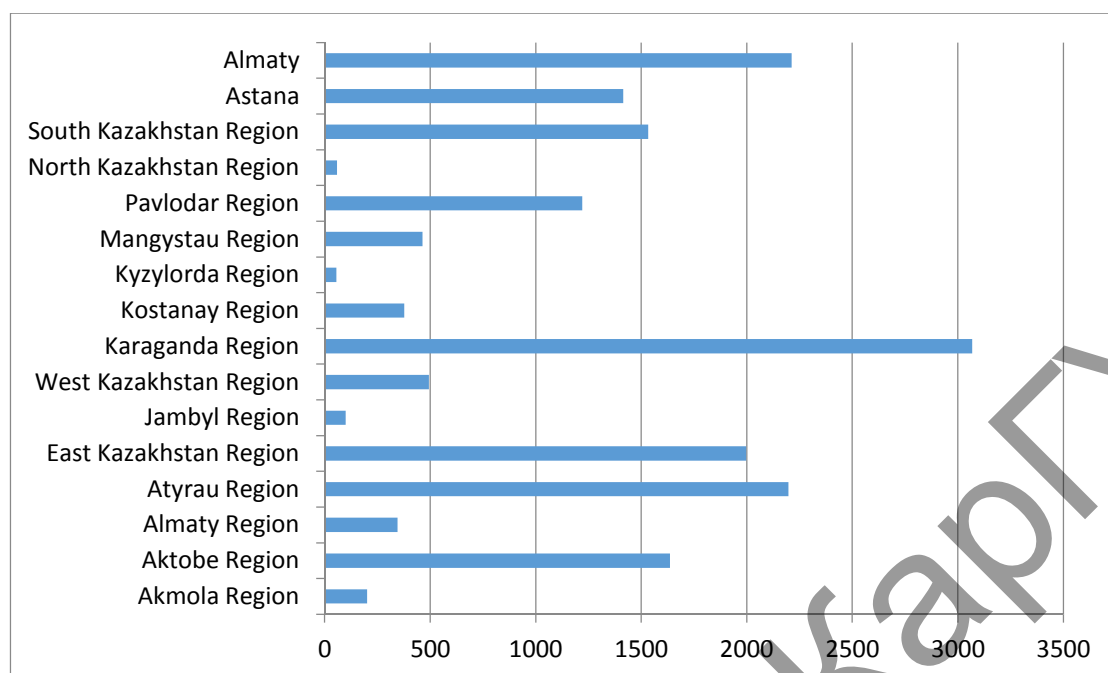


Figure 3. The non-energy export in the context of Kazakhstan's regions in 2014 (in mln. US dollars) (compiled by authors based on [5])

The largest increase in export of processed products compared with 2013 year is observed in Mangystau region — 2 times from \$230.2 million to \$463.4 million (due to floating drilling rigs, petroleum distillates), West Kazakhstan region — by 16.6 % from 423.2 million to \$493.4 million (due to optical carriers and liquefied petroleum gas) and Almaty region — by 13.3 % from \$304.8 million to \$345.4 million (at the expense of self-propelled lifting equipment, petroleum distillates, excavators and welding machines).

In addition, it may be selected the regions with relatively low specific weight of processed exports in total exports, i.e., regions whose exports dominated by raw materials or products with primary (low) degree of processing. They are Kyzylorda region (1.9 %), Mangystau region (4.8 %), West Kazakhstan region (5.2 %) and Atyrau region (7.7 %).

The general plan of measures to support non-energy export in the Republic of Kazakhstan is aimed at changing the structure of exports of goods in favor of a high degree of processing, the development of related services. Export development activities are focused primarily on the participation in the export operations of small and medium enterprises. Such activities should have a positive impact on the development of competition and business activity, both in industry and in services. Given that innovation activity is initiated, as a rule, «from below», i.e. at the level of small and medium enterprises, export support measures should give additional impetus to the development of innovative business.

Increasing the volumes of non-energy export should be recognized the strategic direction and priority of the Republic of Kazakhstan regions. This requires targeted impact on the existing competitive exporters and manufacturers of finished products having even a small demand on foreign markets. There are mechanisms of short-term effects on commodity exporters — tariff and non-tariff measures, such as emergency introduction of export duties and control over prices of exporters in the domestic and foreign markets. There have been enough cases available on the market overpricing manufacturers of products for the domestic market and significantly reduce them for the outside. It destroys the incentives for domestic production of goods, as it becomes more profitable to buy abroad the raw materials needed for manufacturing investors to further processing and use in the production process in Kazakhstan.

Thus, to improve the non-energy export of the regions of the Republic of Kazakhstan we offer the following activities:

- to prepare qualified personnel for the regions in which there are no specialists, mainly engaged in foreign trade and brokering;
- to increase the participation of local authorities in providing information and analytical support for export;

- to improve the administration standards in the field of formation and realization of the export potential of the country on the basis of priority development of non-energy export;
- creation of the conditions for a smooth transition of the business sector into the mainstream of the diversified industrial business, taking into account the needs of the partners;
- creation of the conditions for increased investment in high-tech export sector.

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Қазақстан аймақтарындағы өндірістік емес экспорттың дамуы

Мақалада Қазақстан Республикасының сыртқы экономикалық қызметінің өзекті сұрақтары қарастырылған. Барлық мемлекеттердегі — Еуразия экономикалық одағының мүшелеріндегі тауар айналымы анықталған. Тауарлардың экспорты мен импортының арақатынасы талданған, ол қазақстандық экономиканың экспорт арқылы дамып отырғанын айқындап береді. Еліміздің экономикасының өсуіне ықпал ететін өндірістік емес экспорттың дамуына басты мән берілген. Қазақстан Республикасының өңделген экспорттың еліміздің ішкі жиынтық өніміндегі үлес салмағы анықталған. Өндірістік емес экспорт Қазақстан аймақтары негізінде талданған. Қазақстан аймақтарындағы экспортты қолдау механизмін жетілдірудің бағыттары ұсынылған.

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Развитие несырьевого экспорта в регионах Казахстана

В статье рассмотрены актуальные вопросы внешнеэкономической деятельности Республики Казахстан. Определен товарооборот во всех государствах — членах Евразийского экономического союза. Проанализировано соотношение экспорта и импорта товаров, которое позволяет определить, что казахстанская экономика продолжает развиваться за счет экспорта. В статье важная роль отведена развитию несырьевого экспорта, который способствует росту экономики страны. Определен удельный вес обработанного экспорта Республики Казахстан в ВВП страны. Проанализирован несырьевой экспорт в разрезе регионов Казахстана. Предложен ряд направлений совершенствования механизма поддержки экспорта в регионах Казахстана.

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