

The Analysis of Export Competitiveness of Kazakhstan

Olzhas ISSABEKOV

China, Jiangsu Province, Xiao Lingwei 200, Nanjing University of Science and Technology

Abstract—One of the major strategic interests of Kazakhstan in foreign trade policy is to be included in 50 World's most competitive countries and strengthen the competitiveness of the country on the international market [1]. The issue of competitiveness takes a significant place in the economic development as one of the part of industrial innovation development and liberalization of country's international trade. In modern conditions, the competitiveness of country's export is an indicator of the state and prospects of the economic system development. The indicator determines the nature of its participation in the international division of labor, acts as a guarantor of economic security and ability to produce goods and services that meet the requirements of world market, the implementation of which influences on welfare of the population. This article implies the main indicator of competitiveness is *export potential* and its actual realization serving as confirmation of real competitive advantages and the tool of national interests' promotion in the scale of global economy and regional cooperation.

Keywords—*export competitiveness; kazakhstan, export; RCA.*

I. METHODOLOGY

The methodology of the article is based on Balassa (1965) concept, according to which, the competitive advantage is a sufficiently large share of the goods in the international market. The lack of a competitive advantage lies in the low share of this product in export markets [2]. For this purpose, the index of comparative advantages, called Revealed Comparative Advantage indices (RCA) is used, which is presented as following:

$$RCA_{ij} = (X_{ij}/X_{it}) / (X_{wj}/X_{wt}) \quad (1)$$

Where, x_{ij} and x_{wj} are the values of country i 's exports of product j and world exports of product j and where X_{it} and X_{wt} refer to the country's total exports and world total exports. A value of less than unite implies that the country has a revealed comparative disadvantage in the product. And on the contrary, if the index exceeds unite, the country has a revealed comparative advantage in the product [3].

II. INTERNATIONAL TRADE OF KAZAKHSTAN

As demonstrated in Table 1, the export decreased by 20.1% in 2016 and import decreased by 17.0% influencing on the decrease of trade turnover by 18.8%. However, in 2017 there is a positive tendency of export increasing by 31.6%, import by 15.5% and trade turnover by 25.0%. The positive tendency also reflected in the trade balance of the country, in 2016 is 11 360,2 million USD and in 2017 is 19 037,4 million USD. The main exporting goods of Kazakhstan are the following: crude oil,

agricultural products, copper and copper cathodes, natural gas, ferroalloys. The main import goods are agricultural products, petroleum products, telephone devices and medicines, packaged for retail sale. The main export partners of Kazakhstan are the European Union, China, Russia, Ukraine, and the United States [5].

TABLE I. EXPORT AND IMPORT DYNAMICS OF KAZAKHSTAN IN BILLION USD

	2015	2016	2017
Export	46,0	36,7	48,3
Import	30,6	25,4	29,3
Trade turnover	76,5	62,1	77,6
Foreign trade (in % of GDP)	53,0	60,03	n/a

Source: Center for Trade Policy Development [4]

In 2015, the value of Kazakhstan's exports fell down two times compared to 2014. Such a sharp drop in exports was observed only in the crisis year 2009. In 2016, the export continued its decline and its volume was below the level of 2007. From the year 2011 to 2013, the level of export has remained stable.

Export of goods of the Republic of Kazakhstan at the end of 2016 amounted to 36.7 billion US dollars. It is important to note that with the fall in commodity prices and the volume of exports fell. In this case, if the primary sector can fairly safely to regain its position in the global market with the growth of prices for raw materials, the non-oil sector to recover lost export position much more difficult. This is due to the objective features of manufacturing goods production, which complicate export conditions:

- More complex supply chains and difficulties in managing them;
- High sensitivity to transport costs and time of transportation and logistics;
- Dependence on the degree of market coordination efficiency;
- High dependence on prices and access to imported intermediate inputs;
- High dependence on the level of technology, knowledge-intensive production, quality and cost of labor [6].

The above-mentioned facts show the low competitiveness of the domestic manufacturing industry, which is partly the result of small investments in this sector due to the global

economic crisis. In these conditions, in order to expand the supply of products to the foreign market and increase the competitiveness of manufacturing products, the necessary condition is the use of measures of state support and stimulation of domestic production. In this context, the government's anti-crisis measures were kind of buffer to mitigate the impact of the global economic crisis, but, as practice shows, this was not enough to maintain Kazakhstan's position in the world market.

Theoretically, foreign trade is the most important factor in the stabilization of Kazakhstan's economy. Export is one of the means of survival of mining enterprises and preservation of jobs. Through imports, the domestic market is provided with consumer goods, fuel and energy products, investment goods. However, due to the decline in economic development in the crisis, there is a deterioration in the performance of foreign trade in Kazakhstan [6].

III. ANALYSIS OF EXPORT COMPETITIVENESS OF KAZAKHSTAN

To identify the level of trade relations development of Kazakhstan on the worldwide market, the preference

coefficients were calculated. If the value of the coefficient is zero, then there are no trade relations between the states, if equals to Unit – means the world average level position. The higher the ratio, the greater the level of trade integration between countries. The coefficient of preference is calculated by the formula:

$$K_i = T_i / T_w \quad (2)$$

Where, T_i – share of trade partner in the trade relation with any country,

T_w - share of country partner in the international trade.

The indicator K_i for Kazakhstan is calculated on the basis of dynamic series of export-import flows according to domestic statistics. For the comparison of the indicators, China's K_i was taken into consideration, based on the data of Chinese international statistics, as one of the main partners of the country. The analysis is presented in Figure 1.

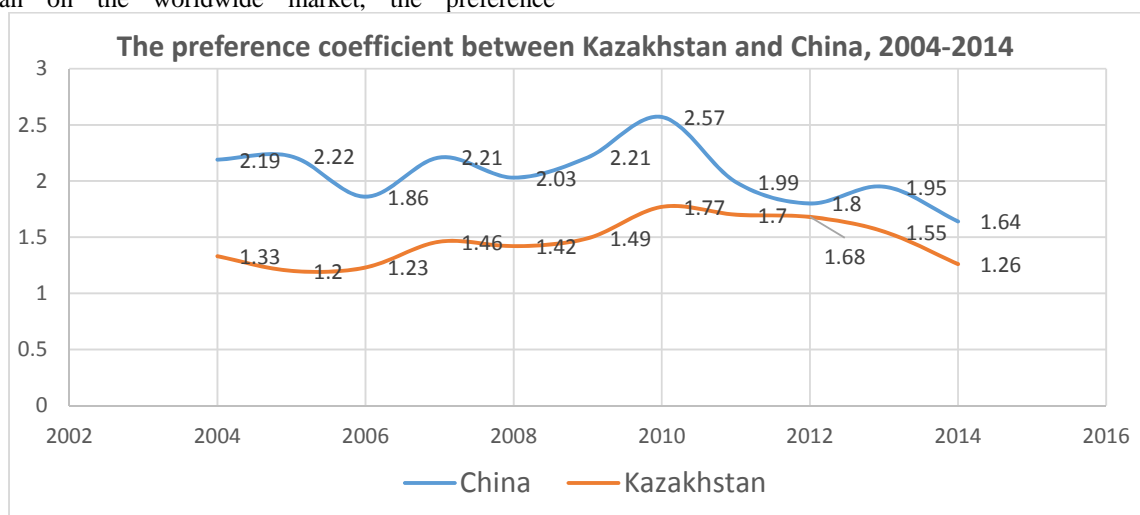


FIGURE I. THE PREFERENCE COEFFICIENT BETWEEN KAZAKHSTAN AND CHINA, 2004-2014
Source: ITC calculations based on UN COMTRADE statistics, Trademap [7]

As demonstrated in Figure 1, trade preference of Chinese trade is higher as the coefficient K_i to China almost two times higher than the same coefficient for Kazakhstan for bilateral trade. The analysis shows that for both countries the coefficients of preference have similar dynamics of growth and decline, which was especially clearly manifested after the

global financial and economic crisis, which had an unconditional impact on the development of the level of trade relations between Kazakhstan and China [8].

The analysis of Revealed Comparative Advantage (RCA) of Kazakhstan by Sectors is the following:

TABLE II. RCA BY SECTORS OF KAZAKHSTAN, RUSSIA AND CHINA

	2014			2015			2016		
	Kazakhstan	Russia	China	Kazakhstan	Russia	China	Kazakhstan	Russia	China
Fuels	4.27	3.93	0.05	5.46	5.05	0.07	5.42	5.72	0.09
Minerals	3.55	0.64	0.12	3.47	0.78	0.15	4.64	0.57	0.13
Metals	1.61	1.29	1.07	2.29	1.54	1.05	3.26	1.8	1.07
Vegetable	0.49	0.62	0.22	0.73	0.76	0.22	1.02	0.74	n/a
Chemicals	0.68	0.54	0.05	1.02	0.62	0.47	0.98	0.56	0.48
All products	1	1	1	1	1	1	1	1	1

Source: World Integrated Trade Solution, 2014-2016 [9]

The main idea of the Table 2 is to evaluate whether Kazakh export has revealed comparative advantage in the world. Taking into consideration all exporting products of Kazakhstan in relation to the world's export, it can be concluded that Kazakh products has revealed comparative advantage in the world wide export market, as the indicator for the targeted years equals to Unit. So do the main trade partners of Kazakhstan, which are Russian Federation and China, with RCA index equal to Unit. The table presents the main exporting products of Kazakhstan, which are fuels, minerals, metals, vegetable and chemicals. In comparison to main partners the indicated products has more advantage. There is also positive tendency of RCA of Kazakhstan from 2014 to 2016 of all above mentioned products. However, other 11 types of products of Kazakhstan exported to the world market does not have revealed comparative advantage toward its competitors, as index RCA is lower than Unit. The products with RCA less than Unit are stone and glass, food products, animal, hides and skins, miscellaneous, textile and clothing, wood plastic or rubber, footwear and transportation. This situation is caused by the following main problems:

- Weak legislative support in the sphere of regulation of foreign trade activities;
- High level of shadow turnover in the country's foreign trade;
- Lack of awareness of domestic producers of the possibility of protection against increased, dumping and subsidized imports of goods;
- Weak technical support of the export control and licensing system;
- Low level of development of domestic trade infrastructure (lack of retail space, lack of modern transport and logistics centers);
- Insufficient level of service support for the export of non-raw materials (underdeveloped network of trade missions of Kazakhstan abroad);
- Excessive isolation of Kazakhstan's exports in the markets of a limited number of countries (the EU and the US account for more than 60% of Kazakhstan's exports) [10].

The main strategy, designed for cultivation of highly competitive products, should focus on providing the manufacturing industry with an average annual growth rate of 8-8.4%. Moreover, increasing of labor activity of population

and the education level; increasing of productivity of main funds of manufacturing industry; stimulating the creation of high-tech export-oriented industries and transitioning to global standards in all sectors of the economy and management. Therefore, the implication of the following strategic plans will positively affect the economy of Kazakhstan and its competitive position in the world market.

REFERENCES

- [1] N. Nazarbaev, Presidential address to people of Kazakhstan. The strategy of Kazakhstan's entry to 50 most competitive countries in the world, 2006.
- [2] B. Balassa, Trade liberalization and Revealed Comparative Advantage, The Manchester School of Economic and Social Studies, 119, pp 93-123, 1965.
- [3] Korytova, Methods of export competitiveness analysis, Trade policy of International Economic Department of Russian Federation, 2015.
- [4] Center for Trade Policy and Development, International Trade Republic of Kazakhstan, 2018.
- [5] Kazakhstan Economic and Political Overview, Export Enterprises SA, 2018.
- [6] The analysis of international trade of Kazakhstan, Kaznex Invest, 2015-2018.
- [7] Trade Map, UN Comtrade Statistics, Official website, 2016.
- [8] B. Husainov et al., Export competitiveness of Kazakhstan and China: comparative analysis, The economics of Central Asia #1, 2017
- [9] World Integrated Trade Solution, Official website, 2014-2016.
- [10] S. Chytanova "Problems of international trade of Kazakhstan", Vestnik KazNY, 2010.