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Analysis on economic and trade relations between China and Kazakhstan

Abstract. This study analyzed the status quo of economic and trade relations between China and Kazakhstan with an focus on the import and export commodity structure, volume of trade as well as direct investment.

Keywords: import, export, trade, analysis, Foreign Direct Investment.

1. An analysis of import and export trade of Kazakhstan

Economy of Kazakhstan presents a remarkable feature of export-oriented economy. The total trade value of import and export in Kazakhstan in 2010 with an increase of 24.3% compared with the previous year, among which the export value was 59.22 billion US dollars, with an increase of 37.1% and the import value was 29.76 billion US dollars,

with an increase of 4.8% compared with the previous year. Its foreign trade surplus was 29.46 billion US dollars, with an increase of 99% compared with the previous year, with a degree of dependence on foreign trade of 60.57%, including a degree of dependence on export of 40.56% and a degree of dependence on import of 20.01%. The total trade value of import and export in Kazakhstan in 2011 came up to 101.6 billion US dollars, with a degree of dependence on foreign trade of 63%.

Table 1 – The major trade partners of Kazakhstan in 2011

Unit : %

Trade value and ratio of the total value in the major trade partners of Kazakhstan in 2011 (0.1 billion US dollars)							
Order	Country	Export	Ratio in export (%)	Import	Ratio in	Total value	Ratio in the import (%) total trade value (%)
1	China	162.9	18.5	17.9	13.2	180.8	17.7
2	Italy	150.6	17.1	4.1	3.0	154.7	15.2
3	Russia	74.8	8.5	58.0	42.8	132.8	13.0
4	Netherlands	66.0	7.5	1.1	0.8	67.1	6.6
5	France	53.7	6.1	2.4	1.8	56.1	5.5
6	Switzerland	49.3	5.6	0.5	0.4	49.8	4.9
7	Austria	38.7	4.4	0.8	0.6	39.5	3.8
8	Ukraine	26.4	3.0	6.2	4.6	32.6	3.2
9	Turkey	25.5	2.9	2.6	1.9	28.1	2.7
10	Germany	17.6	2.0	7.5	5.5	25.1	2.4
11	Other countries	216.6	24.6	34.4	25.4	251.0	24.7

Date source: statistical data of Kazakhstan customs and the State Statistical Bureau, 2011

Considering the countries that have trade relations with Kazakhstan, in exports of Kazakhstan in 2011, the major countries are: China, Italy, the Russian Federation, the Netherlands, France, Switzerland, Austria, Ukraine, Turkey, and Germany. Also, considering the countries that have trade relations with Kazakhstan, in exports of Kazakhstan in 2011, China increased to 18.5% from 17.1% in 2010. In imports in Kazakhstan in 2011, the major countries are: the Russian Federation, China, Ukraine, Germany, Italy, Netherlands, France, Switzerland, Austria, Turkey, and France (See table 1).

Given the structure of imported and exported commodities in Kazakhstan, export of mineral products and primary products accounted for 85% of the total export value in all exported commodities in Kazakhstan, being the primary resource for import revenue. Compared with exported commodities, imported commodities were great in varieties, wide in scope and relatively average in ratio of the total value. Export value of mechanical equipment, traffic tools and instrument declined, but slightly increased in the proportion to the total import value. The structure of the major exported commodities had not had any obvious adjustment or improvement. Export of energy and mineral products still took the leading

position, accounting for 77.8% of the total export value. In addition, the ratio of processing industry in the total export also declined. Expansion of exports in Kazakhstan in 2011 mainly benefited from rise in price of its exports of energy products and metal.

The total import value of Kazakhstan in the year 2011 was 38.04 billion US dollars, with an increase of 25% compared with the same period of the former year. Exports of mechanical equipment, traffic tools and instrument and meter headed the list. Growth of import in Kazakhstan was relatively gentle in 2011 and had not had significant changes in the structure. Although Kazakhstan had come into operation of projects to speed up industrial innovation and development, import of large-scaled production and investment commodities diminished.

2. An analysis of import and export trade between Kazakhstan and China

Ever since the independence of Kazakhstan, import and export trade between Kazakhstan and China has been on a rapid increase. According to the ranking of trade value, China became the first largest trade partner of Kazakhstan, the largest exporting country and the second largest importing country (See table 2).

Table 2 – Import and export trade between Kazakhstan and China during 2000 – 2011

	Unit (0.1 billion US dollars)					
	Total value of import and export amount	Rate of increase (%)	Export amount	Rate of increase (%)	Import amount	Rate of increase (%)
2000	8.247	0.84	6.737	-2.1	1.51	13.9
2001	8.316	60.7	6.596	55.1	1.72	82
2002	13.36	62.3	10.23	61.6	3.13	67.3
2003	21.768	25.2	16.531	19	5.237	44.8
2004	27.255	34.9	19.673	23.2	7.582	65.1
2005	36.757	50.1	24.239	48.2	12.518	53.8
2006	55.174	65.8	35.925	57	19.249	82.2
2007	91.469	33.8	56.396	36.1	35.073	30.3
2008	122.42	-22.7	76.766	-23.3	45.65	-21.8
2009	94.59	48.85	58.89	71.85	35.7	10.92
2010	140.8	51.10	101.2	55.70	39.6	24.90
2011	213.1	26.3	50.21	36.6	162.9	41.2
Average rate of increase						

Date source: 2003-2011 Statistical Yearbook of Kazakhstan State Statistical Bureau

Table 3 – Ratio of import and export trade of China in Kazakhstan from 2004 to 2011

	Total ratio	Ratio of export	Ratio of import	Trade balance
2004	8%	10%	6%	12.07
2005	8%	9%	7%	11.83
2006	9%	10%	8%	17.43
2007	11%	12%	11%	21.3
2008	11%	11%	12%	31.12
2009	13%	14%	13%	23.19
2010	15.8%	17.1%	13.3%	61.60
2011	20.9%	18.4%	13.1%	112.69

Date source: statistical data of Kazakhstan State Statistical Bureau, 2004-2011

The average rate of increase in trade between Kazakhstan and China was 26.3% from 2000 to 2011. Trade between Kazakhstan and China took up a continuously increasing share in the import and export trade of Kazakhstan (See table 3).

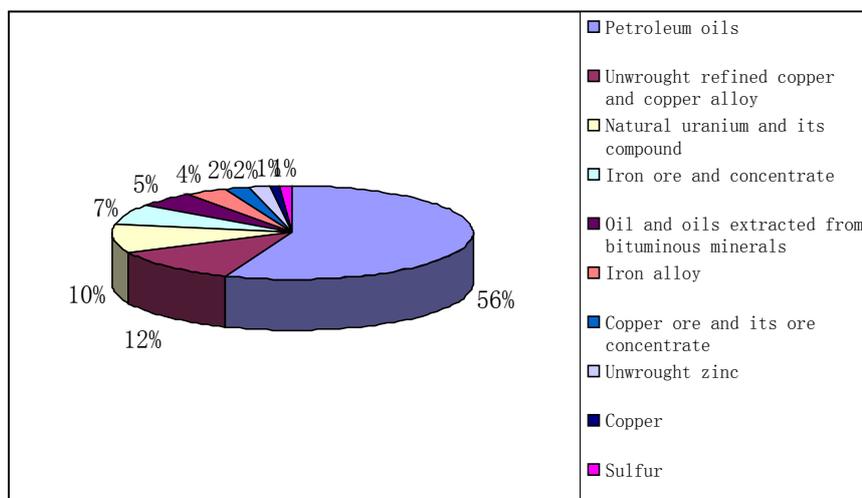
3. An analysis of the structure of commodities imported and exported between Kazakhstan and China

According to Customs statistics of Kazakhstan, calculated based on the export value, mineral products and raw material products were major commodities exported by Kazakhstan to China. Among the commodities exported from Kazakhstan to China in

2011, export volume of petroleum and major mineral came up to 11.036 million tons. Among the processed products exported by Kazakhstan to China, 90% were industrial raw material products, including uranium, metal products and leather, etc (See chart 1).

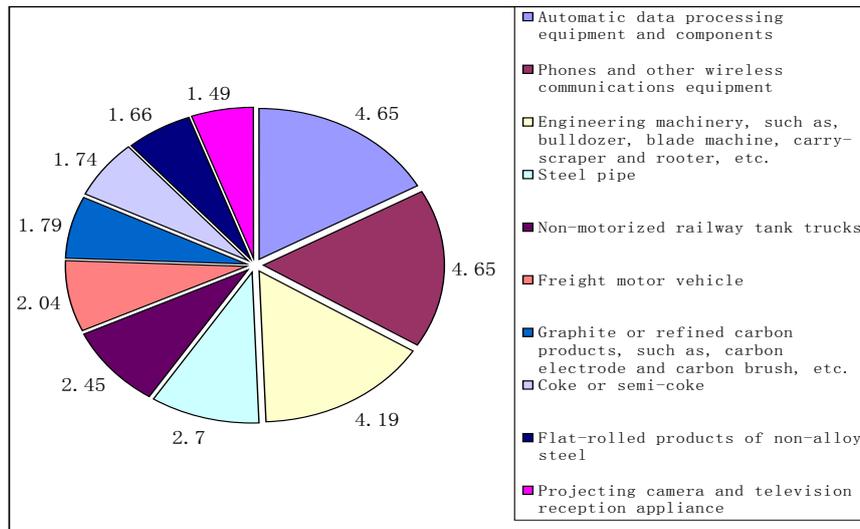
According to value of import, the major products imported by Kazakhstan from China were steel pipes and communication apparatus. The electronics and machinery imports of goods imported from China continued to expand (See chart 2).

All the above data indicates that, commodities imported by Kazakhstan from China were of a great variety, and most were finished products, some of which were imports driven by projects invested by Chinese enterprises in Kazakhstan.

Chart 1 – The top ten commodities exported to China by Kazakhstan in 2011

Date source: statistical data of Kazakhstan State Statistical Bureau, 2011

Chart 2 – The top ten commodities imported from China by Kazakhstan in 2011



Date source: statistical data of Kazakhstan State Statistical Bureau, 2011

Features of the trade between Kazakhstan and China were as follows:

1. Increase in export and decline in import with enlarged favorable balance of trade with China.

In the first half of the year, the total value of bilateral trade between Kazakhstan and China amounted to 11.026 billion US dollars, exports of Kazakhstan to China amounted to 4.334 billion US dollars. Growth of trade between Kazakhstan and China was mostly attributed to exports by Kazakhstan to China.

2. Increase in both volume and value of exports to China

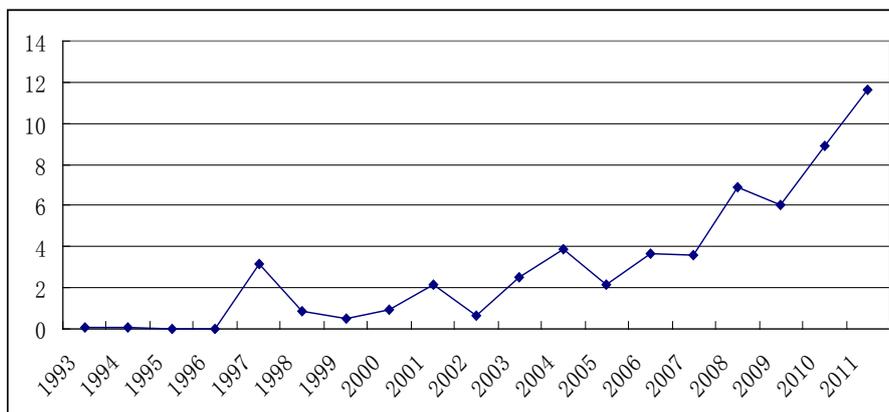
Export of petroleum and gas condensate exported by Kazakhstan to China in the first half of the year with a value of export increasing almost twice. Both export volume and export value of the following commodities increased: unwrought refined copper and copper alloy, iron alloy, iron ore and copper ore.

3. Decline in imports from China by a large margin

Value of imports from China to Kazakhstan declined by 48%. Rate of decline in import of generalized commodities was relatively small.

Diagram 1 – FDI of China in Kazakhstan from 1993 to 2011

Unit (0.1 billion US dollars)



4. An analysis of Foreign Direct Investment of China in Kazakhstan

The Foreign Direct Investment (FDI) of Kazakhstan from 1993 to 2011 added up to 146.633 billion US dollars. By the end of 2011, China made a FDI of 5.751 billion US dollars in Kazakhstan, which accounted for 3.92% of the total FDI in Kazakhstan. In the year 2011, Kazakhstan brought in a FDI of 1.1618 billion US dollars from China, with an increase of 30.7% compared with the previous year, which accounted for 20.2% of the total FDI of China in Kazakhstan and 5.8% of the total FDI in Kazakhstan in the full year of 2011. Ranking of China in the FDI in Kazakhstan fall to the eighth in 2011 from the seventh in 2010. Considering the industries involved in FDI, investment of China in Kazakhstan was expanded from energy fields to non-energy fields (See diagram 1).

However, the scope and scale of Chinese direct investment into the economy of Kazakhstan are still at a lower level. To utilize the opportunities provided by the Customs union of Russia, Belarussia and Kazakhstan, Chinese enterprises should invest their capital to those fields, which the Kazakhstan government stated in “Kazakhstan -2020 Strategic Development Plan” and “2010-2014 National Development Program to Accelerate Industrial Innovation”.

5. Conclusion

The economic and trade cooperation between Kazakhstan and China has been developing sound and steadily in these years. However, the cooperation fields need to be expanded, the Chinese government should encourage more large and medium-sized enterprises to invest in those fields, which are given priority to develop in Kazakhstan’s national programme, such as transportation, communication, atomic energy, machinery, etc. Besides, Kazakhstan needs to optimize its industrial structure in order to solve the problem of export diversification.

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Ли Сун

Қазақстан мен Қытай араларындағы экономикалық және саудалық қатынастарды талдау

Бұл зерттеуде Қытай мен Қазақстан арасындағы экономикалық және сауда қатынастардың тауар құрылымының импорт және экспорт, сауда көлемі, сонымен қатар тікелей инвестицияларға акцент жасай отырып статус-квосына талдау жүргізілген.

Түйін сөздер: импорт, экспорт, сауда, талдау, тікелей шетел инвестициялар.

Ли Сун

Анализ экономических и торговых отношений между Китаем и Казахстаном

В этом исследовании проанализированы статус-кво экономических и торговых отношений между Китаем и Казахстаном с акцентом на импорт и экспорт товарной структуры, объемов торговли, а также прямых инвестиций.

Ключевые слова: импорт, экспорт, торговля, анализ, прямые иностранные инвестиции.