



ҚАЗАҚСТАН РЕСПУБЛИКАСЫ БІЛІМ ЖӘНЕ ФЫЛЫМ МИНИСТРЛІГІ
Л.Н. ГУМИЛЕВ АТЫНДАҒЫ ЕУРАЗИЯ ҮЛТТЫҚ УНИВЕРСИТЕТІ



СОВЕТ МОЛОДЫХ УЧЕНЫХ
Еуразийский национальный университет им.Л.Н.Гумилева

**Студенттер мен жас ғалымдардың
«ФЫЛЫМ ЖӘНЕ БІЛІМ - 2014» атты
IX қалықаралық ғылыми конференциясы**

**IX Международная научная конференция
студентов и молодых ученых
«НАУКА И ОБРАЗОВАНИЕ - 2014»**

**The IX International Scientific Conference for
students and young scholars
«SCIENCE AND EDUCATION-2014»**

2014 жыл 11 сәуір
11 апреля 2014 года
April 11, 2014



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«Ғылым және білім - 2014»
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БАЯНДАМАЛАР ЖИНАҒЫ**

**СБОРНИК МАТЕРИАЛОВ
IX Международной научной конференции
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**PROCEEDINGS
of the IX International Scientific Conference
for students and young scholars
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Астана

УДК 001(063)
ББК 72
F 96

F 96

«Ғылым және білім – 2014» атты студенттер мен жас ғалымдардың IX Халықаралық ғылыми конференциясы = IX Международная научная конференция студентов и молодых ученых «Наука и образование - 2014» = The IX International Scientific Conference for students and young scholars «Science and education - 2014». – Астана: <http://www.enu.kz/ru/nauka/nauka-i-obrazovanie/>, 2014. – 5831 стр. (қазақша, орысша, ағылшынша).

ISBN 978-9965-31-610-4

Жинаққа студенттердің, магистранттардың, докторанттардың және жас ғалымдардың жаратылыстану-техникалық және гуманитарлық ғылымдардың өзекті мәселелері бойынша баяндамалары енгізілген.

The proceedings are the papers of students, undergraduates, doctoral students and young researchers on topical issues of natural and technical sciences and humanities.

В сборник вошли доклады студентов, магистрантов, докторантов и молодых ученых по актуальным вопросам естественно-технических и гуманитарных наук.

УДК 001(063)
ББК 72

ISBN 978-9965-31-610-4

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**ECONOMIC RELATIONS
BETWEEN KAZAKHSTAN AND THE EUROPEAN UNION**

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The diplomatic relations between the Republic of Kazakhstan and the European Communities were established in 1992. In 1995 the Cooperation and Partnership Agreement between the Republic of Kazakhstan and the European Union was signed; this agreement entered into force in 1999. This Agreement set the political dialogue between parties and established the system of consultations on mutually interested issues, including those of global concern.

In December 1996 the European Union and Kazakhstan had signed the Agreement on Trade, which intensified the trade and economic relations between the parties. Kazakhstan is also interested in investigation the experience of Eastern European countries in transition to market economy.

During last years number of Agreements between the Republic of Kazakhstan and the European Union were signed: the Agreement on Cooperation in Nuclear Safety between Kazakhstan and the EU, the Agreement for Cooperation in Nuclear Fusion between Kazakhstan and the EU, Memorandum of Understanding on energy matters between Kazakhstan and the European Union, the EU – Kazakhstan Agreement for Cooperation on the Peaceful Use of Nuclear Energy, Memorandum of Understanding in the Field of Transport Networks Development between the European Commission and Ministry of Transport and Communications of the Republic of Kazakhstan [1].

The outline of bilateral agreements clearly indicates that main areas of economic cooperation include trade, energy, transport and investments. Cooperation in these areas is developing most dynamically as they represent areas of mutual interest. The three main areas of economic cooperation - trade, investments and transport - are concentrated along energy sector. Petroleum, petroleum products and gas dominate the trade between EU and Kazakhstan. The foreign direct investments coming from EU also concentrates in areas closely related to raw materials production. The European giants like Shell, TotalFinaElf, Schlumberger, ENI, Agip, British Petroleum, Lasmo, RESPOL, Wintershall, and Petrom actively participate in oil and gas production in the Caspian area. The European companies also joined the construction of Caspian Pipeline Consortium and development of Karachaganak field. The transport projects initiated and funded by the EU in Kazakhstan also intends to build infrastructure in order to support trade and supply of hydrocarbons.

This section of the paper will outline the main trends in three areas of bilateral economic cooperation - trade, investments and transport - and reveals the thesis of energy issues' centrality in EU-Kazakhstan economic relations.

Trade. The European Union member countries are significant trade partners of Kazakhstan. EU accounts for about 49% of Kazakhstani foreign trade turnover, holding the first place and outpacing Russia and China [2]. It should be noted that the trade turnover between EU and Kazakhstan was steadily increasing, showing dynamic growth since 2000. For instance, Kazakhstani export to EU accounted for 3,8 billion Euro in 2000, and this number increased up to 24,4 billion Euro in 2012 [3, 37; 4]. The trade balance remains positive for Kazakhstan with steady increase of surplus since 2004.

The following table and graph illustrates the growth of trade turnover between Kazakhstan and the European Union since 2000.

Table 1. Scope of EU - Kazakhstan Trade*

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Kazakhstan imports, bln Euro	1,4	1,8	1,8	2,1	3,2	3,6	5,0	6,0	5,7	5,3	5,2	6,0	6,9
Kazakhstan exports, bln Euro	3,8	3,3	3,8	3,7	6,3	9,1	14,0	13,4	17,8	10,8	15,9	22,9	24,4

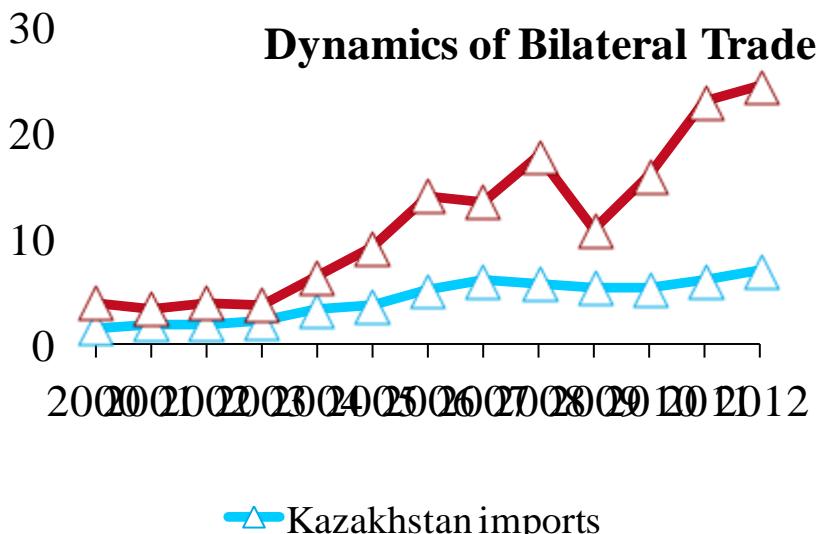
Source: External and intra-EU trade. A statistical yearbook. Data 1958-2005; EU Bilateral Trade and Trade with the World. Kazakhstan. DG Trade Statistics

Graph 1. Dynamics of Bilateral EU-Kazakhstan trade*

Source: External and intra-EU trade. A statistical yearbook. Data 1958-2005; EU Bilateral Trade and Trade with the World. Kazakhstan. DG Trade Statistics

*Table and graph are made by author using Eurostat data

The sharp decrease in Kazakhstan exports in 2009 might be explained by the influence of global financial crisis of 2008, which led to slowing down of business activities worldwide. The decrease of EU imports in 2009 was recorded for all trade partners, including top 5 EU importers.



Graph 2. Dynamics of EU Imports*

Source: *External and intra-EU trade. A statistical yearbook. Data 1958-2010*

* Graph is made by author using Eurostat data

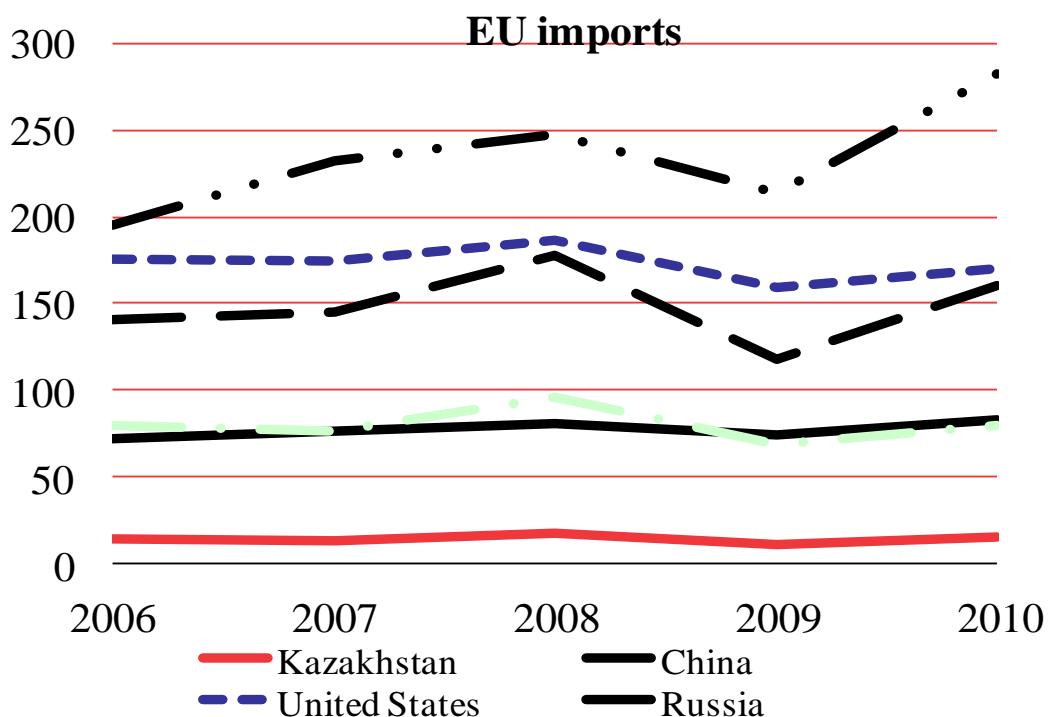
Since 2000 Kazakhstan has not only increased its export to EU, but also improved its rank among trade partners of the European Union. In 2000 Kazakhstan hold 38th place in the list of main EU importers, while in 2004 it was ranked 32nd in the same list. In 2012 Kazakhstan was ranked 20th in the list of EU importers. The picture looks similar in exports area, where Kazakhstan also improved its position for 8 points from 48th in 2000 to 40th in 2004, and holds 38th position in 2012 [3, 36-37; 5, 31-32].

EU-Kazakhstan trade relations remain largely influenced by cooperation in energy sector. Kazakhstan is among top 10 exporters of crude oil and gas to the European Union. It increased its share in total EU imports in crude oil from 2,1% in 2000 up to 5,9% in 2010. The trend is similar in total EU imports of gas where Kazakhstan increased its share from 0,2% in 2001 up to 0,6% in 2010 [3, 69; 5, 63].

Generally speaking, EU-Kazakhstan trade cooperation remains to be asymmetric and limited in terms of goods exchange. Kazakhstan mainly exports raw materials and imports high value-added products like machinery. Kazakhstan's top five exports products to the EU are petroleum and petroleum products (87%), non-ferrous metals (3%), gas (3%), inorganic chemicals (2%) and iron and steel (1%). Kazakhstan's top five imports products are general industrial machinery (12%), specialised machinery (10%), electrical machinery (9%), medicinal and pharmaceutical products (9%) and road vehicles (6%) [6, 6].

However this type of trade relations are not specific for the EU. They reflect the general trend of Kazakhstan's share in global market. Unfortunately, the republic still remains to be exporter of raw materials, with large share of crude oil, gas and petroleum products.

Investments. Foreign direct investments represent the second most important area of EU-



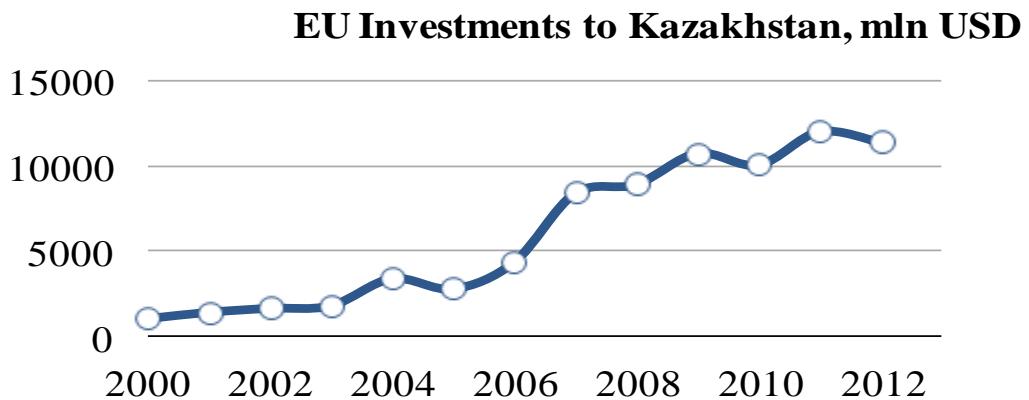
Kazakhstan cooperation. Since mid 2000s EU member states investments into Kazakhstan's economy recorded rapid growth. Overall, European Union has invested 80,7 billion US dollars in

Kazakhstan during 20 years. It accounts for 47% of total investments in Kazakh economy [7, 67-68].

Graph 3. Dynamics of EU Investments to Kazakhstan*

Source: National Bank of Kazakhstan, 2013

* Graph is made by author on the basis of data of National Bank of Kazakhstan



The European investments into Kazakhstan's economy are concentrated in raw materials extraction, including production of petroleum and gas. According to the National Bank of Kazakhstan 77% of EU FDI flows in 2012 goes to areas connected with geological exploration, extraction and primary processing of raw materials. Financial services and insurance represents another significant share of FDI inflows from Europe, compromising 13% of total investments in 2012. Investments in other sectors such as agriculture, transport, IT and communication, electricity, etc compromise 10% in general EU contribution into Kazakhstan's economy [7, 75-77].

The most active EU member states in terms of FDI in Kazakhstan are Austria, Cyprus, France, Germany, Italy, the Netherlands, Spain, Sweden and the United Kingdom. The growing demand for energy in EU and its attempts to diversify imports sources will probably increase European investments in this area.

Transport. The cooperation in area of transport is recognised as mutually beneficial both by the European Union and Kazakhstan. EU initiated TRACECA (Transport Corridor Europe-Caucasus-Asia) project in 1993 aiming at development of transport corridors between Europe and Caucasus and Central Asia bypassing Russia. In September 1998 Kazakhstan along with other participated countries signed Basic Multilateral Agreement on International Transport for Development of the Europe - the Caucasus - Asia Corridor, which established the legal basis for development of transport communication in the target region [8]. This project along with INOGATE lies in the core of EU transport strategy. While in the beginning of 1990s both projects aimed at connection of European producers with new markets, now they are targeted to create the shortest possible transit corridor between Europe and China. Still, EU attempts to develop routes bypassing Russia in order to secure transportation of goods and services from Russian political environment.

Kazakhstan plays significant role in the development of TRACECA project. Simple looking at the map of planned roads confirms the importance of Kazakhstan's participation in this transport project. Kazakhstan constructs its part of international transit corridor «Western Europe - Western China», a road which will connect China to Europe and is expected to increase the goods turnover

significantly. The total amount of the project is 5,32 billion USD; almost half of this amount (2,5 billion USD) is financed by Kazakhstan's government [9, 10].

It should be noted that transport became import area of investments for Kazakhstan. Kazakhstan sees the construction of railroads and roads as a way of diversification of its raw materials-based revenues. The possibility of using its geographic position and becoming transit corridor between Asia and Europe creates the basis for future revenues. Kazakhstan wishes to use this infrastructure not only for supplying its goods to the growing markets of Asia, but also to become connector between West and East, North and South. Kazakhstan has already finished construction of the railroad, which connects Kazakhstan's railway network to Turkmenistan and Iran.¹⁴ This project allows Kazakhstan get the access to the Persian Gulf, and creates prospects for transit of goods between Northern and Southern parts of Eurasia.

Generally, European Union - Kazakhstan economic cooperation developed substantially during 20 years of republic's independence. This cooperation involves wide range of areas, however main three areas remains to be trade, investments and transport. European Union is main trading partner of Kazakhstan. It also occupies the first position among investors in Kazakhstan's economy. While trade and investments are measured as a sum of individual member states contributions into general amount, cooperation in area of transport represents the clear EU axis. European Union initiated region-wide projects and Kazakhstan became active participant of that projects. However, economic cooperation in these areas is dominated by energy interests. 87% of Kazakhstan exports to EU are compromised of petroleum products and 77% of EU foreign direct investments go to sectors connected with geological exploration, extraction and primary processing of raw materials. EU-Kazakhstan cooperation in transport also involves issues of transportation of hydrocarbons and improving market access.

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