



KAZAKHSTAN'S TRADE RELATIONS IN THE EURASIAN ECONOMIC UNION: DEVELOPMENTS IN THE AUTOMOTIVE SECTOR

The sanctions imposed on Russia by the European Union (EU) and some western countries due to the annexation of Crimea, alongside with the decline in oil prices in the first years after the establishment of the Eurasian Economic Union (EEU) coincided with had a negative impact on the EEU. Looking at the trend in the domestic trade volume of the EEU in the period of 2013 to 2019, the trade volume, which was 69.2 billion dollars in 2013, decreased to 42.9 billion dollars in 2016 and later increased to 61 billion dollars in 2019. Trade relations between Russia, Kazakhstan and Belarus comprises significant share of the total trade within the Union. Therefore, this article discusses the trade relations of these three countries within the union.

According to the data provided by the EEU, the products traded among members can be evaluated under eight headings. Among these product groups, the trade of mineral products took the lead with 15.7 billion dollars in 2019, followed by machinery, equipment and vehicles with 12 billion dollars. These two groups have been in the top two rank since the establishment of the EEU as a union in 2015. Meanwhile the positions of other product groups vary with food and agricultural products in third place and chemical industry products in fourth place. Among all these groups, machinery, equipment and vehicles trade had fallen the least and recovered the fastest during the period of rapid decline in turbulent trade relations between 2015 and 2019.

In 2019, Russia's machinery, equipment and vehicles export equaled to 7.1 billion dollars of the 12 billion dollar exports in the union, followed by Belarus with 4.3 billion dollars, while Kazakhstan's trade amount equaled to 490 million dollars. Comparing the trade performance of the product group in 2018, in 2019 the average growth rate was 19.8%, Kazakhstan's growth rate reaching 28%. Although Russia and Belarus maintain their leadership in this product group in terms of trade volume, it is noteworthy that the growth rate of Kazakhstan was realized at

a level well above the average growth rate. Moreover, when a general evaluation of the trade relations of Kazakhstan with the EEU member states is carried out, it can be seen that it is the only country that has managed to increase its share of intra-union trade volume in total trade from 18% in 2015 to 22% in 2019. In other member states, this rate did not exceed 1%.

Mineral products, wood, pulp and paper products and machinery, equipment and vehicles are among the drivers of this significant increase. When we look at the developments among these sectors, the growth rate of machinery, equipment and vehicles in Kazakhstan increased from 21% to 28% in the period of 2016-2019. In general, Kazakhstan's participation in international initiatives such as the "Nurly Zhol" state program and international "Belt and Road" project launched in 2014 played an important role in the development of the country's infrastructure in the transportation sector and showed its positive effects on the related side sectors.

In addition to strengthening the transport infrastructure, the government of Kazakhstan pays special attention to the development of automobile production within the country. In total, 139 projects are being implemented with the aim of developing the automotive industry. 65 large, 100 medium and 2,745 small enterprises in the country provide job opportunities for 114,000 people, as well as contribute to the increase in the number of vehicles produced in Kazakhstan. Expressing these developments numerically, it can be seen that while 37,500 cars were assembled and manufactured in 2013, this number increased to 52,411 in the first nine months of 2020. Among them, Lada took the first place with 13,404 vehicles, followed by Hyundai with 11,509, Ravon with 5,414, KIA with 4,689 and Chevrolet with 3,563. A total of 4.56 million vehicles have been registered in Kazakhstan, of which 3.75 million are automobiles. More than 71,000 vehicles were sold in Kazakhstan in the first nine

months of 2020. 59% of these vehicles are produced by various companies in Kazakhstan, the rest are imported.

The majority of vehicles produced by different companies in Kazakhstan and sold under the label "Manufactured in Kazakhstan" are currently sold to the domestic market. However, we can already say that the number of purchases in the domestic market and the increase in the number of vehicles produced over the years will have positive reflection on the export performance of Kazakhstan in the automotive sector. While the number of vehicles purchased across the country has increased by an average of 4-5%, the number of cars produced has increased by 15%.

The trade performance of Kazakhstan within the EEU was a direct outcome of steps taken by the state in a short time. Certain period is expected to pass in order to observe the concrete results of the projects implemented within the global trade links of the country on a macro scale. Quality and competitiveness of Kazakhstan's products is higher in the EEU market compared to global market, which allows to provide concrete results in a shorter time. Therefore, it is important to monitor the future developments closely, in order to give first-hand rapid feedback on how it can affect the country's trade performance.

As a result, we see that Kazakhstan, which set out with the aim of diversifying its economic structure, especially after the global economic crisis in 2009, has started seeing benefits of the breakthroughs it has made in the production sector in recent years. For example, the development process in the automotive sector has yielded results in a short time in the machinery, equipment and vehicles product group in intra-EEU trade. The merger of these and other positive results in different areas will allow an accomplishment of the desired macroeconomic objectives within global trade trends.

Politics, Foreign Affairs, and Security

- Chairman of the Action Solidarity Party of Moldova, Maia Sandu, won in the second round of presidential elections. According to the final results by the Central Electoral Committee of the Republic, Maia Sandu received 57.72% of the votes, while the incumbent President Igor Dodon got 42.28% of the vote cast. The mandate of the current President of Moldova expires on December 23rd and will be followed by the inauguration of the new head of state, who is elected for a four-year term (Interfax.com.ua, 20.11.2020).
- Russian interdepartmental delegation, including Minister of Foreign Affairs, Sergey Lavrov, visited Armenia, where they had a meeting with the Armenian leadership. Following the meeting, Lavrov stated that Armenia confirmed the course towards deepening strategic relations with Russia. The Prime Minister of Armenia, Nikol Pashinyan, and the country's President, Armen Sargsyan, reaffirmed their commitment to implement the statement on Nagorno-Karabakh. Russia, in turn, expects deepening of bilateral trade and investment ties with Armenia (TASS, 21.11.2020).
- Recently, the Deputy Prime Minister of Uzbekistan, Sardor Umurzakov, had a meeting with the head of the Presidential Administration of Afghanistan, Muhammad Shakir Korgar. The parties discussed important issues of political, economic and infrastructural cooperation and outlined measures to deepen bilateral ties. In order to increase trade volumes to \$2 billion, the parties considered drafting an agreement on preferential trade (UzDaily, 19.11.2020).
- The Parliament of Turkey approved the deployment of troops in Nagorno-Karabakh after Armenia and Azerbaijan signed a ceasefire mediated by Russia. Turkish troops will join Russian forces already stationed at an observation post to monitor the implementation of the ceasefire. The mandate of the parliament ensures the presence of Turkish armed forces in the area for one year (Aljazeera.com, 18.11.2020).
- Foreign ministers of Central Asian countries held talks with the High Representative of the European Union for Foreign Affairs and Security Policy, Josep Borrell. The parties discussed a wide range of bilateral cooperation issues, including allocation of a €134 million solidarity aid package from the EU to Central Asia. The officials considered the situation in Afghanistan and agreed that peace in the country greatly contributes to the stability in the Central Asian region (New Europe, 18.11.2020).
- The Central Electoral Committee (CEC) of Kyrgyzstan finished accepting documents from citizens who intend to run for the presidency of the Republic. In total, 65 citizens submitted their applications. Two of them withdrew their statements afterwards. Out of the 63 people intending to compete for the presidential post, only one is nominated by a political party, the rest of them being self-nominated candidates. The elections are scheduled for January 10th, 2021 (Asiaplustj.info, 16.11.2020).

Economy, Finance, and Energy

- Recently, the Senate of Kazakhstan discussed a bill "On State Budget for 2021-2023", where a share of social expenditures exceeded half of the budget. The members of the Senate supported a proposal to increase the budget expenditures by \$46.6 million, in which \$6.3 million would be allocated for gasification and \$13.9 million for construction of housing. The government will also increase salaries of teachers and doctors (Kazakh TV, 19.11.2020).
- According to the Deputy Prime Minister of Russia, Marat Khusnullin, the country's authorities plan to attract an additional \$13.1 billion for road construction in three years. For this purpose, the state-owned company Avtodor and the VEB.RF (Russian state development corporation) will correspondingly issue infrastructure bonds worth \$6.5 and \$2.6 billion in 2021-2023. Khusnullin added that the national projects for road and housing construction would be linked. Consequently, the DOM.RF (Russian financial development institution in the housing sector) will attract \$3.9 billion for the housing projects (TASS, 20.11.2020).
- The China-Belarus industrial park "Great Stone" demonstrates positive dynamics of development. In the first nine months of 2020, revenues of residents of the park increased by 3.4 times compared to the same indicator last year. Export revenues demonstrated significant growth increasing by 8.7 times and accounting for 29.2% of the total revenues. At the same time, the number of residents increased from 55 companies in 2019 to 65 during the first nine months of 2020 (BelTA, 17.11.2020).
- Bilateral trade between Ukraine and the European Union (EU) decreased during nine months of 2020. For the reported period, Ukraine's exports to the EU equaled \$13.06 billion, declining by 16.3% compared to the same period last year. Imports from the EU amounted to \$16.44 billion and has been less by 10.5% than the figure in the corresponding period of 2019. As a result, the trade deficit reached nearly \$3.4 billion (Ukrinform, 20.11.2020).
- According to the National Bank of Kyrgyzstan, migrant remittances to the country equaled \$266.2 million in September 2020, which were \$28.8 million lower than in August, but \$54.1 million higher than in September last year. During the first nine months of 2020, migrant remittances amounted to \$1.7 billion, decreasing by \$463.1 million than the same period of 2019. More than 90% of remittances came from Russia (24.kg, 17.11.2020).
- Azerbaijan held an online meeting on "Economic impact of the liberation of Karabakh to the Turkic World." The Deputy Minister of Economy of Azerbaijan, Sevinj Hasanova, speaking at the discussion mentioned that bilateral trade of the country with the Turkic Council member states amounted to \$3.4 billion during nine months of 2020. The country's investments in their economies exceeded \$18 billion over the past 16 years, while its partners invested in Azerbaijan almost \$13 billion (APA.AZ, 20.11.2020).

Society and Culture

- TURKSOY held an online conference in cooperation with the Association of Universities of Thrace (AUF) entitled "175 years since the birth of the great Kazakh thinker Abai." The event was attended by the Secretary General of TURKSOY, Dyusen Kaseinov, Rector of Kırklareli University, prominent Turkology scholars, well-known writers and poets from different Turkic states. The participants of the conference were given the opportunity to present their reports on the outstanding Turkic educator, Abai (TURKSOY, 18.11.2020).
- During January-October 2020, 11.8 thousand ethnic Kazakhs came to Kazakhstan and received the status of "Oralmán". Majority of Oralmans (55.5%) who arrived in Kazakhstan are from China, 28.8% from Uzbekistan, 9.1% from Turkmenistan, 3.4% from Mongolia, and 2.9% came from other countries. 52.3% of arriving ethnic Kazakhs settled in Almaty region, 13.4% in Mangistau region and 5.5% in the region of Turkestan (Avesta-news.kz, 19.11.2020).
- The World Bank launched a project on emergency response to COVID-19 in Tajikistan, which is intended to mitigate the negative impact of the pandemic. The initiative envisages providing one-time cash assistance of 500 somoni (less than \$50) to low-income families with small children under the age of three. According to the World Bank, more than 80% of households in Tajikistan that receive remittances spend them mainly on food and other goods of basic need (Asiaplustj.info, 20.11.2020).
- The Chinese vaccine Anhui Zhifei Longcom Biopharmaceutical against COVID-19 was considered safe by Uzbek authorities and delivered to Uzbekistan to undergo the third stage of trials. The vaccine will be tested on 5,000 men and women aged between 18 and 59. Earlier, it was reported that more vaccines from China, Russia, Europe and the United States were going to be tested in Uzbekistan (Aa.com.tr, 18.11.2020).
- A solemn ceremony dedicated to the 1150th anniversary of the great Turkic philosopher, Abu Nasr Al-Farabi, and the 175th anniversary of the Kazakh poet and enlightener, Abai, was held at the Embassy of Kazakhstan in Bulgarian capital Sofia. The initiative was implemented by the Embassy of Kazakhstan in Sofia with assistance of the Deputy of the National Assembly, Spas Panchev, and businessman Milen Raikov. This event helped to familiarize Bulgarians with the cultural heritage of Kazakhstan (Inform.kz, 20.11.2020).
- Uzbekistan sent a humanitarian aid cargo to the Kyrgyz Republic. A train loaded with 3,000 tons of wheat reached the Uzbek city of Andijan, from where it will be delivered to the Kyrgyz city of Osh. The consignment consisted of 100,000 pairs of medical gloves and 10,000 medical overalls, 2,000 medical goggles, 10,000 coronavirus test kits, 5,000 boxes of Remdesivir, 1,000 boxes of Heparin, 4,000 units of sodium chloride, syringes, etc. (Kun.uz, 17.11.2020).