

# AID-FOR-TRADE CASE STORY

## THE REPUBLIC OF KAZAKHSTAN

### Road map for the SPECA countries

#### **Presentation of the representative of the Ministry of Economic development and trade of the Republic of Kazakhstan on implementation of the Aid for Trade initiative: "Road map for the SPECA countries"**

Distinguished participants of the conference,

Let me, on behalf of the Kazakhstan delegation, greet you and thank the government of Azerbaijan, UNDP, the Ministry of Foreign Affairs of Finland, UNECE, International Islamic Trade Finance Corporation, and other international organizations for organizing this event.

As we know, the "Aid for Trade" initiative was approved at the WTO Ministerial Conference, held in Hong Kong in 2005. This initiative aims at strengthening the capacity of developing countries to enhance their opportunities for participation in the international trading system and benefit from trade.

By request of the governments of Azerbaijan and Kyrgyzstan consultations with international organizations and regional banks on the admission of the SPECA countries into the process related to this initiative were started.

For this purpose an expert meeting to distribute duties among the participating parties was held in Bishkek in March 2009 and the schedule of various events on this issue was agreed. Islamic Development Bank (through the International Islamic Trade Finance Corporation - ITFC), as well as the UNDP and other international donors have expressed their willingness and are already supporting the participation of the SPECA countries in the "Aid for Trade" initiative.

In particular, I would like to mention the special importance of the support given to the identification of the needs of Kazakhstan and Central Asia for trade development and thank UNDP and the Finnish government for this.

We believe that in general the research results reflect the real situation in this area.

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Export diversification is one of the basic priorities for Kazakhstan. Therefore we consider the development of agricultural products processing and improvement of its quality with a further orientation toward exports to be very important.

Another important priority is the elimination of administrative barriers to trade. We have already achieved significant improvements in this area, but some issues still remain unsettled.

When implementing certain foreign economic policies, states use tools of foreign trade policy, the choice of which depends on the selected goals of this policy. Different tools can be used to achieve the same objective, which is why, in each situation, the state can choose a different combination of these tools.

The major macro-economic strategy of Kazakhstan in the coming years implies that along with the development of its manufacturing sector and domestic production, Kazakhstan should enter the world market. Elaboration of a new, more liberal model of a foreign trade policy by the government of Kazakhstan favors the active integration of the economy of Kazakhstan into the international division of labor and supports the policy of open trade. To help develop an independent policy, the government has reorganized some of its departments and developed state programmes for the effective restructuring of the foreign trade sector.

A recovery in Kazakhstan's export levels is being helped by changes in prices in the world goods markets, which was better in 2010 than the year before.

High rates of growth of foreign trade operations resulted from the improvement of the pricing environment and the revival of demand for Kazakh production from the beginning of 2010. Along with this, the volumes of raw material extraction and of the production of finished goods have significantly grown. In addition, the growth rate of domestic demand has been restored, and a remarkable revival of business activity in the transport sector has been achieved, as compared to 2009. Taken together, all these favorable factors ensure high rates of the economic growth in Kazakhstan in general.

By implementing its external trade policy, the Government of the Republic of Kazakhstan wishes to achieve the two main objectives:

1. Integration into the global economic system
2. Ensuring the economic security of the country.

To achieve these objectives it is necessary to first solve some important problems, which can be divided into two groups.

The first group includes:

- Effective entry into the international division of labor;
- Determination of Kazakhstan's niche in international goods markets and assistance to domestic producers and national economic agents in moving to these new markets.

The second group is related to achieving the following objectives:

- Making Kazakhstan an export-oriented country;
- Increasing export articles in balance-of-trade indicators;
- Shifting the export structure towards finished products.

At the present stage, Kazakhstan is following a “niche” strategy, which results from the non-competitiveness of a wide range of areas of the national economy on external markets, these markets being divided among the developed countries. Therefore, there is a problem to identify priority industries for the export policy of Kazakhstan.

As we know, at the moment, Kazakhstan’s export structure is dominated by commodities: ferrous and non-ferrous materials, oil and mineral fertilizers. Therefore, the country needs to increase the manufacture of other competitive end-products and develop those industries which form the basis for the country’s export potential. These include the production of food, engineering industries and agriculture.

The realization of an open policy has led to several positive results in the area of liberalization of foreign trade including the:

- Increase in the number of participants in independent foreign economic activity;
- De-monopolization of state foreign trade companies;
- Facilitation of licensing and obtaining quotas for export and import, introduction of a new accounting system for registration of contracts.

The need for regional cooperation can now be seen as a kind of axiom, and, indeed, the countries of the region are closely linked geographically, culturally and ethnically.

Common themes in Central Asia include the similar of mentality of the peoples living in the region as well as threats to security and stability. This provides an opportunity to say that regional cooperation is a priority for today’s political, economical and social spheres in our countries.

Let us not conceal the fact that nowadays, for different reasons, Central Asia does not occupy the most advantageous position in the area of global competition. This is linked to several objective factors and, in particular, to the level of economic potential of the countries, domestic market capacity, level of technological development, geopolitical situation, etc.

The raw-materials based nature of the economic development of most countries in the region, insufficient development of manufacturing, and a low volume of investment in non-oil sector also makes these countries vulnerable to external short-term impacts.

All these and other factors contribute to a fairly low competitiveness of the region in the context of globalization.

We are facing a choice: to remain an appendage with a commodity-dependent economy or to undertake deeper regional integration, which will open the way to stability, progress, economic, military and political independence.

An important integrating factor is the need for joint solutions to economic and environmental problems in the region and for the consolidated efforts of all SPECA countries to guarantee national and regional security and face today’s global challenges and threats.

It should be stated that the economies of the region supplement each other in many ways, which creates an opportunity for expansion in the different types of goods exchanged in the mutual trade between our countries.

Deterrants to the development of regional cooperation are not only the different pace of economic transformations in the SPECA countries, but also the introduction of various restrictions in mutual trade and the presence of high political and economic risks for investment.

A necessary condition for integration is to develop a clear strategy for intergovernmental cooperation between the countries of the region.

The result of developing mutually beneficial regional cooperation in Central Asia would be the creation of competitive economies, a guaranty of stability in the region, the improvement of peoples' welfare and integration into the global community.

Moving towards integration, the Central Asian region will be able to become an independent, modern geopolitical entity, and take its rightful place on the political map of the world.

Thank you for your attention.