

**THE ROLE OF INTERNATIONAL
AGREEMENTS AND IMPACT OF
“THE CUSTOMS UNION” ON THE
KAZAKHSTAN’S ECONOMIC GROWTH**

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CUSTOMS UNION” ON THE KAZAKHSTAN’S ECONOMIC GROWTH**

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KAZAKİSTAN EKONOMİSİ VE ULUSLARARASI KALKINMA ANLAŞMALARININ KAZAKİSTAN EKONOMİSİNE ETKİSİ

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Bu araştırma Kazak ticaret ve ekonomik verileri kullanılarak uluslararası anlaşmalar içindeki Gümrük Birliğinin Kazakistan ekonomisinin geliştirilmesi üzerindeki etkisini incelemek için gerçekleştirilmiştir. Günümüzde ekonomik büyüme açısından ülkelerin uluslararası işbirliği içinde olmalarının önemli olduğu inkar edilemez bir gerçektir. Ticaret anlaşmalarına üye ülkeler bu birlikteliklerden fayda sağlamaktadır. Bu amaçla yola çıkılarak Kazak ekonomisi için

(1) Ticaret performansının belirleyicisi nedir?

(2) Kazakistan'ın ticaret performansı nedir?

(3) Uluslararası ticaret anlaşmaları ülkelerin ekonomik büyümesini etkiler mi? sorularına cevap aranmıştır. Kazakistan ekonomisinin gelişmişliği üzerinde uluslararası anlaşmaların etkilerini açıklamak için Gümrük Birliği verilerden yararlanılmıştır. Sonuçlar dinamik panel veri modellerine dayandırılmıştır ve 2003 ile 2013 yıllarına ait Kazakistan'ın, Rusya'nın ve Beyaz Rusya'nın (Özel Birliği) verileri Birleşmiş Milletler COMTRADE verilerinden alınmıştır. Kazakistan ekonomisine ait verilerin bir kısmı Kazakistan Ulusal Ekonomi Bakanlığında elde edilmiştir. Elde edilen tahmin sonuçları göstermektedir ki uluslararası anlaşmalardan özellikle Gümrük Birliği Ticaret Anlaşmasının ülke ekonomisi üzerinde önemli bir etkiye sahip olmamakla beraber siyasi açıdan önemli bir rol oynamaktadır. Bununla birlikte SWOT analizi yardımı ile de Gümrük Birliği Antlaşmasının ülke ekonomisi üzerindeki etkileri detaylı bir şekilde ortaya konmuştur.

Anahtar Kelimeler: Ekonomik Büyüme, Uluslararası Anlaşmalar, Gümrük Birliği, Kazakistan.

Abstract

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Most countries have recently resorted to the experience of joint economy in a controlled integration. In the international community, multi-stage integration is important for mutual trade, production, strengthening political and economic ties. In order to elaborate and consolidate trade and economic relations first step is to unify national economy and develop a unified customs tariff policy. For instance, the European Union’s enrichment of a high level of economic and political integration was based on the Customs Union. The post-Soviet union countries as Belarus, Russia and Kazakhstan followed such suit in 2010 and established a customs union to strengthen the mutually beneficial relations with each other in order to attract other Commonwealth of Independent States. Nevertheless, whether it is advisable for the economic growth of Kazakhstan to have a customs union with Belarus and Russia is considered in this paper. Since, the political interests of the countries are more affected, it has been hypothesized that the Customs Union does not play a big role for the growth of Kazakhstan’s GDP.

This research aims to examine the impact of international agreement the “Customs Union’ on the development of Kazakhstan economy by using economic data of three-side trade. We accept the presumption that the economic growth matters in terms of international collaborations. Therefore, this study is about Kazakhstan’s economic growth and the impact of the international trade agreement on a state’s economic development. In addition, we have added a work presents a SWOT analyse on “the Customs Union”. We aim to find an answer to three main questions in this study:

- (1) What is the determination of trade performance?
- (2) What is Kazakhstan's performance?
- (3) Does international agreement affect economic growth of a state?

The object of the study is to explore the impact of the integration process on the economy of Kazakhstan within the framework of the Commonwealth of Independent States. Subject of the research is to find complex factors shaping contemporary reality in the integration process of "the Customs Union".

In this paper, the place of the Kazakhstan in the global integration of the states can be found. In order to do this, first we found out the prospects for development of Kazakhstan's economy. The second task was to identify the prospects of creating a customs union as an example of cooperation between Kazakhstan, Russia and Belarus. Finally, the final stage of work was revealing a slight influence of the integration process on the development of economic indicators for Kazakhstan.

In order to explain relations of international agreements on the development of Kazakhstan economy the Customs Union data used. The results mainly based on the dynamic panel data models, UN COMTRADE data for three countries: Kazakhstan, Russia and Belarus and statistics data of Ministry of National Economy of the Republic of Kazakhstan Committee from 2003 to 2013. The estimation results show that the impact of international agreements on trade is not significant but play an important role in political aspect. In other words, such unions increase growth of mutual commodity turnover between the countries, but especially don't influence the economic growth of the country.

Also SWOT analysis has been applied to show pros and cons of the Customs Union on Kazakhstan's Economy. Results of an assessment of the analysis of SWOT also showed that the unions render more positive effect on a political background of the country that too plays an important role for the state wellbeing of the country.

Keywords: Economic Growth, International Agreements, the Customs Union, Kazakhstan.

Plagiarism

I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

Assel KUNEKOVA

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List of Abbreviations

- ADB:** Asian Development Bank
- CSTO:** Collective Security Treaty Organization
- CIS:** Commonwealth of Independent States
- CU:** Customs Union
- ECO:** Economic Cooperation Organization
- ECU:** European Customs Union
- EAEC:** Eurasian Economic Community
- EAPC:** Euro-Atlantic Partnership Council
- EBRD:** European Bank for Reconstruction and Development
- EU:** European Union
- FAO:** Food and Agriculture Organization
- GATT:** General Agreement on Tariffs and Trade
- GCTU:** General Confederation of Trade Unions
- IAEA:** International Atomic Energy Agency
- IBRD:** International Bank for Reconstruction and Development
- ICAO:** International Civil Aviation Organization
- Interpol:** International Criminal Police Organization
- IDA:** International Development Association
- IFRCS:** International Federation of Red Cross and Red Crescent Societies
- IFC:** International Finance Corporation
- IFAD:** International Fund for Agricultural Development
- ILO:** International Labour Organization
- IMO:** International Maritime Organization
- IMF:** International Monetary Fund
- IOC:** International Olympic Committee
- IOM:** International Organization for Migration
- ISO:** International Organization for Standardization
- ICRM:** International Red Cross and Red Crescent Movement
- ITU:** International Telecommunication Union
- ITSO:** International Telecommunications Satellite Organization
- IPU:** Inter-Parliamentary Union

IDB: Islamic Development Bank
MIGA: Multilateral Investment Guarantee Agency
NATO: North Atlantic Treaty Organization
NAM: Nonaligned Movement
NBR: Neighbour Countries
NSG: Nuclear Suppliers Group
NIO: National Intelligence Organization
OAS: Organization of American States
OECD: Organization for Economic Co-operation and Development
OIC: Organization of Islamic Cooperation
OSCE: Organization for Security and Cooperation in Europe
OPCW: Organization for the Prohibition of Chemical Weapons
PPF: Partnership for Peace
RTA: Regional Trade Agreement
SCO: Shanghai Cooperation Organization
UN: United Nations
UNCOMTRADE: United Nations Commodity Trade
US (USA): United States of America
UNCTAD: United Nations Conference on Trade and Development
UNESCO: United Nations Educational, Scientific, and Cultural Organization
UNIDO: United Nations Industrial Development Organization
UPU: Universal Postal Union
WCL: World Confederation of Labour
WCO: World Customs Organization
WFTU: World Federation of Trade Unions
WHO: World Health Organization
WIPO: World Intellectual Property Organization
WMO: World Meteorological Organization
UNWTO: World Tourism Organization
WTO: World Trade Organization

Introduction

Nowadays, globalization of the modern world occurs promptly quickly. One of the important factors of this process is the international relations, in particular, international trade between the partner-countries within the frames of various trade agreements. Development of economy of any country directly depends on foreign trade, because all parties participate in the international division of labor and the movement of capitals.

The theory of economic doctrines and foreign trade are prerequisites for development of new scientific approaches of the modern world economy. In new world conditions integration processes influence on not only trade relations, but also political and cultural aspects. Thus, the research is concentrated on influence of the international agreements on the economic growth of the country, and also to seek to find the proof and extent of this influence. Definitely, the research is connected with Kazakhstan as this country followed today a way of the advanced development for which economic growth is determined as an indicator of stability and welfare, openness of the market to the international trade relations.

For creation of model of economic growth were involved such factors as: Export, Import, Gross Domestic Products, Gross Capital Formation, Labour Force of the Customs Union's states-participants for the period of first three years from dates of foundation of the union, Russia, Belarus and Kazakhstan. In this research, a set of the data connected with the Customs Union during 2003-2013 was used. The main data used in the analysis are received from Goods of the United Nations of Trade Data base (UNCOMTRADE, 2013) and the statistics data of Ministry of National Economy of the Republic of Kazakhstan Committee, World Indicators of development of the World Bank (WDI, 2013) for the period with 2003 to 2013, and the data on tripartite trade of countries that are the largest partners for each other was used.

The results based on the estimated values of coefficients shows that our estimated model fits data well in case of the Kazakh foreign trade. Results of an assessment also

show that indicators of international trade within the trade agreement have the insignificant impact on economic development of Kazakhstan.

This thesis is organized as follows: Traditionally, historically developed that there are the main classical and modern trade theories of international trade. The first chapter considers a theoretical background for international trade. This head also gives historical prospect for the relations of international trade and importance of the international agreements on the analysis of modern trade relations.

The second chapter, firstly, introduces a performance of Kazakhstan, and of its current foreign trade policy, various industries, and trade balance. Secondly, the descriptive analysis of the international relations with other countries, namely all international organizations which are connected with Kazakhstan are provided. Besides, the recent events connected with the entry of Kazakhstan into the WTO and activity of the Customs union within the Eurasian space was investigated in this chapter.

Communication between the economic growth and influence of the trade agreement is studied in the third chapter. First of all, the assumption that the international trade relations are important for development of economy was checked. Secondly, suitability of economic growth model of Kazakhstan to trade relations, operating other determinants of foreign trade, such as an Exchange Rate, Export, Import, Gross Domestic Products, Gross Capital Formation, Labor force, Investment, GDP deflator was controlled. At last, the influence of Customs Union on GDP of Kazakhstan was investigated.

In the fourth chapter, SWOT analysis has been applied to show advantages and disadvantages of the project “the Customs Union” for Kazakh’s Economy. Results of an assessment of the analysis of SWOT also showed that the unions render more positive effect on a political background of the country that too plays an important role for the state wellbeing of the country. The summary of the main results and some strategic importance received from this research are presented in the conclusion.

The First Chapter

1. What is international Trade Theory?

International trade is a set of the international commodity-money relations. International trade, in total is a complex of the international commodity-money relations related with the development process of an exchange of goods and services between countries. The subject of economic activities of different countries differs and they are realized through global trade; labour migration; international loans; movement of capital; the exchange ratio; scientific and technical cooperation, and others factors.

Participants in economic activities could be individuals, households, organizations, governments of any country, international concerns, cooperation, etc., called economic agents. In turn, there are goods, money, intellectual property, and services can be the objects of economic activities.

1.1. Analysis and Advantages of International Trade Theory

The analysis of international trade is mainly focused on real transactions in the international economy, that is, on those transactions, which include a physical movement of goods or notable obligations of economic resources.¹

International trade brings benefit to its participants, but at the same time, it has many risks on it. It can lead to "trade wars", i.e. restriction of access to domestic markets of goods of each other.

Development of foreign economic relations raises a question of trade regulation measurement. The states can adhere to:²

- the free-trade policy opening domestic market to the foreign competition;

¹Paul R. Krugman, Maurice Obstfeld (2008). *International Economics: Theory and Policy* (8th Edition): *Prentice Hall*, 712

²Y. F. Avdokushin (2001). *International Economic Relations: Textbook: Moscow - Юристъ*, 368 (89-90).

- the trade policy of protectionism, protecting domestic market from the foreign competition;
- the moderate trade policy, in some proportions combining elements of free trade and protectionism.

In the real world, such cases are extremely rare. In history, there were some periods when certain states approach to cessation of trade with the outside world (Albania) or complete trade liberalization (Iceland). Nevertheless, sometimes because of relative differences in production the policies of free trade and protectionism may be presented simultaneously.

2. The classical International Trade theory

2.1. Mercantilism

In the 15-18 centuries in many countries, there was a shift of the relations of commodity money for a subsistence economy. It was the mercantilism period with its usual preindustrial economy. Mercantilists paid a lot of attention to foreign trade as to a source of increase in public wealth and consumption of precious metals. Benefit from foreign trade contacted with obtaining advantages of one country at the expense of another.³

Main ideology of mercantilism:⁴

- expression essence of wealth in precious metals;
- application of production work only in those industries which influence export;
- the government has to encourage export monopoly and prevent competitions between dealers;
- increase in population is necessary to support a low wage and high rates of return of goods - a monetary turn.

³ Yadgarov, Y. S. (2006). History of economic thoughts 4th ed. Moscow *INFRA publications*. 320.

⁴Gorodetsky V. K. (2003) History of Economic Doctrines: Moscow, 159.

The early mercantilism refers to one third from 15 - the middle of the 16 centuries. The standard of wealth accepted gold and silver. The main thing in this doctrine is the theory of balance of money, which justified policy of increase in monetary wealth, simply - through the legislation. To keep money in the country, mercantilists preferred an export ban abroad. All money is rose from sale in the state, and foreigners were compelled to buy local products. Because of lack of money, function of money reduced to their storage.

The last Mercantilism belongs to the 2nd half of the XVI century. Mercantilists developed the theory of active trade balance that provided with export of finished products from their country. It allows export of money abroad. The dominate principle is: to purchase cheap in one country and sell more expensive in another.⁵

By wealth, there was as surplus of products in the foreign market that converted in money. The monetary act is as means of accumulation and turnover. The last mercantilism considered money as the capital and recognized that money is goods.

Basic mercantilist principles:⁶

- regulation of foreign trade in inflows of gold and silver;
- support of the industry due to import of cheap raw materials;
- protection of tariffs for the imported industrial goods;
- advance of export, especially finished products;
- an increase in population to support a low wage.

The last mercantilism was progressive. It promoted development of trade, shipbuilding, the industry, the international division of labour.

2.2. The Need to Develop Foreign Trade

The theory of international trade of Ricardo was known as the theory of comparative advantage that is a subject of the classical economic literature and has a niche in many

⁵Bartenev A. S. (1998) History the Economic Doctrines in questions and answers: Moscow - *Юристъ*, 139 (16).

⁶Gorodetsky V. K. (2003). Op. cit.

works of economists on a theme of the theory of the International Economics. Ricardo shared views of a school of mercantilists and developed the old theory of A. Smith who at the end of the 18 century offered the theory of international trade based on the absolute advantages. Adam Smith considered that if in each country there were the special conditions of division of the labour and resources, it's possible, would be to make in a unit of time bigger quantity of goods. If certain goods are cheaper and more favourable to buy abroad, it is better to concentrate on production of other goods for which have fewer expenses the certain advantages in this branch. Further, such goods after satisfaction of demand of domestic market could be exchanged for other goods from other trading countries, the expenses which productions in other countries are lower on a comparison with own expenses.⁷

Here the principles of a reasonable behaviour of the managing subject are moved to a sphere of international trade. Thereby, the countries have opportunity to save an excessive use of own resources.

2.3. The Ricardian Theory of Comparative Advantage.

In the theory of comparative advantage, Ricardo proved that even if the country has no absolute advantage in production of certain goods, distinction between the countries in the ratio costs of production of different goods, the country could have comparative advantage in production of other goods. In other words, the relative costs of production of these goods to costs of production of other goods in this country will be lower, than a similar ratio in other countries. Thus, it will be more favourable to specialize on such goods, and to export or to change them for other goods from other countries possessing any comparative advantage.⁸

The general idea of these theories is that development of output and consumption of all goods, which are subject to sale, was promoted by specialization of the countries on

⁷ A. Smith (1776). An Inquiry into the Nature and Causes of the Wealth of Nations. http://www.gumer.info/bibliotek_Buks/Econom/smit/smit_1.pdf (Access Date: 14.04.2015)

⁸ D. Ricardo (1817). Principles of Political Economy and Taxation. <http://ek-lit.narod.ru/ricsod.htm> (Access Date: 14.04.2015)

special goods, which they can make with the greatest efficiency having absolute or comparative advantages. These two theories made a certain contribution to development of free foreign trade and showed its advantages and expediency.

These theories because of their limitation; were subject to criticism by the subsequent economists. It was necessary to understand the nature of development of free international trade more deeply.

For example, a piece of cloth in 25 m exchanges on a wine keg in 50 l. On the production of such piece of cloth, Portugal spends yearly work of 90 employees, and England-100 employees. Wine barrel production capacity in Portugal takes the work of 80 workers, and in England — 120 workers. Thus, Portugal has absolute advantages on both products, and the England has no. However, it is beneficial to exchange those goods between two countries. When Portugal relinquishes cloth production, and imports it from England in Exchange for a barrel of wine, it will save the annual work of its 20 employees. Provided, that the earnings in both countries are the same. In this case, if the annual rate of pay in Portugal is half-£ 1000 than in England-£ 2000, for example, England benefits in four times exceeds the benefit of Portugal.⁹

Many economists still believe that the comparative advantage of the country's better to import those goods whose production costs in the country compared to other commodities higher than exports.

2.4. The Eli Heckscher and Bertil Ohlin's Theory

In the 20th of the 20 century Swedish economists Eli Heckscher and Bertil Ohlin developed the theory of correlation between the factors of production, which was most fully described in the book the last "Interregional and international trade" (1933). These theories were based on theories of absolute and comparative advantage, and further development and the study of the classical theory of international trade. There are the

⁹ Porter, M. E. (1990). Competitive Advantage of Nations, *Harvard Business Review* <http://kkozak.wz.cz/Porter.pdf> (Access date: 22.02.2014).

main factors identified three are - labour, capital, and land. Countries produce and export those goods for which the most excessive force used. Different countries have different degrees of labour, land and capital, and it gives rise to differences in the ratio of their prices in the countries involved in international trade. Cost of capital is the interest rate, and the price of labour — wage.¹⁰

According to Heckscher-Ohlin's theory, the country will seek to export the goods demanding considerable expenses of factors of production, which they have in relative surplus. Therefore, respectively, the goods demanding small expenses of factors, scarce for the country, in exchange for the goods made with use of factors in the return relation. As a result, excess factors of production should exported and be imported.

Heckscher-Ohlin's theory successfully explains many regularities of international trade. However not all phenomena of international trade keep within the scheme offered by Heckscher and Ohlin. The structure of production resources, which industrialized countries have, is gradually levelled. The centre of gravity in world trade is gradually displaced to mutual trade in "similar" goods between the "similar" countries.¹¹

2.5. The P. Samuelson and V. Stolper's Theory

In 1948, the American economists P. Samuelson and V. Stolper improved the proof of the theorem of Heckscher-Ohlin, having submitted the theorem: in case of uniformity of factors of production, identity of equipment, the perfect competition and full mobility of goods, the international exchange levels, the price of factors of production between the countries.^{12, 13}

¹⁰ T. A. Frolova (2010). World Economy. *Taganrog TTI SFU publications*
http://www.aup.ru/books/m215/2_2.htm (Access date 16.04.2015)

¹¹ T. A. Frolova (2010). op. cit.

¹² P. A. Samuelson (1948). International Trade and the Equalization of Factor Prices, *Economic Journal*, 58 (230), 163-184

¹³ I.M. Osadchaya(2000). Economy. Explanatory dictionary, *M.: "INFRA-M"*, «Whole world "Publishing house, http://dic.academic.ru/dic.nsf/econ_dict/22513(Access date 20.04.2015)

In general, the theorem describes the relationship between relative prices of output and relative factor rewards—specifically, real wages and real returns to capital. The theorem states that—under specific economic assumptions (constant returns, perfect competition, equality of the number of factors to the number of products)—a rise in the relative price of a good will lead to a rise in the return to that factor which is used most intensively in the production of the good, and conversely, to a fall in the return to the other factor.¹⁴

In the concepts of trade based on model D. of Ricardo with Heckscher-Ohlin and Samuelson's additions, trade is considered not simply as a mutually advantageous exchange, but also as means by means of which it is possible to reduce a gap in a level of development between the countries.

2.6. The Leontyev's Paradox

The theory of foreign trade gained further development in research of the American economist V. Leontyev under the name "Leontyev's paradox". The paradox is that, using Heckscher-Ohlin's theorem, Leontyev showed that the American economy during the post-war period specialized on those types of production, which demanded rather more work, than the capital. In other words, the American export in comparison with import was more labour consuming and less capital-intensive. This conclusion contradicted all ideas of economy of the USA existing earlier. In the general opinion, it was always characterized by surplus of the capital and, according to Heckscher-Ohlin's theory followed, that the USA export labour-consuming goods, but not import highly capital-intensive ones.

In recent years, Leontyev's opening received a wide resonance. Many economists from the different countries speculated on this subject, explaining "Leontyev's paradox". As a result, the theory of comparative advantages gained further development by the

¹⁴ www.en.wikipedia.org/wiki/Stolper-Samuelson_theorem

accounting of the additional circumstances influencing the international specialization. is possible to refer the following two numbers of new circumstances:¹⁵

- Heterogeneity of factors of production, first of all, labours differing on a skill level. According to this circumstance, surplus in the country of a significant amount of high-organized and unskilled labour conducts to export of difficult products. While prevalence of unskilled work in structure of the busy population declines national economy to production and export of production which isn't demanding a high skill level;
- Significant role of natural resources, which can be involved in production only together with large volumes of the capital (for example, in branches of a mining industry). It to a certain extent explains why export from developing countries rich with natural resources, is capital-intensive though the capital in these countries isn't rather excess factor of production;
- Influence on the international specialization of a foreign trade policy of the states. The state can limit import and stimulate production within the country and export of production of those branches where rather scarce factors of production are intensively used.

One of modern theories of international trade is the concept of "a technological gap" (G. Hafbauer, R. Vernon - the USA).¹⁶ In the analysis of an intra-branch exchange of the countries with similar economic structure authors of this concept, focus attention on a temporary gap in production and export of the same products in various countries. Specialization at such approach decides by sequence of the beginning of production of products in the different countries on use of those factors of production, which allow taking strong positions in the conditions of their entry occurring at different times into the world market. The country which mastered production of a new product has

¹⁵ W. Leontief (1953). Domestic Production and Foreign Trade - The American Capital Position Re-examined, *Proceedings of the American Philosophical Society*, 97(4), 332-349

¹⁶ R. Vernon (1966). International Investment and International Trade in the Product Cycle, *The Quarterly Journal of Economics*, 80 (2), 190 – 207

comparative advantages over others, owing to monopoly in the market of these goods, and provides satisfaction, both internal consumption, and external demand.

3. The New Trade Theory

3.1. New Approaches of the Trade Theory

Throughout the most part of the 20 century, the theory of international trade was based on the theory of comparative advantages of the countries in production of the certain goods. According to this theory if one country can mainly make one certain goods, and another other goods, they can exchange these goods among themselves. David Ricardo became the founder of this theory. Subsequently other economists Heckshcher and Ohlin developed this theory and differently explained the reason of existence of inter country distinctions with a difference of stocks of production factors. Nevertheless, the main conclusion in these theories is identical: less than two countries are similar at each other; more there has to be a turnover between them. It means that two identical countries should not trade with each other.

However subsequently the theory started rejecting practice, and in the late sixties it was obvious that the similar countries trade more among themselves, than with the countries with another economy. During this period there had to be new approaches in theory of international trade, which characterize modern processes of world economy in general. One of those who brought up this question was - the famous expert in questions of world economic policy, P. Krugman. His scientific researches cover various aspects of the international financial and economic activity.

3.2. The P. Krugman's Theory

P. Krugman studies features of the present stage in development of the world economy. After all, when forming adequate international trade and economic policy, it is necessary to consider and use objective regularities of changes (including institutional, connected with globalization). His analysis of these regularities and clarification of the deep reasons of paradoxes of globalization are based on accurate scientific positions.

Krugman got Nobel Prizes for achievements in the field of the theory of international trade and the theory of geographical placement of economic activity. These two theories are consistently discussed in this work.¹⁷

P. Krugman have made some recent development in the field of the theory of a foreign trade policy connected with factors of the imperfect competition, and the strategic interactions caused by oligopolistic structure of the markets, and also economy from scale. All this development received the general name "new international economy". According to experts, they represent high-quality breakthrough in studying of the foreign trade perspective.

First, in the articles the economist touches on the main problems, which are connected with researches: economic geography, and effect of return from scale. For these opening Krugman got the Nobel Prize. Secondly, he criticizes the existing economic situation concerning unemployment, an external public debt, cumulative demand, both in the USA, and in Europe.

In what essence of the new international trade consists? Firstly, it is the positive theories of the international trade taking into account internal economy from scale and a factor of monopolistic competition integrating them in the structure of models of the general balance. However, consideration of economy from scale was considered in the theory of international trade earlier. However, its valid novelty consists in simultaneous accounting of economy from scale and monopolistic competition in formal framework of the analysis of the general balance.¹⁸

New contribution to the theory of a trade policy is the accounting of an oligopoly and strategic interactions between private firms, but not between the governments. In such context, the key model was for the first time offered by J. Brender and B. Spencer in 1985. This model and discussion of its restrictions are presented in the Krugman's book

¹⁷https://en.wikipedia.org/wiki/Paul_Krugman (Access date 25.04.2015)

¹⁸Krugman P. (1980), Scale Economies, Product Differentiation and the Pattern of Trade. *American Economic Review*, Vol. 70, № 1, 950-959

"Trade Policy and Structure of the Market". Shortly an essence of this model is: two firms - domestic and foreign - compete in the market of the "third" country, marketing goods that are not on sale in own markets of their states.¹⁹

The number of firms is fixed, and new firms cannot enter the market. The model is formulated in such way, where the only one important factor for national welfare of both countries is the profit of both firms minus subsidies or taxes. In the first stage of the analysis, in both states salary and profit to the taxation are fixed. The purpose of national policy consists in redistributing profit from foreign to the domestic firm. However, there can be in parallel a redistribution of the income from taxpayers of this country to owners of domestic-owned firms. The size of the market of the combined production is fixed; consumers compete among themselves. The government of the "third" country does not intervene in the process. There is more production of one firm; there is less profit of another.²⁰

Krugman also considered traditional argument in favour of protectionism, which is constructed on the concept of terms of trade, and can be interpreted as the proof in support of introduction of a tax on export. The economist believed that introduction of a tariff can lead not only to import substitution by a domestic production, but also to export stimulation.

For example, two firms compete in the different markets (and including - on domestic), playing "Cournot competition"²¹ and facing economy from scale. The national government protects own firm of the state in the domestic market. Such protection treated as a kind of subsidizing. Naturally, such position understood as redistribution of profit from the foreign firm to the domestic. Limit expenses of the domestic-owned firm decrease whereas the foreign firm reduces production, and its limit expenses increase. As the result, domestic-owned firm expands export. Thus, P. Krugman shows that

¹⁹Brander, James; Barbara Spencer (1985). Export Subsidies and International Market Share Rivalry. *Journal of International Economics*

²⁰Krugman P. (2001), Reckonings; Hearts and Heads. *New York Times*, April 22.
<http://www.nytimes.com/2001/04/22/opinion/reckonings-hearts-and-heads.html>

²¹https://en.wikipedia.org/wiki/Antoine_Augustin_Cournot

protection against import works as the instrument of assistance to development of export.

In 1990, Krugman had made the formulated 3-periodical model. Its essence was that: in the first period businesspersons "invest" valuable resources in the innovations reducing expenses. Those, who achieved success in it, receive temporary monopoly for the new technology in the second period. They have a rent due to advantage in expenses over the producer who still uses old technology. In the third period, this innovation becomes general property, and the source of rental incomes disappears. Such sequences which are not coinciding on a phase can "be reduced together" that, in turn, gives a picture of continuous process.²²

The second important Krugman's opening was his model of geographical concentration serves. In the Nobel lecture, the economist explains it so²³: "We assume that the producer established sales of S , goods of S^* units on the two markets, with $S > S^*$. In addition, he has to pay transportation costs τ for each unit sent from one location to another. The producer has a choice of existence one or two plants. If the producer opens the second plant, he can eliminate transportation costs. However, he has to pay the additional fixed F expenses.

It is clear, if the producer opens only one plant, he will be in the bigger market. Nevertheless, it will be concentrate production. Only if $F > \tau S^*$.

Of course, such situation ignores structure of the market, the price, elasticity of demand, etc. However, in Diksit-Stiglitz' version, if economy due to increase in production as F/S^* is bigger in comparison with transportation costs, production would be geographically concentrated. Moreover, if other things are being equal that concentration will be in the biggest market.

²²Paul R. Krugman, Maurice Obstfeld (2008). Op. cit.

²³Paul R. Krugman, Maurice Obstfeld, Marc J. Melitz (2011). International Economics: Theory and Policy (9th Edition): *Prentice Hall*, 701

Krugman said that not all resources are mobile. Allow S to be the size of the full market, μ to be the share of this market relating to "free" production and, to assume there two symmetric locations. Then it takes the possible balance in which all free factors concentrate in one place. In this case, other location - the smaller market - would request $S(1 - \mu)/2$ units of the representative goods. If $F > \tau S(1 - \mu)/2$, or $F/S > \tau(1 - \mu)/2$, this concentration of production would be self-sustaining. Thus it is one of the main criterion for creation of self-sustaining concentration of production in space". Krugman also gives two conditions for the correct work of model;

1. Self-sustaining concentration of production in space can be occurred, if the economy due to increase in production (F/S) is a biggest; transportation costs are low; and sufficient production is mobile.
2. What location will be received by concentration of production - randomly, and can be allegedly function of entry conditions or a historical case.

Krugman's activity does not end on the analysis of international trade. The Nobel laureate is considered the leading economist of the world, and he brings the comments in the things existing now in economy. Krugman presented a large number of articles in which he passes an opinion on the existing economic problems and ways of their decision. The main place in his statements is taken by criticism of actions of the authorities as the USA, and as Europe. The economist considers that the problem of modern economy is not a public debt, but cumulative demand and unemployment. Here Krugman speaks about it: "The real problem of the developed countries — insufficient expenses. In addition, the problem is that, growth of expenses has to begin with the state. Moreover, this, unfortunately, does not occur — for political reasons. Majority worries about budget deficit, and unemployment doesn't excite them".²⁴ The politician Krugman concerning a problem of recovery from the crisis consists in demand stimulation. The economist considers that neither the state debt, nor high inflation does not kill economy as it demand decline does. "Expenses of one are profits of another", - Paul Krugman speaks.²⁵

²⁴Paul R. Krugman, Maurice Obstfeld, Marc J. Melitz (2011). Op. cit.

²⁵Paul R. Krugman, Maurice Obstfeld (2008). Op. cit.

Speaking about model of new international trade, it is possible only in case of big economy from scale, and that is in relation to the big enterprise with a large market of sale. In other words, the models were developed more for the large developed countries, than for the countries, which only are becoming independent.

3.3. The Mark Melitz's Theory

By the end of the XX century, the state was considered as the main unit of the analysis of the theory of international trade. However, it was insufficiently to explain new laws and changes in the world economy. Gradually interest of researchers began to be displaced to studying of influence of trade on the concrete firms. In the Krugman's theory, the companies were also presented, but they were symmetric. However, it contradicted reality: there are many coexisting firms of the different size and productivity in the market. There are the global giants, the average commercial organizations and individual entrepreneurs. Besides, not all firms can enter the international export market at the same time, but only the most productive or large enterprises.

Generally, the new approaches were necessary to explain all these facts and world economic processes. Thus, there was a demand for the new theory where the sizes and productivities of firms taken into account. In turn, more often in the course of globalization major companies become larger and enter on the export markets.

Mark Melitz offered the new theory, the graduate student of Michigan University. He developed Krugman's theory. At the heart of the Krugman's model is availability of the fixed costs of production. However, the main difference is that limit costs of production are not identical to all firms as at Krugman's model, and they spread according to some function of distribution. Notwithstanding competition, the least effective firms leave from the market; others remain, and get positive profit. To learn efficiency, the firm has

to incur certain one-time costs on the organization of business; in balance, these expenses in accuracy are equal to the expected profit from business.²⁶

At globalization threshold value of expenses decreases, i.e. rather inefficient firms surviving in the isolated economy have to be closed now. Nevertheless, from the survived firms not all become exporters, but the most effective; as there are additional fixed export expenses.

Melitz's model instantly gained popularity among the economists studying international trade. The focused on export companies very sensitively react to economic shocks and through them it is possible to define influence of trade liberalization on other firms. From the point of view of decrease in trade barriers, Melitz's model says that at entry into large trade organization inefficient producers left the industries. It is bad for the non-competitive companies, but this liberalization promotes an entry into the export markets of the enterprises of an average size. Nevertheless, most of all win from such policy the large companies as they grow quicker; and they take a big share of the market. In addition, there is such moment as influence on decrease of trade barriers on the range of goods, especially, in production in the related fields.²⁷

Krugman-Melitz's model presents, that with other things being equal, larger trade block attracts more firms; also it creates the best conditions for formation of production chains and increases welfare of consumers. In this regard, Melitz's model is a bridge between the theory of international trade and the theory of firms.

4. External Economic Policy

4.1. An Essence of the External Economic Policy

In the sphere of foreign economic activity of the states, the certain measures are used for the solution of social and economic tasks.

²⁶Melitz M. (2003). The Impact of Trade on Intra – Industry Reallocations and Aggregate Industry Productivity, *Econometrics*, #71.

²⁷Paul R. Krugman, Maurice Obstfeld, Marc J. Melitz (2011). Op. cit.

The participants of the external economic policy can be:²⁸

- government bodies of legislative, executive and judicial authority (depending on the volume of the powers assigned to them in the respective sphere);
- non-state institutes. They are presented by the organizations of community (the unions of businessmen, exporters, Chambers of Commerce and Industry), and also political parties and public organizations which participate in formation and realization of a foreign trade policy within the frame of the Law;
- subjects of international law (the foreign states, the international organizations) who take part in formation of a foreign trade policy by means of the international legal contractual mechanisms and integration structures;
- participants of foreign economic activity.

The government has to pursue policy of extraction of benefit from the international economic relations. Actually national economic interests could not be coincided with interests of separate firms and citizens. Management of the international economic relations guided by the legislation of customs system.

The example of the multilateral intergovernmental agreement is the General agreement on tariffs and trade of (the GATT) and his successor of the World Trade Organization (the WTO). The GATT / the WTO carry out a key position in system of the international economic relations. It is the global organization developed based on the contract defining the principles and rules of conducting world trade.

4.2. Trade Policy: Protectionism and Liberalization

The corresponding economic policy received the name of protectionism (from armour protectio - protection); its essence is policy of protection of domestic market against the foreign competition through system of certain restrictions: import and export duties,

²⁸ T. A. Frolova (2010). op. cit. <http://www.aup.ru/books/m215/> (Access date 16.04.2015)

subsidies and other measures. Such policy promotes development of national production.²⁹

The protectionism is the economic policy of the state consisting in a purposeful protection of national economy from the foreign competition. The active protectionist policy of the certain countries inevitably causes similar reaction of foreign contractors. Intensive development of foreign economic activity in the conditions of industrial revolution and transition to large mechanical production stimulated emergence at the end of the 18 century of the principle of free trade. The corresponding policy connected with the minimum state intervention in foreign trade, which develops because of free market forces of supply and demand. The economic argument against protectionism connected with development of the theory of comparative advantages. If the countries adhere to the corresponding principles, the whole world will begin to consume the cheapest goods; it means the one who exposes trade barriers, reduces total income of the world.

By the beginning of the 21 century there are concepts concerning the national economy as the open economy focused on the world market. In addition, today, the trade policy fluctuates between more or less liberal and protectionist measures. Practice shows big or smaller extent of state regulation of foreign trade. It depends on concrete historical, economic, political and social tasks in the country and situations in the world.

Though the general tendency to liberalization looked through as one of the form of free trade, the countries actively use both tariff, and non-tariff forms of protectionism for achievement of various purposes: protection of the national industry, conservation of workplaces and maintenance of employment, creation of new competitive branches, replenishments of revenues of the budget, etc. Really, there is a change of economic functions of the state towards active participation in fight for world economic positions. Liberalization of foreign trade is not an aim, but it is an important means of achievement of strategic objectives of economic development.

²⁹<https://en.wikipedia.org/wiki/Protectionism>

4.3. Tools of Trade Policy

As part of the trade policy is closely intertwined economic, political, administrative, organizational, legal and other issues. International Economics studies mainly economic preconditions and consequences of implementation of trade policy measures. Instruments of state regulation of foreign trade divided into tariff that based on the use of customs tariff and non-tariff - all other methods. Non-tariff methods of regulation divided into quantitative methods and techniques of hidden protectionism. Some trade policy instruments often used when import should be restricted or export have to boost.

The state should gain from international trade. Element of management of foreign economic relations is the customs system including customs authorities and the customs legislation. Regulation of foreign trade is carried out.³⁰

- economic policy of the country;
- according to two-way deals of the states;
- within the regional unions;
- on a multilateral basis.

The main task of the state in the field of international trade is to help exporters to take out as many products as possible, making their products more competitive on the international market, and to limit imports by making foreign goods less competitive in the domestic market. Therefore, some methods of state regulation aimed at protecting the domestic market from foreign competition.

5. Methods of International Trade Regulation

5.1. Tariff Methods

Depending on what party of a trade policy is considered important, there are some definitions of a customs tariff supplementing each other.

³⁰ T. A. Frolova (2010). op. cit. <http://www.aup.ru/books/m215/> (Access date 16.04.2015)

The custom tariff can be defined as:³¹

- the tool of a trade policy and state regulation of domestic market of the country at its interaction with the world market;
- the complex of rates of the customs duties applied to the goods moved through customs border, systematized according to product range of foreign economic activity;
- the concrete rate of the customs duty which is subject to payment when exporting or importing certain goods to the customs territory of the state. In this case, the concept of a customs tariff completely coincides with concept of the customs duty.

In some countries the customs territory cannot coincide with the geographical territory. The goods usually understood as any property moved through border, including, for example, such specific goods, as the appliances. The customs tariff of any country consists of concrete rates of the customs duties, which used for the taxation of the imported or taken out goods. The customs duty is the obligatory contribution raised by customs authorities when importing or exporting goods.

The customs duties carry out three main functions:³²

- fiscal function treats both to import, and export duties as they are one of the revenue streams of the state budget;
- protectionist (protective), belonging to the import duties, because with their help, the state protects local producers from unwanted foreign competition;
- balancing, which treats the export duties established for the purpose of prevention of undesirable export of goods, the internal prices usually are less than in the world.

³¹ T. A. Frolova (2010). op. cit.

³² T. A. Frolova (2010). op. cit.

5.2. Non-Tariff Methods of International Trade Regulation

Often before the government, there is an alternative method: what tool of a trade policy tariff or non-tariff used in a concrete situation. Quite often, the preference is given to non-tariff methods. As politically, they considered more acceptable because they are not additional tax burden for the population. Besides, non-tariff measures are more convenient in achievement of required result. At last, non-tariff restrictions are almost not regulated by the international agreements. Using them in the trade policy make the governments feel more free, than at introduction of tariff restrictions, which regulated by the World Trade Organization (WTO).

In most cases use of non-tariff methods, especially intensive quantitative, and even with rather liberal customs regulations, results to more restrictive character of the state trade policy in general. Quantitative restrictions are the administrative form of non-tariff state regulation of a trade turnover defining quantity and the nomenclature of the goods allowed for export or import.

6. The Organizations Regulating International Trade

6.1. World Trade Organization

The World Trade Organization (WTO), being the successor of the General Agreement on Tariffs and Trade (GATT) existing since 1947, began the activity since January 1, 1995. The secretariat of the WTO is in Geneva (Switzerland). The WTO governs the trade and political relations between participants of the organization in the sphere of international trade based on a package of agreements so-called the Uruguayan Round of multilateral trade negotiations (1986-1994).³³

The agreement on establishment of the World Trade Organization provides creation of constantly operating forum of member states for settlement of the problems having an impact on their multilateral trade relations. Also the WTO exercises control of

³³https://en.wikipedia.org/wiki/World_Trade_Organization (Access date: 20.05.2015).

implementation of agreements and arrangements not only the Uruguayan round, but also the wider range of trade agreements; and has much bigger powers in connection with improvement of a number of procedures of decision-making. The main task of the WTO is liberalization of world trade by its regulation of tariff methods at consecutive reduction of level of the import duties, and elimination of various non-tariff barriers, quantitative restrictions and other obstacles in the international exchange of goods and services. The fundamental principles and rules of the WTO are:³⁴

- granting a most favoured nation treatment in trade on a non-discriminatory basis;
- mutual granting a national treatment to goods and services of a foreign origin;
- regulation of trade methods;
- refusal of use of quantitative restrictions;
- transparency of a trade policy;
- permission of trade disputes by consultations and negotiations etc.

The supreme body of the WTO is the Ministerial Conference uniting representatives of all participants of the organization. Ministerial Conference appoints the CEO of WTO. The CEO appoints the staff of divisions of the Secretariat of the WTO and defines their duties and conditions of service according to the provisions adopted by Ministerial Conference.³⁵

According to the Agreement on WTO institution, the founder countries of the organization were participants of GATT, who submitted the lists of obligations for goods and services and ratified a package of agreements of the WTO until 1997. Now full participants of the WTO are 132 states. Now more than thirty states have the status of the observer in the WTO. The vast majority of them (including Russia, China, Taiwan, Saudi Arabia, the Baltic States and practically all states of the CIS) are at various stages of process of accession to the WTO. Besides, about fifty international organizations have the status of the observer in the WTO, including the IMF, World

³⁴ www.wto.org. op. cit.

³⁵ https://en.wikipedia.org/wiki/World_Trade_Organization (Access date: 20.05.2015).

Bank, OECD, various divisions of the UN, regional groups, the commodity organizations, etc.³⁶

6.2.Commonwealth of Independent States

On April 15, 1994, Heads of governments of the CIS decided to sign the agreement on "Creation of a Free Trade Zone". The countries-participants confirmed the commitment to free development of mutual economic cooperation. Until the end of 2002, it was decided to finish all procedures for formation of a free trade zone in the states of the Commonwealth. Main objectives of this agreement are: introduction in practice of the principles of market economy; consecutive implementation of the contract's provisions on creation of the economic union; formation of conditions for the free movement of goods and services; ensuring balance of mutual trade and stabilization of a domestic economic situation of the participating states; assistance to growth of economic capacity of the State Parties on the basis of development of mutually advantageous cooperation communications and cooperation; aspiration to continuous increase of a standard living of the states' population.³⁷

The parties, entering into the Agreement on "Creation of a Free Trade Zone", agreed for achievement of the objectives of the present contract to provide interaction in the solution of the specific objectives of creation of the economic union directed on:³⁸

- gradual cancellation of the customs duties, the taxes, fees having equivalent action, and quantitative restrictions in mutual trade;
- elimination of other obstacles for the free movement of goods and services; creation and development of effective system of mutual calculations and payments on trade and other operations;
- coordination of a trade policy concerning the countries, not being participants of this agreement;

³⁶ https://en.wikipedia.org/wiki/World_Trade_Organization (Access date: 20.05.2015).

³⁷ https://en.wikipedia.org/wiki/Commonwealth_of_Independent_States (Access date: 25.05.2015).

³⁸ www.cis.minsk.by (Access date: 25.05.2015).

- coordination of economic policy in that measure in what it is necessary for achievement of the objectives of the agreement (in the field of the industry, agriculture, transport, finance, investments, the social sphere, development of fair competition, etc.);
- assistance of inter industry and intra-branch cooperation and to scientific and technical cooperation;
- harmonization and standardization of the legislation of the agreed parties in that measure in what it is necessary for appropriate and effective functioning of a free trade zone.

The territory of the agreement covers customs territories of the countries: the Republic Azerbaijan, the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Republic of Moldova, the Russian Federation, the Republic of Tajikistan, Turkmenistan, the Republic of Uzbekistan, Ukraine, the Republic of Georgia, and the Republic of Kyrgyzstan. Member countries reserve the right of independent definition of the mode of the external economic relations with the states, which are not participating in this unit. However, they should not apply the customs duties, taxes, fees having equivalent action, and quantitative restrictions on import or export of the goods producing in the customs territory of one of contracting parties and intended for the customs territory of others. All payments established by contracting parties in connection with import or export of goods in mutual trade should not exceed a reasonable actual cost.³⁹

Member countries will inform each other on types of collecting and payments and seek for the coordinated reduction of their number and the sizes. They will also seek for simplification and unification of administrative formalities, in particular to:⁴⁰

- quantitative restrictions;
- licensing;
- currency control;
- the statistical account;

³⁹https://en.wikipedia.org/wiki/Commonwealth_of_Independent_States (Access date: 25.05.2015).

⁴⁰ www.cis.minsk.by (Access date: 25.05.2015).

- documents, documentation and certificate of documents;
- analyses and survey;
- quarantine, public health service, fumigation, etc.

Besides the countries that signed this agreement agree that for creation of a free trade zone it is important observance of the principle of freedom of transit, which is an essential element of process of their connection to system of the international division of labour and cooperation. Transit transportations should not be exposed to unreasonable delays or restrictions. In addition, contracting parties have to promote development of production cooperation and scientific and technical cooperation on interstate (inter-industry, regional) level and at the level of economic entities, including by granting various forms of the state supporting.

The mode of a free trade zone extends on the goods produced in the customs territory of one of contracting parties and intended for the customs territory another. Creation a free trade zone considered as a transitional stage to formation of the Customs Union. The Customs Union could create by the states which will show willingness to continue cooperation in its framework and which will satisfy conditions of the signed agreement.

6.3. European Union

The European Union unites a number of the European countries for providing the world and prosperity of the citizens within the close association based on the common economic, political and social interests. The countries of the Union are strongly committed to the balanced and steady social and economic progress. In particular, it is reached by creation of space without internal borders, strengthening of economic and social unity, and establishment of the economic and currency union. Creation of the uniform market for more, than 369 million Europeans provides freedom of movement of people, goods, services and the capital.⁴¹

⁴¹ https://en.wikipedia.org/wiki/European_Union (Access date: 25.05.2015).

The European Union includes 15 member states: Austria, Belgium, Great Britain, Germany, Greece, Denmark, Ireland, Spain, Italy, Luxembourg, the Netherlands, Portugal, Sweden, Finland, France, with the total number of population of 370 million people. It is the largest trade block in the world.⁴²

According to the Lome Convention, the European Union has association with 69 countries of Africa, the Caribbean Sea and the Pacific basin. In addition, approximately the European Union signed bilateral contracts with 60 countries of the World. In general, the European Union maintains diplomatic relations more than with 130 countries of the world. The Union participates in work of OSCE (Organization for Security and Co-operation in Europe) and has the status of the observer in the UN (United Nations). It takes part in annual summits of seven leading states of the West and Asia- France, Germany, Great Britain, Italy, Canada, the USA and Japan.⁴³

Today the European Union is the device, which regulates all necessary aspects of life of Europeans. The union has authority among all countries of the World. It, first, the checked worlds guarantee. Therefore, without looking even at instability of world economy, the value of the union is immeasurable.

6.4. NAFTA

On January 1, 1994, The North American agreement on free trade (NAFTA) came into force between Canada, the United States of America, and Mexico. NAFTA was created to support of increase of trade and investments between all partners. The agreement contains the grandiose plan of destruction of tariffs and reduction of non-tariff barriers in the conditions of free trade. It includes the rules concerning investments, services, intellectual property, the competition and movement of business people through borders.⁴⁴

⁴² https://en.wikipedia.org/wiki/European_Union (Access date: 25.05.2015).

⁴³ www.eaeunion.org (Access date: 25.05.2015).

⁴⁴ https://en.wikipedia.org/wiki/North_American_Free_Trade_Agreement (Access date: 25.05.2015).

NAFTA possesses accurate organizational structure. The central NAFTA institute is the Commission on free trade, which consists of three member countries. The commission watches for implementation and further development of the Agreement. It also watches for the work more than 30 committees and the NAFTA working groups. The main areas of the unit for creation of norms include goods origin, customs, and trade in agricultural goods and subsidies in this area of economy, standardization of goods, state deliveries and movement of business people through borders.⁴⁵

NAFTA was created as the agreement, which is potentially count on expansion due to joining to it of new participants. Member countries of NAFTA adhere to the position that membership in NAFTA has to be open for all countries, which show willingness to join the Agreement. New member countries will have to assume all obligations, which imposed on them, including parallel agreements on questions of work and environment. It is also necessary to note that cooperation of the countries - members NAFTA isn't limited to only especially economic problems of reduction of tariffs and liberalization of the markets. Considerable success was achieved in cooperation in such areas as environmental protection and work. North American Agreements on Cooperation passed in these areas in parallel with NAFTA and promoted effective performance of laws and instructions of each of the countries.⁴⁶

Thus, it is possible to say that during existence NAFTA developed accurate organizational structure of the North American agreement on free trade. Moreover, the main tendencies found the reflection not only in the field of free trade, but also on other spheres of economy and policy in the North American region.

7. Tendencies in the World Trade

Now any state in the world cannot successfully develop without integration into world economy. In addition, direct proportionality is traced between extent of integration into the world economy and a level of development of internal economy. As a rule

⁴⁵ https://en.wikipedia.org/wiki/North_American_Free_Trade_Agreement (Access date: 25.05.2015).

⁴⁶ https://en.wikipedia.org/wiki/North_American_Free_Trade_Agreement (Access date: 25.05.2015).

theoretically, if the country is more integrated into world economic space, the level of development of its internal economy is higher.

In the modern world economy foreign economic relations are important, and exogenous (an external origin) factors considerably an impact on dynamics and stability of development of national economy, formation of its structure, and efficiency of functioning. For many countries of the world, dynamic development of foreign economic relations became the catalyst of internal economic growth. In particular, for the new industrial countries foreign economic relations became the major structure-forming factor in the course of formation in them dynamic model of sustainable economic development. The special role the foreign economic relations play in the global integration processes.

For the present stage of development of world, economic communications are characteristic dynamism, liberalization, diversification of forms and types of foreign economic activity. One of the important tendencies in development of world economic communications is diversification of forms of cooperation. Besides traditional forms of foreign economic relations (foreign trade and investment cooperation) - in recent years actively develop scientific and technical cooperation, production cooperation, monetary and credit, military and technical cooperation, and tourism. Thus, the main form of world economic communications still there is a foreign trade, which regulates dynamics and cost indexes, advances the movement of the capitals and other types of foreign economic relations.

The Second Chapter

1. International Trade of the Republic of Kazakhstan

It is generally agreed today, that Kazakhstan is one of the resource-rich countries among the countries of the Commonwealth of Independent States (CIS). As a young state received the status of an independent over 20 years ago, during this short period, was able to rise up its economy like a developing country. One should note here that the Republic of Kazakhstan has enjoyed an impressive economic growth over the past 10 years, buoyed by daring economic reforms, prudent fiscal policies and economic initiatives. These impressive reforms have taken place against a backdrop of domestic political stability and development of a democratic character of a society. Another good thing about a developing of Kazakhstan is that the major program called “Kazakhstan-Strategy 2030”⁴⁷ was create in 1997 for supporting national security and stability and consolidation of the society; economy growth based on free market economy, social welfare and development of the republic in a whole. ⁴⁸

The first thing that needs to be said is the Republic of Kazakhstan is a state having significant oil, natural gas, coal and uranium reserves to the world energy market. Because of Kazakhstan is one of the world’s largest oil producers and exporters, it has the wild relationships with the many countries in the world. For instance, in the 1st quarter 2010 Kazakhstan has produced 19.7 mln. metric tons of oil and gas-condensates (+8.8% in comparison with the 1st quarter 2009), 27.4 mln. metric tons of coal (+12.4%) and 9.7 bln. cubic meters of natural gas (+11.5%)⁴⁹.As the experience of short-term and long-term planning Kazakhstan was able to grow up economy, social development and achieve many aspects of the strategy during the last decade. Because of reach investment in economy, grade status Kazakhstan has become the lead country among the CIS.⁵⁰

⁴⁷<https://ru.wikipedia.org/wiki/Казakhstan-2030> (Access date: 25.06.2015).

⁴⁸ www.kazembsaudi.com/en/pages/54/Economy (Access date: 25.06.2015).

⁴⁹ S. A. Timofeyeva, V. A. Chudolozhkina (2000), About International Trade of Kazakhstan. *Sayasat*, 73-75.

⁵⁰ www.bibliofond.ru/view.aspx?id=524106 (Access date: 25.06.2015).

Secondly, opportunities, prospects and a role of the international economic relations of the state, value and a ratio of their main forms and the directions are defined by deepening of the international division of labour and transition to its highest types. The general type of the international division of labour predetermines an inter industry international exchange, in particular, of goods of the extracting and processing branches of the certain countries. Thereby there are prerequisites of the accelerated growth of capacity of the international market, steady expansion of the international economic relations of Kazakhstan.

Finally, the Republic of Kazakhstan located in the middle of Eurasian continent between Europe and Asia, it is important to have international trade relationship with the states of Euro-Atlantic and Asia-Pacific areas. This work outlines the international position of the Republic of Kazakhstan in the world community, its international relationships, trade and international cooperation with other countries of the world.

1.1. Kazakhstan's Performance

Formal name: The Republic of Kazakhstan (Qazaqstan).

Kazakhstan is located in the Centre of the Eurasian continent. Its territory is as large as 2 million 724,9 thousand square kilometres and accordingly it occupies the ninth place in the world by its size. In the North and West the republic has common borders with Russia - 7 591 km (the longest continuous overland border in the world), in the East with China - 1 783 km, in the South with Kyrgyzstan - 1 242 km, with Uzbekistan - 2 351 km and with Turkmenistan - 426 km. The total length of overland borders - 13 200 km. Besides that, there are two inland seas in its territory – the Caspian and Aral. Kazakhstan is the largest country in the world that has no direct access to the World Ocean.⁵¹

A large part of the country's territory consists of deserts - 44 % and semi-deserts - 14 %. Steppes cover 26 % of Kazakhstan's territory, forests - 5,5 %. There are 8,5 thousand rivers in Kazakhstan. The North-eastern part of the Caspian Sea's water area

⁵¹ Free encyclopaedia <https://en.wikipedia.org/wiki/Kazakhstan> (Access date: 25.06.2015).

is situated within the country's territory. The Aral Sea is shared between Kazakhstan and Uzbekistan. There are 48 000 big and small lakes in Kazakhstan. The largest of them are Aral sea, Balkhash, Zaisan and Alakol.

Due to the remoteness from oceans, the country has an extreme continental climate. The average temperature in January is around $-19\text{ }^{\circ}\text{C}$ in the north and $-2\text{ }^{\circ}\text{C}$ in the south, the average temperature in July is around $+19\text{ }^{\circ}\text{C}$ in the north and $+28\text{ }^{\circ}\text{C}$ in the south. Summer is hot and dry, winter is cold and snowy.⁵²

By its administrative-territorial structure, the country is divided into 14 regions and 2 cities of republican significance: Astana - the city of republican significance – the capital of Kazakhstan; Almaty - the city of republican significance; Akmola region; Aktope region; Almaty region; Atyrau region; East Kazakhstan region; Zhambyl region; West Kazakhstan region; Karagandy region; Kostanay region; Kyzylorda region; Mangystau region; Pavlodar region; North Kazakhstan region; South Kazakhstan region.



Figure 1. Map of Kazakhstan

Source: <http://www.digplanet.com/wiki/Kazakhstan> (Access date: August, 2015).

⁵²<https://en.wikipedia.org/wiki/Kazakhstan> (Access date: 25.06.2015).

The population of Kazakhstan as of June 1, 2012 was 16 million 760 thousand people. According to the national census, the ethnic structure of the Kazakhstan society by 2009 looks as follows: Kazakhs - 63,07 %; Russians - 23,70 %; Uzbeks - 2,85 %; Ukrainians - 2,08 %; Uygurs - 1,40 %; Tatars - 1,28 %; Germans - 1,11 %; Others - 4,51 %.⁵³

The Republic of Kazakhstan is an industrial country with mining operations being one of the main sources of its economic growth. The country's mineral raw material base consists of more than 5 000 deposits which expected value is estimated at tens of trillion US dollars. The country holds first place in the world with regard to explored reserves of zinc, tungsten and barite, second - silver, lead and chromates, third - copper and fluorite, fourth - molybdenum, sixth - gold.⁵⁴

Kazakhstan also has considerable reserves of oil and gas, which are concentrated in its western areas. Nowadays the country belongs to the group of the world's leading oil-producing states with volumes amounting to more than 80 million tons of oil and gas condensate a year. According to plans, the annual extraction will be increased to 120 million tons by 2020. At present Kazakhstan is in 9th place in the world with regard to confirmed reserves of oil. Besides that, the country is in 8th place by the reserves of coal and 2nd place by the reserves of uranium.⁵⁵

Traditionally great attention in the country is paid to development of the agricultural sector. Kazakhstan is among world's top ten-grain exporters and is one of the leaders in flour export. Farming is well developed in the north - 70 % of arable lands are used for growing grain and technical crops - wheat, barley, and millet. In the south of the country rice, cotton and tobacco are grown. Kazakhstan is also known for its gardens, vineyards and gourd plantations. Animal husbandry is the leading branch of the agriculture. The key areas of the animal husbandry are sheep breeding, horse breeding,

⁵³ <http://kazembassy.ca/kazakhstan/> (Access date: 25.06.2015).

⁵⁴ <http://www.akorda.kz/> (Access date: 25.06.2015).

⁵⁵ <http://www.akorda.kz/> (Access date: 25.06.2015).

camel breeding, cattle breeding and pig breeding. Poultry farming and fishery are also developed in the country.⁵⁶

In a short historical term - from the moment of gaining independence in 1991 GDP per capita has increased by 16 times - from 700 to 12 000 US dollars, which is a phenomenal result even in comparison with swiftly developing southeast countries – so-called "tigers". According to British experts' estimations, Kazakhstan is in third place after China and Qatar among 25 countries with most dynamic economies of the XXI century's first decade. The country is in upper middle-income group of countries as per World Bank's classification.⁵⁷

Over the years of independence, Kazakhstan attracted 150 billion US dollars of foreign investments that makes up about 70 % of the total amount of all investments attracted to the Central Asia. The country's international reserves as April, 2015 made up about 98,85 billion US dollars, of them more than 50 billion US dollars related to the National fund.⁵⁸

2. Kazakhstan's International Trade

Nowadays, foreign trade of Kazakhstan develops in the trend toward stabilization of the economy; increase the participation of the country in the establishment of a multilateral economic cooperation; liberalization of foreign trade; and improve the global environment for the basic goods of Kazakhstan export. For ensuring sustainable economic growth of the Republic of Kazakhstan, it is necessary to exercise an implementation of active foreign economic activity based on the openness of the economy, full participation in the international division of labour and integration into the world economy.

There are conditions that create favourable conditions for the successful development of the foreign economic relations in Kazakhstan. They include great natural wealth,

⁵⁶<http://www.akorda.kz/> (Access date: 25.06.2015).

⁵⁷<http://www.akorda.kz/> (Access date: 25.06.2015).

⁵⁸<http://www.akorda.kz/> (Access date: 25.06.2015).

industry, and enough qualified labour force, political stability, relatively favourable geopolitical position, branched economic ties with most CIS countries. The objectives of state regulation of foreign trade determined by the general economic situation in the country and existing socio-economic questions. In this regard, foreign trade policy can be focused on the growth of state budget revenues, to promote industrial restructuring, protection of individual industries from import competition.⁵⁹

In addition, there is constantly improved legal framework of regulation of foreign economic activity based on the internationally recognized legal norms and instruments (GATT rules and regulations and agreements made in the development of the General Agreement and the WTO, developed within the Council on the development of customs and others).

Obviously, an important condition for entering of Kazakhstan into the world economy is a flexible policy on the selection of countries - trading partners. For Republic it is necessary to diversify markets to minimize transit through third countries; to improve the interaction with the regional associations; and to maximize the benefits of free trade areas in regional organizations. For example, there are the Eurasian Economic Community, the Common Economic Space, the Organization of Central Asian Cooperation, the Shanghai Cooperation Organization, etc. In the regional aspect in the framework of the Eurasian Economic Community, Kazakhstan has already started working on a number of joint projects in the field of industry, information technologies, energy, and transport. Moreover, today questions of creation of new air, rail, road, pipeline and power lines connecting Europe to the Pacific Ocean, which promises excellent prospects, came to the forefront.

2.2. Structure and Dynamics of Export and Import of the Republic of Kazakhstan for 1995-2011

On dynamics of exports and imports of the Republic of Kazakhstan in the 1995-2011 (Figure 1.), it can be seen that exports had a steady growth. Overall, from 1995 to 2011,

⁵⁹S. A. Timofeyeva, V. A. Chudolozhkina (2000), op. cit.

together with an increase in exports was a gradual increase in imports, which in 2011 reached the amount of 38 038,7 million U.S. dollars. In 2009, the decrease in exports was characterized by a general deterioration of the situation on world markets of raw materials, internal imbalances in the economy and the impact of the global economic crisis. As can be seen below there was a sharp jump in the direction of increasing exports in 2010, and in 2011 it exceeded pre-crisis mark and amounted to 88 117.70 million U.S. dollars.⁶⁰

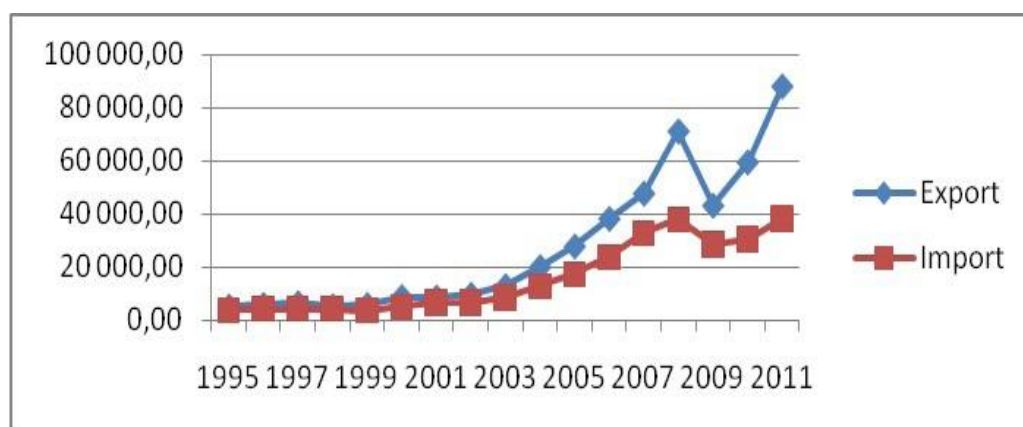


Figure 1. Dynamics of Foreign Trade of Kazakhstan (in millions of dollars USA)

Source: Agency of the Republic of Kazakhstan on Statistics.

Kazakhstan’s foreign trade turnover in 2011 made up more than 125 billion dollars. The main export goods are produced in the mining, fuel and energy, metallurgical, chemical and grain industries. The country’s main trading partners are Russia, China, European countries and the countries of CIS (Commonwealth of Independent States).

⁶⁰ Source: Agency of the Republic of Kazakhstan on Statistics.

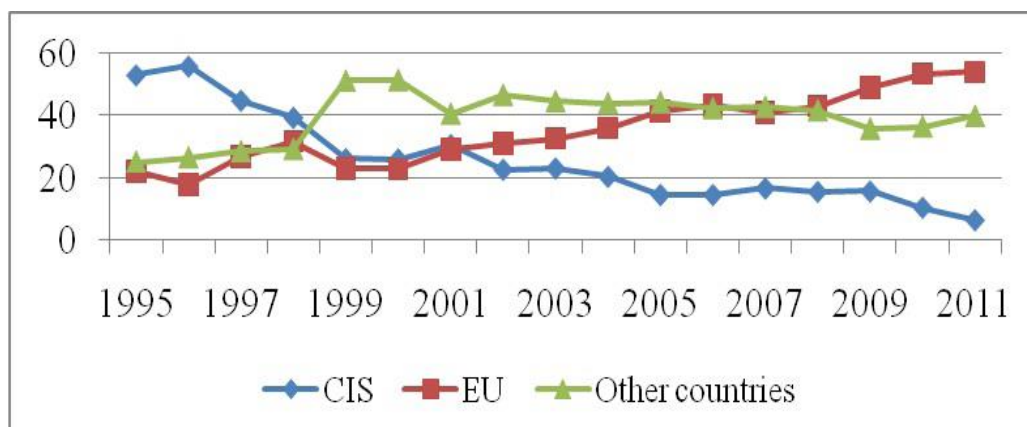


Figure 2. Dynamics of Changing the Direction of Exports from Kazakhstan (% of exports)

Source: Agency of the Republic of Kazakhstan on Statistics.

The share of a foreign trade turnover of Kazakhstan in GDP makes now about 60%, which suggests rather deep integration of Kazakhstan into world economic system. From 1991 to 2004, the share of export to GDP grew almost by two thirds.

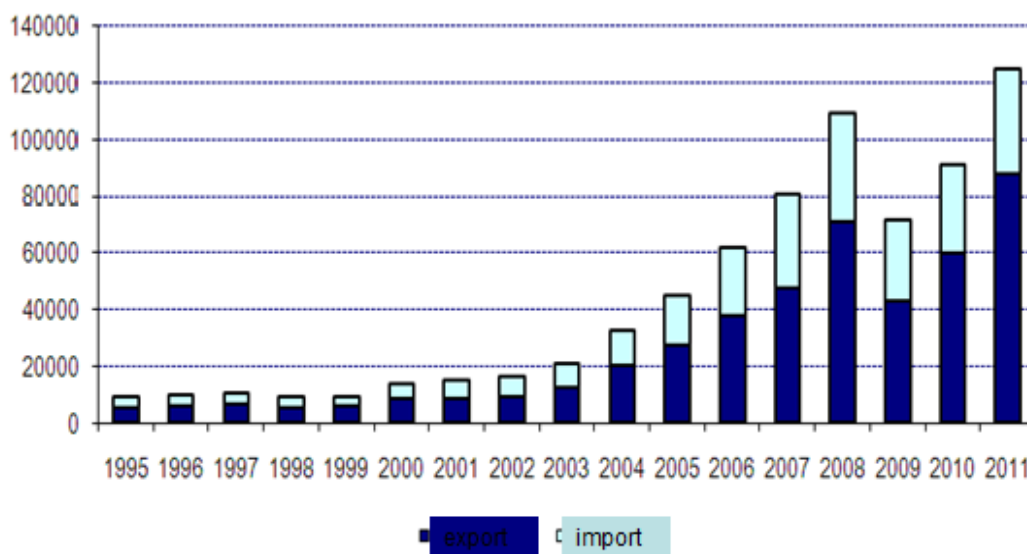


Figure 3. Export and Import of the Republic of Kazakhstan as for 1995-2011

Source: Agency of the Republic of Kazakhstan on Statistics.

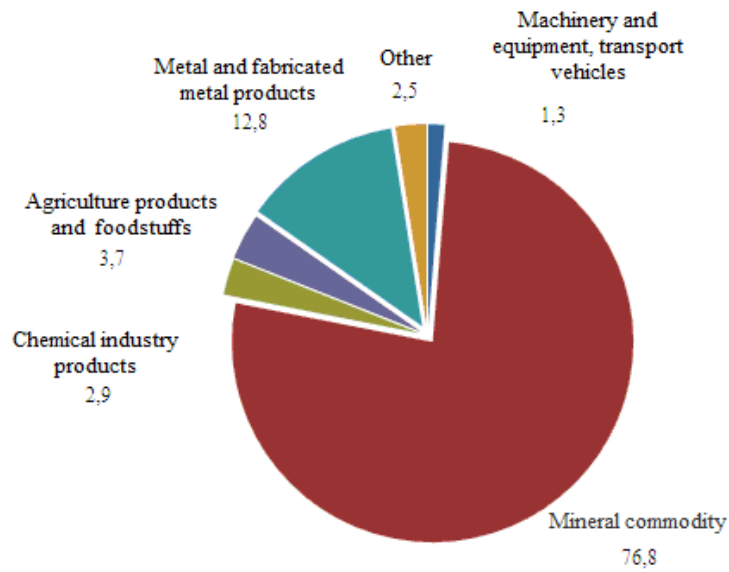


Figure 4. Commodity Composition of Kazakhstan's Export as for Q III, 2012 (%)

Source: Agency of the Republic of Kazakhstan on Statistics.

Growth of the world prices for energy carriers was reflected in export volumes: at increase in world export from 1994 for 2004 on average for 6,2% a year, the gain of the Kazakhstan export made 18,5% a year.

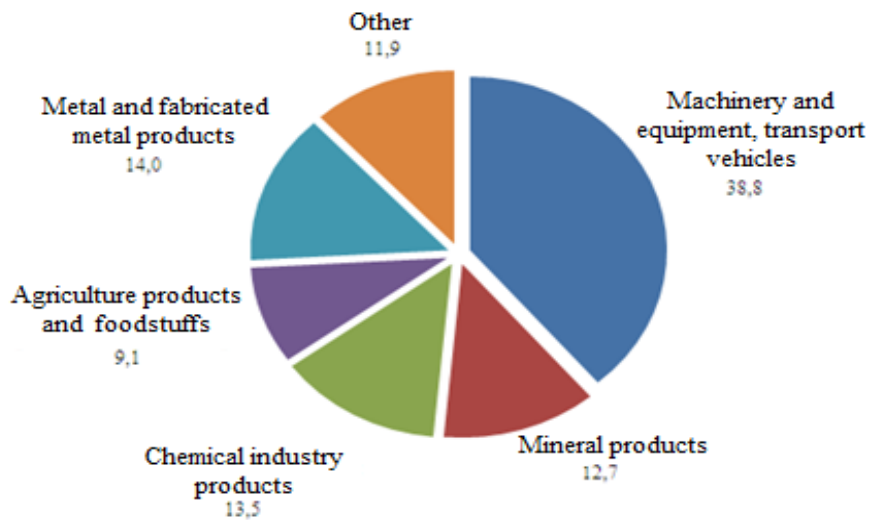


Figure 5. Commodity Composition of Kazakhstan's Import as for Q III, 2012 (%)

Source: Agency of the Republic of Kazakhstan on Statistics.

Besides, if to make comparative country analysis of shares of export and import of GDP, the share of export of Kazakhstan in GDP makes 49%, as for the USA this share made only 10,7%. It means that for Kazakhstan foreign trade has bigger value, and it is more dependent on it, than many developed countries.

Now Kazakhstan in world commodity system is presented only by raw materials. For the first half of the year 2005 the total share of such types of goods as oil and oil products, gas, ignoble metals, coal, made 90% of all export, and this share in export tends to growth. The share of foodstuff, cars and the equipment made only 3,4%. In structure of import cars, the equipment, and transport - 43% prevail. Also considerable share of import is made the chemical production (11,2%), both foodstuff and raw materials for their production (6,7%).

Thus, for the last five years the tendency of growth was observed in raw sector, other sectors of economy of Kazakhstan, showed considerable decrease. Prevalence of fuel raw materials in the Kazakhstan export is objective reflection of real competitive advantages of Kazakhstan in the international division of labour. In addition, dynamics of foreign trade of Kazakhstan for the last five years shows growth only of the extracting branches owing to what dependence of the Kazakhstan economy on an environment of the raw international markets only increased. Therefore, the problem of easing of this dependence and sharp improvement of the foreign trade positions, especially before accession to WTO is actual for Kazakhstan today. Foreign economic activity of the country needs to be built according to a stage modern development of world economy.

There is no doubt the fact that the developed export potential of the country directly depends on internal state of economy, its efficiency, competitiveness and other important components. The course chosen as our country on diversification of economy is urged to overcome the existing narrow-mindedness of structure of export, to improve its state in world trade. Thus on the way of restructuring of foreign trade of the country and openness regularities of world commodity economy shouldn't neglect the developed branch, territorial and production and other proportions of development of national

economy. Now Kazakhstan sees itself competitive in such spheres, as: food and textile industry, oil and gas mechanical engineering, metallurgy and construction materials, transport and logistics services and tourism.

2.3. Kazakhstan's Balance of Trade

Kazakhstan recorded a trade surplus of 3233.70 USD Million in the third quarter of 2012. Balance of Trade in Kazakhstan is reported by the National Bank of Kazakhstan. Historically, from 1998 until 2012, Kazakhstan Balance of Trade averaged 1308.39 USD Million reaching an all time high of 6852.80 USD Million in June of 2011 and a record low of -22.10 USD Million in November of 1998. Exports of oil, gas and base metals (uranium, silver, zinc, nickel) account for more than 85% of Kazakhstan's exports and are keys to the country economic success. Kazakhstan's main exports market is European Union (more than 50% of total) with Italy, France and Netherlands being the most important. Others include China, Russia and Switzerland. Kazakhstan imports mostly machinery and equipment, vehicles, metal products, foodstuffs and chemicals. Its main imports partners are Russia, China, Ukraine, Germany, Italy and United States. This image includes a chart with data for Kazakhstan Balance of Trade.⁶¹

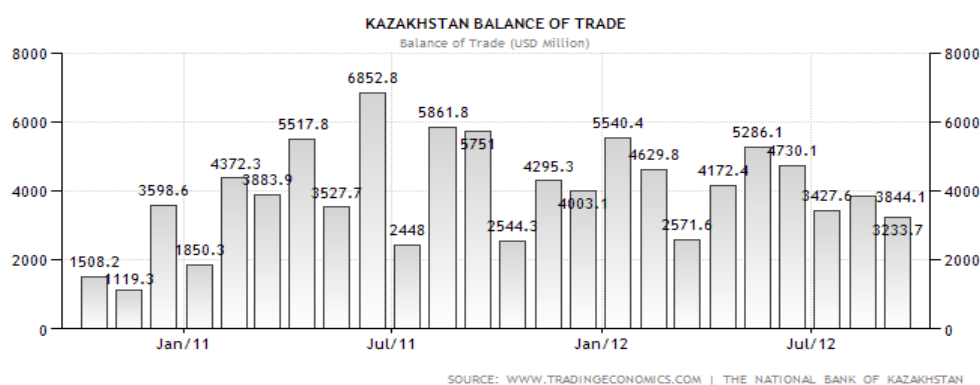


Figure 6. Kazakhstan Balance of Trade as for Q III, 2012 (USD Million)

Source: www.tradingeconomics.com, (Access date: January, 2013).

Kazakhstan has been recording trade surpluses since 1998 mainly due to rise in shipments of oil and other commodities. Main imports are: electronics, machinery and

⁶¹www.tradingeconomics.com, (Access date: 15.01. 2013).

mechanical appliances (25 percent of total imports); mineral products (15 percent); transport equipment (12 percent) and base metals and related products (10 percent). Main trading partners are: China (19 percent of total exports and 14 of imports) and Russia (8 percent of exports and 41 percent of imports). Others include: Italy, Netherlands and Ukraine. This page provides - Kazakhstan Balance of Trade - actual values, historical data, forecast, chart, statistics, economic calendar and news.⁶²

3. A System of State Regulation of the Foreign Trade Activity

The trade policy is part of a state policy of any country having an impact on trade by means of taxes (tariffs), subsidies and direct restrictions on import and export. State regulation of foreign economic activity (communications) represents system of the state measures in interests of national economy. By means of these measures, the state stimulates foreign economic activity of domestic producers, provides protection against the foreign competition. State regulation includes organization of the currency relations, foreign trade policy, financial and credit policy, policy for the balance of payments, tax system, customs system, the non-tariff impact on import, foreign credits public debts, institutional rules of foreign trade, export stimulation, etc.

The purposes of state regulation of foreign economic activity are:⁶³

- use of foreign economic relations for creation and strengthening of market economy;
- creation of conditions to participants of foreign trade activities in access to the markets and rendering the state, organizational and information assistance;
- protection of the Kazakhstan market and economic interests;
- creation of favourable international image and the mode in relationship with the states and the international organizations;
- providing legal system of guarantees of participants (subjects).

⁶²www.tradingeconomics.com, (Access date: 15.01. 2013).

⁶³ www.moluch.ru/archive/36/4166/ (Access date 16.04.2015)

In the economic theory and practise foreign trade activity regulations are determined integrally below:

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- Protection of economic independence;
- Economic security guarantee;
- Stimulation of the national economic development.

State regulation of foreign trade activities is differed mainly with the multiform sources. In modern condition of free marketing, foreign trade regulations are analysed on followings;

- Foreign trade;
- International production unions;
- Scientific-technological co-operations and joint entrepreneurship;
- Labour forces international migrations;
- International flow of capital;
- International integration unions;
- Co-operation under the frame of international organizations.

Foreign trade activity is the main factor for increasing social-economic prosperity. Thus, scale and methods are differed with each other due to purposes and tasks put in front of state, also state regulation on foreign trade is determined by the rules of country room in modern world-economy and internal-foreign policy of the state. The state looks up for forming foreign trade relations in macro-economic scale and solves global economic links.

4. The Competition of Kazakhstan in International Trade

Kazakhstan practically from the very beginning of the independent development led strategy of open economy, in particular carried out liberalization of foreign economic activity, opened access to domestic market for foreign goods, services and the capital,

⁶⁴ T. A. Frolova (2010). op. cit. <http://www.aup.ru/books/m215/> (Access date 16.04.2015)

and gave to non-residents opportunity freely to be engaged in business activity in the territory of the country.

Thus, on the way of restructuring of foreign trade of the country and openness regularities of world commodity economy should not neglect the developed branch, territorial and production and other proportions of development of national economy. For definition of prospect of development of these branches for export it is necessary to calculate demand in the world market, price trends on these goods and services, to study features of the world market and commodity and production division and, besides, in what regional markets Kazakhstan will be competitive.

5. The Position of the Republic of Kazakhstan in the System of the World Economic Integration

5.1. Kazakhstan and International Economic Organizations

The degree of integration of international economic and financial markets among the developing and emergency countries increased significantly during the last 20 years. For countries of the CIS that process was characterized an acquisition of an independence status after occurring situation connected with the Soviet Union collapse. Although with the increased level of globalization and investment was also a key factor of the economic, financial, and social international integrations. In contrast to the countries of CIS, Kazakhstan's approach to international integration characterized by development of an openness of its domestic market, mobilization of the foreign investments, dismantling restriction for import and export, liberalization of economy, creation free zone for international trade and improving its economic environment.

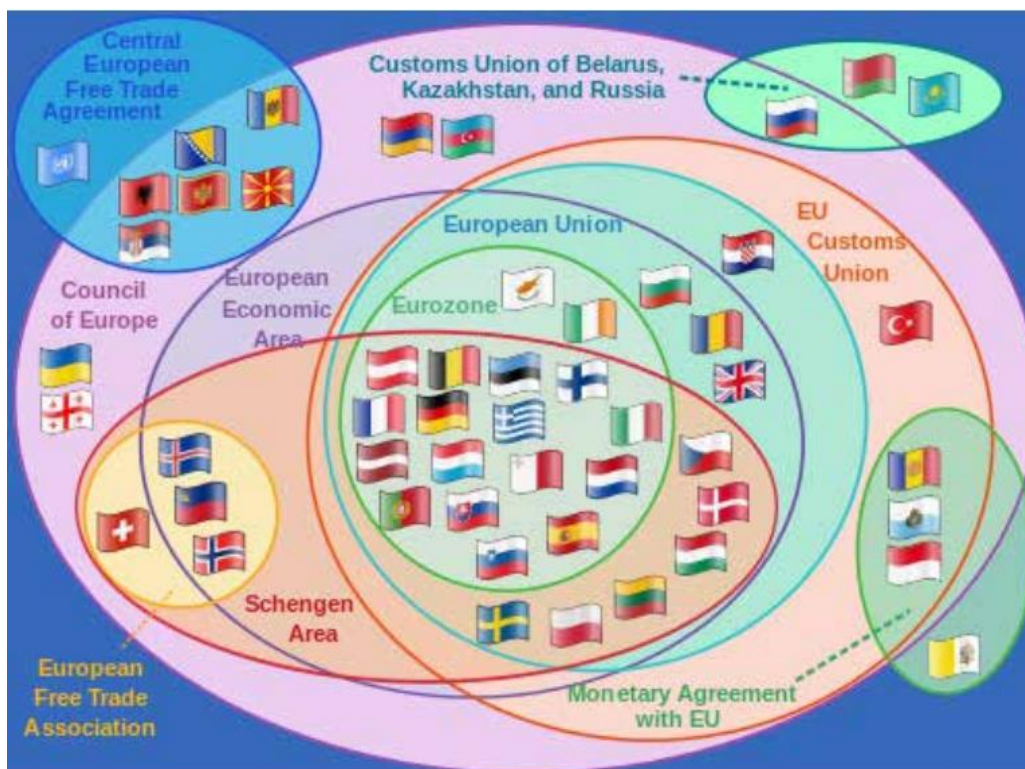


Figure 7. The relationships between various multinational organizations and the Customs Union (CU).

Source: Free encyclopaedia www.wikipedia.org, (Access date: August, 2015).

As a whole, the Republic of Kazakhstan actively cooperates with various countries-partners within the framework of a variety of international organizations, such as:

Asian Development Bank (ADB). The Asian Development Bank (ADB) is a regional development bank established on 22 August 1966 which is headquartered in Metro Manila, Philippines, to facilitate economic development in Asia. The bank admits the members of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP, formerly the Economic Commission for Asia and the Far East or ECAFE) and non-regional developed countries. From 31 members at its establishment, ADB now has 67 members, of which 48 are from within Asia and the Pacific and 19 outside. The ADB was modelled closely on the World Bank, and has a similar weighted voting system where votes are distributed in proportion with members' capital subscriptions. Since 2014, ADB releases annual report of Creative Productivity Index and comparatively includes Finland and United States for the list of Asia-Pacific

members. At the end of 2013, Japan holds the largest proportion of shares at 15.67%. The United States holds 15.56%, China holds 6.47%, India holds 6.36%, and Australia holds 5.81%.⁶⁵

Collective Security Treaty Organization (CSTO). The Collective Security Treaty Organization (CSTO) is an intergovernmental military alliance, acting as counterpart to the NATO alliance, which was signed on 15 May 1992. In 1992, six post-Soviet states belonging to the Commonwealth of Independent States—Russia, Armenia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan—signed the Collective Security Treaty (also referred to as the "Tashkent Pact" or "Tashkent Treaty"). Three other post-Soviet states—Azerbaijan, Belarus, and Georgia—signed the next year and the treaty took effect in 1994. Five years later, six of the nine—all but Azerbaijan, Georgia, and Uzbekistan—agreed to renew the treaty for five more years, and in 2002, those six agreed to create the Collective Security Treaty Organization as a military alliance. Uzbekistan re-joined the CSTO in 2006 but withdrew in 2012.⁶⁶

Commonwealth of Independent States (CIS). The Commonwealth of Independent States (CIS) is a regional organization whose participating countries are former Soviet Republics, formed during the breakup of the Soviet Union. The CIS is a loose association of states. Although the CIS has few supranational powers, it is aimed at being more than a purely symbolic organization, nominally possessing coordinating powers in the realm of trade, finance, law making, and security. It has also promoted cooperation on cross-border crime prevention. Furthermore, eight of the nine CIS members states participate in the CIS Free Trade Area, and five of these form the Eurasian Economic Union, a customs union and common market of over 180 million people. In addition, six member states participate in a mutual defence alliance: the Collective Security Treaty Organization.⁶⁷

⁶⁵ https://en.wikipedia.org/wiki/Asian_Development_Bank (Access date 16.06.2015)

⁶⁶ https://en.wikipedia.org/wiki/Collective_Security_Treaty_Organization (Access date 16.06.2015)

⁶⁷ https://en.wikipedia.org/wiki/Commonwealth_of_Independent_States (Access date 16.06.2015).

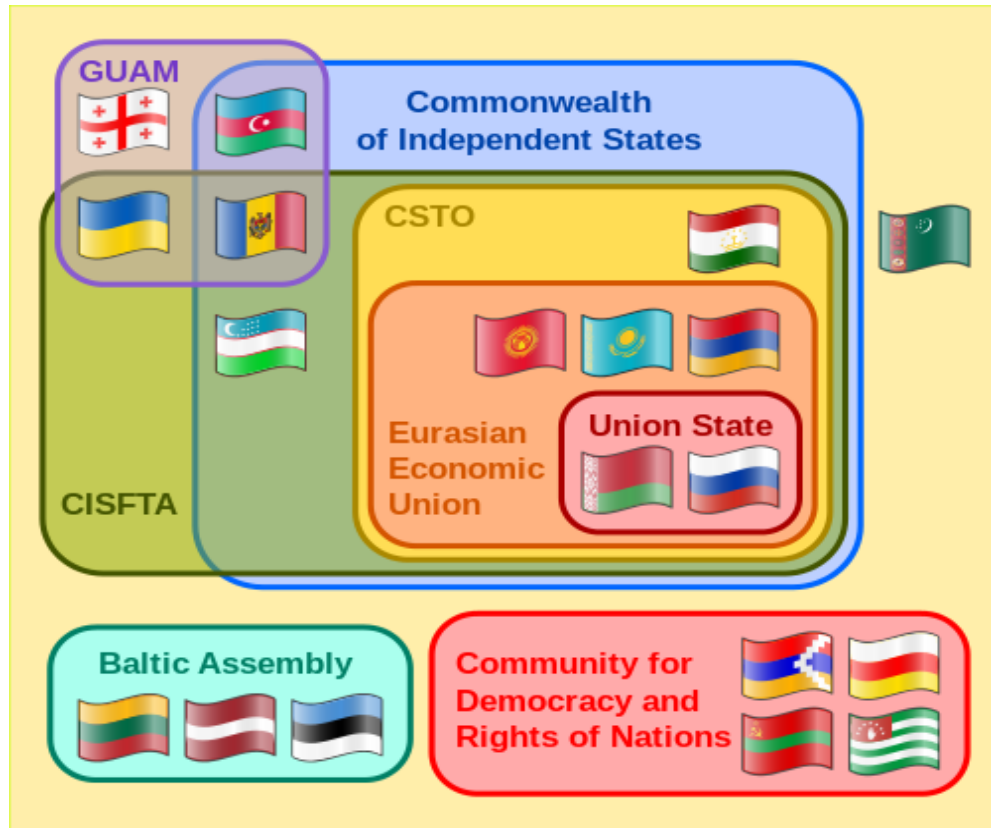


Figure 8. The relationships between various multinational organizations in the territory of the former Soviet Union.

Source: Free encyclopaedia www.wikipedia.org(Access date: August, 2015).

The diagram shows the relationships between various multinational organizations in the territory of the former Soviet Union.

Customs Union (CU) Free trade area (CISFTA). In 1994, the CIS countries "agreed" to create a free trade area (FTA), but the agreements were never signed. The 1994 agreement would have covered all twelve then CIS members except Turkmenistan. In 2009 a new agreement was begun to create a FTA, the CISFTA. In October 2011, the new free trade agreement was signed by eight of the eleven CIS prime ministers; Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, and Ukraine at a meeting in St. Petersburg. As of 2013, it has been ratified by Ukraine, Russia, Belarus, Moldova, and Armenia, and is in force only between those states. The free trade agreement eliminates export and import duties on a number of goods but also contains a number of exemptions that will ultimately be phased out. An agreement was

also signed on the basic principles of currency regulation and currency controls in the CIS at the same October 2011 meeting.⁶⁸

Economic Cooperation Organization (ECO). The Economic Cooperation Organization or (ECO) is a Eurasian political and economic intergovernmental organization, which was founded in 1985 in Tehran by the leaders of Iran, Pakistan and Turkey. It provides a platform to discuss ways to improve development and promote trade and investment opportunities. The ECO is an ad hoc organization under the United Nations Charter (Chap. VIII). The common objective is to establish a single market for goods and services, much like the European Union. ECO's secretariat and cultural department are located in Tehran, its economic bureau is in Turkey and its scientific bureau is situated in Pakistan.⁶⁹

Eurasian Economic Community (EAEC). The Eurasian Economic Community (EAEC or EurAsEC) was a regional organization between 2000 and 2014, which aimed for the economic integration of its member states. The organization originated from the Commonwealth of Independent States (CIS) on 29 March 1996, with the treaty on the establishment of the Eurasian Economic Community signed on 10 October 2000 in Kazakhstan's capital Astana by Presidents Alexander Lukashenko of Belarus, Nursultan Nazarbayev of Kazakhstan, Askar Akayev of Kyrgyzstan, Vladimir Putin of Russia, and Emomali Rakhmonov of Tajikistan. Uzbekistan joined the community on the 7 October 2005, however later withdrew on the 16 October 2008.⁷⁰

During the 14 years, the EAEC implemented a number of economic policies to unify the community. The Customs Union of Belarus, Kazakhstan, and Russia was formed on the 1 January 2010, and later renamed the Eurasian Customs Union. The four freedoms (goods, capital, services, and people) were fully implemented by 25 January 2012, with the formation of the Eurasian Economic Space.⁷¹

⁶⁸https://en.wikipedia.org/wiki/Commonwealth_of_Independent_States (Access date 16.06.2015)

⁶⁹https://en.wikipedia.org/wiki/Economic_Cooperation_Organization (Access date 16.06.2015)

⁷⁰https://en.wikipedia.org/wiki/Eurasian_Economic_Community (Access date 16.06.2015).

⁷¹https://en.wikipedia.org/wiki/Eurasian_Economic_Community (Access date 16.06.2015).

Euro-Atlantic Partnership Council (EAPC). The Euro-Atlantic Partnership Council (EAPC), a post-Cold War NATO institution, is a multilateral forum created to improve relations between NATO and non-NATO countries in Europe and those parts of Asia on the European periphery. States meet to cooperate and go to the range of political and security issues. It was formed on May 29, 1997 in the ministers meeting of Sintra, Portugal, as the successor to the North Atlantic Cooperation Council (NACC), which was created in 1991. It works alongside the Partnership for Peace (PfP), created in 1994. There are 50 members, the 28 NATO member countries and 22 partner countries.⁷²

European Bank for Reconstruction and Development (EBRD). The European Bank for Reconstruction and Development (EBRD) is an international financial institution founded in 1991. As a multilateral developmental investment bank, the EBRD uses investment as a tool to build market economies. Initially focused on the countries of the former Eastern Bloc it expanded to support development in 30 countries from central Europe to central Asia. Besides Europe, member countries of the EBRD are from all 5 continents (North America, Africa, Asia and Australia see below), with the biggest shareholder being the United States, so the name is somewhat of a misnomer. Headquartered in London, the EBRD is owned by 64 countries and two EU institutions. Despite its public sector shareholders, it invests mainly in private enterprises, together with commercial partners. The EBRD is not to be confused with the European Investment Bank (EIB), which is owned by EU member states and is used to support EU policy.⁷³

Food and Agriculture Organization (FAO). The Food and Agriculture Organization of the United Nations (FAO) is an agency of the United Nations that leads international efforts to defeat hunger. Serving both developed and developing countries, FAO acts as a neutral forum where all nations meet as equals to negotiate agreements and debate policy. FAO is also a source of knowledge and information, and helps developing countries and countries in transition modernize and improve agriculture, forestry and fisheries practices, ensuring good nutrition and food security for all. As of 8 August

⁷²https://en.wikipedia.org/wiki/Euro-Atlantic_Partnership_Council (Access date 16.06.2015).

⁷³ https://en.wikipedia.org/wiki/European_Bank_for_Reconstruction_and_Development (Access date 16.06.2015).

2013, FAO has 194 member states, along with the European Union (a "member organization"), and the Faroe Islands and Tokelau, which are associate members.⁷⁴

General Confederation of Trade Unions (GCTU). The General Confederation of Trade Unions or (GCTU) is an international trade union confederation. It was founded April 16, 1992 and incorporates members from the Commonwealth of Independent States. The National Trade Union Centres and Industrial Trade Union Internationals are member Unions of the GCTU.⁷⁵

International Atomic Energy Agency (IAEA). The International Atomic Energy Agency (IAEA) is an international organization that seeks to promote the peaceful use of nuclear energy, and to inhibit its use for any military purpose, including nuclear weapons. The IAEA was established as an autonomous organization on 29 July 1957. Though established independently of the United Nations through its own international treaty, the IAEA Statute, the IAEA reports to both the United Nations General Assembly and Security Council. The IAEA serves as an intergovernmental forum for scientific and technical cooperation in the peaceful use of nuclear technology and nuclear power worldwide. The programs of the IAEA encourage the development of the peaceful applications of nuclear technology, provide international safeguards against misuse of nuclear technology and nuclear materials, and promote nuclear safety and nuclear security standards and their implementation.⁷⁶

International Bank for Reconstruction and Development (IBRD). The International Bank for Reconstruction and Development (IBRD) is an international financial institution that offers loans to middle-income developing countries. The IBRD is the first of five member institutions that compose the World Bank Group and is headquartered in Washington, D.C., United States. It was established in 1944 with the mission of financing the reconstruction of European nations devastated by World War II. The IBRD and its concessional lending arm, the International Development

⁷⁴https://en.wikipedia.org/wiki/Food_and_Agriculture_Organization_of_the_United_Nations (Access date 16.06.2015).

⁷⁵https://en.wikipedia.org/wiki/General_Confederation_of_Trade_Unions (Access date 16.06.2015).

⁷⁶https://en.wikipedia.org/wiki/International_Atomic_Energy_Agency (Access date 16.06.2015).

Association, are collectively known as the World Bank as they share the same leadership and staff. Following the reconstruction of Europe, the Bank's mandate expanded to advancing worldwide economic development and eradicating poverty. The IBRD provides commercial-grade or concessional financing to sovereign states to fund projects that seek to improve transportation and infrastructure, education, domestic policy, environmental consciousness, energy investments, healthcare, access to food and potable water, and access to improved sanitation. There are 188 member countries in IBRD.⁷⁷

International Civil Aviation Organization (ICAO). The International Civil Aviation Organization (ICAO) is a specialized agency of the United Nations. It codifies the principles and techniques of international air navigation and fosters the planning and development of international air transport to ensure safe and orderly growth. Its headquarters are located in the Quartier International of Montreal, Quebec, Canada. The International Civil Aviation Organization has 193 member states. ICAO is distinct from the International Air Transport Association (IATA), a trade association representing 240 of the world's airlines, also headquartered in Montreal, or with the Civil Air Navigation Services Organization (CANSO), an organization for Air Navigation Service Providers (ANSPs) with its headquarters at Amsterdam Airport Schiphol in the Netherlands. These are trade associations representing specific aviation interests, whereas ICAO is a body of the United Nations.⁷⁸

International Criminal Police Organization (Interpol). The International Criminal Police Organization or INTERPOL, is an intergovernmental organization facilitating international police cooperation. It was established as the International Criminal Police Commission (ICPC) in 1923 and adopted its telegraphic address as its common name in 1956. Interpol has an annual budget of around €78 million, most of which is provided through annual contributions by its membership of 190 countries. The organization's headquarters is in Lyon, France. It is the second largest political organization after the

⁷⁷https://en.wikipedia.org/wiki/International_Bank_for_Reconstruction_and_Development (Access date 20.06.2015).

⁷⁸https://en.wikipedia.org/wiki/International_Civil_Aviation_Organization (Access date 20.06.2015).

United Nations in terms of international representation. In 2013, the Interpol General Secretariat employed a staff of 756, representing 100 member countries.⁷⁹

To keep Interpol as politically neutral as possible, its charter forbids it, at least in theory, from undertaking interventions or activities of a political, military, religious, or racial nature or involving itself in disputes over such matters. Its work focuses primarily on public safety and battling terrorism, crimes against humanity, environmental crime, genocide, war crimes, organized crime, piracy, illicit traffic in works of art, illicit drug production, drug trafficking, weapons smuggling, human trafficking, money laundering, child pornography, white-collar crime, computer crime, intellectual property crime and corruption.⁸⁰

International Development Association (IDA). The International Development Association (IDA) is an international financial institution which offers concessional loans and grants to the world's poorest developing countries. The IDA is a member of the World Bank Group and is headquartered in Washington, D.C., United States. It was established in 1960 to complement the existing International Bank for Reconstruction and Development by lending to developing countries which suffer from the lowest gross national income, from troubled creditworthiness, or from the lowest per capita income. Together, the International Development Association and International Bank for Reconstruction and Development are collectively generally known as the World Bank, as they follow the same executive leadership and operate with the same staff. The International Development Association has 172 member states.⁸¹

International Federation of Red Cross and Red Crescent Societies (IFRC). The International Federation of Red Cross and Red Crescent Societies reaches 160 million people each year through its 189-member National Societies. It acts before, during and after disasters and health emergencies to meet the needs and improve the lives of vulnerable people. It does so with impartiality as to nationality, race, gender, religious beliefs, class and political opinions. Guided by Strategy 2020. – the IFRC's collective

⁷⁹<https://en.wikipedia.org/wiki/Interpol> (Access date 20.06.2015).

⁸⁰<https://en.wikipedia.org/wiki/Interpol> (Access date 20.06.2015).

⁸¹https://en.wikipedia.org/wiki/International_Development_Association (Access date 20.06.2015).

plan of action to tackle the major humanitarian and development challenges of this decade – the IFRC is committed to ‘saving lives and changing minds. The seven Fundamental Principles that guide the work of the IFRC and its members are: humanity, impartiality, neutrality, independence, voluntary service, unity and universality.⁸²

International Finance Corporation (IFC). The International Finance Corporation (IFC) is an international financial institution that offers investment, advisory, and asset management services to encourage private sector development in developing countries. The IFC is a member of the World Bank Group and is headquartered in Washington, D.C., United States. It was established in 1956 as the private sector arm of the World Bank Group to advance economic development by investing in strictly for-profit and commercial projects that purport to reduce poverty and promote development. The IFC's stated aim is to create opportunities for people to escape poverty and achieve better living standards by mobilizing financial resources for private enterprise, promoting accessible and competitive markets, supporting businesses and other private sector entities, and creating jobs and delivering necessary services to those who are poverty-stricken or otherwise vulnerable. Since 2009, the IFC has focused on a set of development goals that its projects are expected to target. Its goals are to increase sustainable agriculture opportunities, improve health and education, increase access to financing for microfinance and business clients, advance infrastructure, help small businesses grow revenues, and invest in climate health. The International Finance Corporation (IFC) has 184 member states.⁸³

International Fund for Agricultural Development (IFAD). The International Fund for Agricultural Development (IFAD) is a specialized agency of the United Nations dedicated to eradicating rural poverty in developing countries. It was established as an international financial institution in 1977 as one of the major outcomes of the 1974 World Food Conference. Seventy-five percent of the world's poor live in rural areas in developing countries, yet only 4% of official development assistance goes to agriculture. The strategic policy of IFAD is detailed in Strategic Framework for IFAD

⁸²https://en.wikipedia.org/wiki/International_Federation_of_Red_Cross_and_Red_Crescent_Societies (Access date 20.06.2015).

⁸³https://en.wikipedia.org/wiki/International_Finance_Corporation (Access date 20.06.2015).

2011–2015: Enabling the Rural Poor to Overcome Poverty. Its headquarters is in Rome, Italy, and is a member of the United Nations Development Group.⁸⁴

As of February 2015, IFAD has 176 member states. This includes 174 UN members states along with the Cook Islands and Niue. The member states are classified as follows: List A (primarily OECD members); List B (primarily OPEC members); and List C (developing countries). List C is further divided into sub-list C1 (countries in Africa); sub-list C2 (countries in Europe, Asia and the Pacific Islands); and sub-list C3 (countries in Latin America and the Caribbean).⁸⁵

International Labour Organization (ILO).

The International Labour Organization (ILO) is a United Nations agency dealing with labour issues, particularly international labour standards, social protection, and work opportunities for all. 185 of the 193 UN member states are members of the ILO. In 1969, the organization received the Nobel Peace Prize for improving peace among classes, pursuing decent work and justice for workers, and providing technical assistance to other developing nations. The ILO registers complaints against entities that are violating international rules; however, it does not impose sanctions on governments.⁸⁶

International Maritime Organization (IMO). The International Maritime Organization (IMO), known as the Inter-Governmental Maritime Consultative Organization (IMCO) until 1982, was established in Geneva in 1948 and came into force ten years later, meeting for the first time in 1959. Headquartered in London, United Kingdom, the IMO is a specialized agency of the United Nations with 171 Member States and three Associate Members. The IMO's primary purpose is to develop and maintain a comprehensive regulatory framework for shipping and its remit today includes safety, environmental concerns, legal matters, technical co-operation, maritime security and the efficiency of shipping. IMO is governed by an assembly of members and is financially administered by a council of members elected from the assembly. The work of IMO is

⁸⁴https://en.wikipedia.org/wiki/International_Fund_for_Agricultural_Development (Access date 20.06.2015).

⁸⁵https://en.wikipedia.org/wiki/International_Fund_for_Agricultural_Development (Access date 20.06.2015).

⁸⁶https://en.wikipedia.org/wiki/International_Labour_Organization (Access date 20.06.2015).

conducted through five committees and these are supported by technical subcommittees. Member organizations of the UN organizational family may observe the proceedings of the IMO. Observer status is granted to qualified non-governmental organizations.⁸⁷

International Monetary Fund (IMF). The International Monetary Fund (IMF) is an international organization headquartered in Washington, D.C., in the United States, of 188 countries working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. Formed in 1944 at the Bretton Woods Conference, it came into formal existence in 1945 with 29 member countries and the goal of reconstructing the international payment system. Countries contribute funds to a pool through a quota system from which countries with payment imbalances can borrow. As of 2010, the fund had SDR476.8 billion, about US\$755.7 billion at then-current exchange rates. Through this fund, and other activities such as statistics keeping and analysis, surveillance of its members' economies and the demand for self-correcting policies, the IMF works to improve the economies of its member countries. The organization's objectives stated in the Articles of Agreement are: to promote international economic cooperation, international trade, employment, and exchange-rate stability, including by making financial resources available to member countries to meet balance-of-payments needs.⁸⁸

International Olympic Committee (IOC). The International Olympic Committee (IOC) is an international non-profit, non-governmental organization based in Lausanne, Switzerland, created by Pierre, Baron de Coubertin, on 23 June 1894 with Demetrios Vikelas as its first president. Today its membership consists of 100 active members, 32 honorary members, and 1 honour member. The IOC is the supreme authority of the worldwide modern Olympic movement.⁸⁹

International Organization for Migration (IOM). The International Organization for Migration (IOM) is an intergovernmental organization. It was initially established in

⁸⁷https://en.wikipedia.org/wiki/International_Maritime_Organization (Access date 20.06.2015).

⁸⁸https://en.wikipedia.org/wiki/International_Monetary_Fund (Access date 20.06.2015).

⁸⁹https://en.wikipedia.org/wiki/International_Olympic_Committee (Access date 20.06.2015).

1951 as the Intergovernmental Committee for European Migration (ICEM) to help resettle people displaced by World War II. As of April 2015, the International Organization for Migration has 157 member states and 10 observer states. IOM is dedicated to promoting humane and orderly migration for the benefit of all. It does so by providing services and advice to governments and migrants.⁹⁰

IOM works to help ensure the orderly and humane management of migration, to promote international cooperation on migration issues, to assist in the search for practical solutions to migration problems and to provide humanitarian assistance to migrants in need, be they refugees, displaced persons or other uprooted people. The IOM Constitution gives explicit recognition to the link between migration and economic, social and cultural development, as well as to the right of freedom of movement of persons.⁹¹

International Organization for Standardization (ISO). The International Organization for Standardization (ISO) is an international standard-setting body composed of representatives from various national standards organizations. Founded on 23 February 1947; the organization promotes worldwide proprietary, industrial and commercial standards. It is headquartered in Geneva, Switzerland, and as of 2013 works in 164 countries. It was one of the first organizations granted general consultative status with the United Nations Economic and Social Council.⁹²

International Red Cross and Red Crescent Movement (ICRM). The International Red Cross and Red Crescent Movement is an international humanitarian movement with approximately 97 million volunteers, members and staff worldwide which was founded to protect human life and health, to ensure respect for all human beings, and to prevent and alleviate human suffering. The movement consists of several distinct organizations that are legally independent from each other, but are united within the movement

⁹⁰https://en.wikipedia.org/wiki/International_Organization_for_Migration (Access date 20.06.2015).

⁹¹https://en.wikipedia.org/wiki/International_Organization_for_Migration (Access date 20.06.2015).

⁹²https://en.wikipedia.org/wiki/International_Organization_for_Standardization (Access date 20.06.2015).

through common basic principles, objectives, symbols, statutes and governing organizations.⁹³

International Telecommunication Union (ITU). The International Telecommunication Union (ITU), is a specialized agency of the United Nations (UN) that is responsible for issues that concern information and communication technologies. The ITU coordinates the shared global use of the radio spectrum, promotes international cooperation in assigning satellite orbits, works to improve telecommunication infrastructure in the developing world, and assists in the development and coordination of worldwide technical standards. The ITU is active in areas including broadband Internet, latest-generation wireless technologies, aeronautical and maritime navigation, radio astronomy, satellite-based meteorology, convergence in fixed-mobile phone, Internet access, data, voice, TV broadcasting, and next-generation networks.⁹⁴

ITU also organizes worldwide and regional exhibitions and forums, such as ITU TELECOM WORLD, bringing together representatives of government and the telecommunications and ICT industry to exchange ideas, knowledge and technology.

ITU, based in Geneva, Switzerland, is a member of the United Nations Development Group. ITU has been an intergovernmental public-private partnership organization since its inception. Its membership includes 193 Member States and around 700 public and private sector companies as well as international and regional telecommunication entities, known as Sector Members and Associates, which undertake most of the work of each Sector.⁹⁵

International Telecommunications Satellite Organization (ITSO). The International Telecommunications Satellite Organization (ITSO) is an intergovernmental organization charged with overseeing the public service obligations of Intelsat. As of June 2013, 149 states are members of ITSO. States join ITSO by ratifying a multilateral treaty known as the Agreement relating to the International Telecommunications

⁹³https://en.wikipedia.org/wiki/International_Red_Cross_and_Red_Crescent_Movement (Access date 20.06.2015).

⁹⁴https://en.wikipedia.org/wiki/International_Telecommunication_Union (Access date 20.06.2015).

⁹⁵https://en.wikipedia.org/wiki/International_Telecommunication_Union (Access date 20.06.2015).

Satellite Organization. Bulgaria ratified the treaty in 1996 but denounced it and withdrew from the organization in 2012.⁹⁶

Inter-Parliamentary Union (IPU). The Inter-Parliamentary Union (IPU). It was the first permanent forum for political multilateral negotiations. Initially, the organization was for individual parliamentarians, but has since transformed into an international organization of the parliaments of sovereign states. The national parliaments of 163 countries are members of the IPU, and 10 regional parliamentary assemblies are associate members. The IPU has permanent observer status at the United Nations and general consultative status with the Economic and Social Council.⁹⁷

Islamic Development Bank (IDB). The Islamic Development Bank (IDB) is a multilateral development financing institution located in Jeddah, Saudi Arabia. It was founded in 1973 by the Finance Ministers at the first Organization of the Islamic Conference (now called the Organization of Islamic Cooperation) with the support of the king of Saudi Arabia at the time (Faisal), and began its activities on 20 October 1975. There are 56 shareholding member states.^{98,99}

On the 22 May 2013, IDB tripled its authorized capital to \$150 billion to better serve Muslims in member and non-member countries. The Bank continues to receive the highest credit ratings of AAA by major rating agencies. Saudi Arabia holds about one quarter of the banks paid up capital The Is DB is an observer at the United Nations General Assembly.¹⁰⁰

Multilateral Investment Guarantee Agency (MIGA). The Multilateral Investment Guarantee Agency (MIGA) is an international financial institution, which offers political risk insurance and credit enhancement guarantees. Such guarantees help

⁹⁶https://en.wikipedia.org/wiki/International_Telecommunications_Satellite_Organization (Access date 20.06.2015).

⁹⁷https://en.wikipedia.org/wiki/Inter-Parliamentary_Union (Access date 20.06.2015).

⁹⁸https://en.wikipedia.org/wiki/Islamic_Development_Bank (Access date 20.06.2015).

⁹⁹ Traute Scharf (1983). Arab and Islamic Banks: New Business Partners for Developing Countries. *OECD Publishing*, 81.

¹⁰⁰https://en.wikipedia.org/wiki/Islamic_Development_Bank (Access date 20.06.2015).

investors protect foreign direct investments against political and non-commercial risks in developing countries. MIGA is a member of the World Bank Group and is headquartered in Washington, D.C., United States. It was established in 1988 as an investment insurance facility to encourage confident investment in developing countries. MIGA's stated mission is "to promote foreign direct investment into developing countries to support economic growth, reduce poverty, and improve people's lives". The agency focuses on member countries of the International Development Association and countries affected by armed conflict. It targets projects that endeavour to create new jobs, develop infrastructure, generate new tax revenues, and take advantage of natural resources through sustainable policies and programs.¹⁰¹

MIGA is owned by its 181 member governments, consisting of 156 developing and 25 industrialized countries. The members are composed of 180 United Nations member states plus Kosovo. Membership in MIGA is available only to countries who are members of the World Bank, particularly the International Bank for Reconstruction and Development.¹⁰²

Nonaligned Movement(NAM) (observer). The Non-Aligned Movement (NAM) is a group of states, which are not formally aligned with or against any major power bloc. As of 2012, the movement has 120 members and 17 observer countries. The organization was founded in Belgrade in 1961, and was largely conceived by India's first prime minister, Jawaharlal Nehru; Burma's first Prime Minister U Nu; Indonesia's first president, Sukarno; Egypt's second president, Gamal Abdel Nasser; Ghana's first president Kwame Nkrumah; and Yugoslavia's president, Josip Broz Tito. All six leaders were prominent advocates of a middle course for states in the Developing World between the Western and Eastern Blocs in the Cold War. The phrase itself was first used to represent the doctrine by Indian diplomat V. K. Krishna Menon in 1953, at the United Nations.¹⁰³

¹⁰¹https://en.wikipedia.org/wiki/Multilateral_Investment_Guarantee_Agency (Access date 20.06.2015).

¹⁰²https://en.wikipedia.org/wiki/Multilateral_Investment_Guarantee_Agency (Access date 20.06.2015).

¹⁰³https://en.wikipedia.org/wiki/Multilateral_Investment_Guarantee_Agency (Access date 20.06.2015).

Nuclear Suppliers Group (NSG). Nuclear Suppliers Group (NSG) is a multinational body concerned with reducing nuclear proliferation by controlling the export and re-transfer of materials that may be applicable to nuclear weapon development and by improving safeguards and protection on existing materials. Initially the NSG had seven participating governments: Canada, West Germany, France, Japan, the Soviet Union, the United Kingdom, and the United States. In 1976-77, participation was expanded to fifteen with the admittance of Belgium, Czechoslovakia, East Germany, Italy, the Netherlands, Poland, Sweden, and Switzerland. Germany was reunited in 1990 while Czechoslovakia broke up into the Czech Republic and Slovakia in 1993. Twelve more nations joined up to 1990. Following the collapse of the Soviet Union, a number of former republics were given observer status as a stage towards future membership. China became a participating government in 2004. The European Commission and the Zangger Committee Chair participate as observers. The NSG Chair Country for 2013-2014 is the Czech Republic]. The next chair (for 2014-2015) will be Argentina. As of 2014 the NSG has 48 members.¹⁰⁴

Organization of Islamic Cooperation (OIC). The Organization of Islamic Cooperation (OIC) is an international organization founded in 1969 consisting of 57 member states. The organization states that it is "the collective voice of the Muslim world" and works to "safeguard and protect the interests of the Muslim world in the spirit of promoting international peace and harmony". The OIC has permanent delegations to the United Nations and the European Union.¹⁰⁵

¹⁰⁴https://en.wikipedia.org/wiki/Nuclear_Suppliers_Group (Access date 20.06.2015).

¹⁰⁵https://en.wikipedia.org/wiki/Organisation_of_Islamic_Cooperation (Access date 20.06.2015).

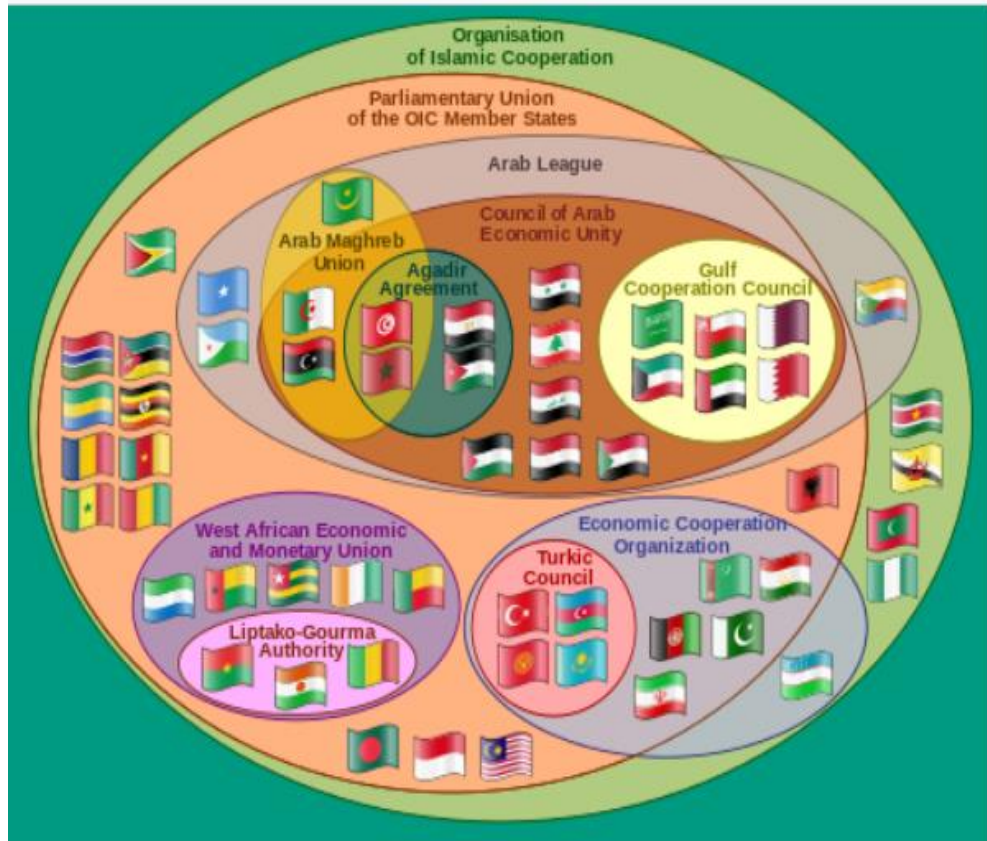


Figure 9. The relationships between various multinational organizations and the Organization of Islamic Cooperation (OIC).

Source: Freeencyclopaedia www.wikipedia.org (Access date: August, 2015).

Organization for Security and Cooperation in Europe (OSCE). The Organization for Security and Co-operation in Europe (OSCE) is the world's largest security-oriented intergovernmental organization. Its mandate includes issues such as arms control and the promotion of human rights, freedom of the press and fair elections. It employs around 400 people in its secretariat in Vienna, Austria, 200 in its institutions and 2,100 field staff. It has its origins in the 1975 Conference on Security and Co-operation in Europe (CSCE) held in Helsinki, Finland. The OSCE is concerned with early warning, conflict prevention, crisis management, and post-conflict rehabilitation. Its 57 participating states are located in Europe, Asia and North America and cover most of

the land area of the Northern Hemisphere. It was created during the Cold War era as an East–West forum.^{106, 107}

Organization for the Prohibition of Chemical Weapons (OPCW). The Organization for the Prohibition of Chemical Weapons (OPCW) is an intergovernmental organization, located in The Hague, Netherlands. The organization promotes and verifies the adherence to the Chemical Weapons Convention, which prohibits the use of chemical weapons and requires their destruction. The verification consists both of evaluation of declarations by member states and on-site inspections. The organization was awarded the 2013 Nobel Peace Prize because it had, with the Chemical Weapons Convention, defined the use of chemical weapons as a taboo under international law" according to Thorbjorn Jagland, Chairman of the Norwegian Nobel Committee.¹⁰⁸

All 190 parties to the Chemical Weapons convention are automatically members of the OPCW. Non-members are Israel and Myanmar, which are signatory states that have not ratified the Chemical Weapons Convention, and Angola, Egypt, North Korea and South Sudan, which have neither signed nor acceded to the Chemical Weapons Convention. Syria was the most recent state to submit its instrument of accession to the treaty following the Framework for Elimination of Syrian Chemical Weapons.¹⁰⁹

Organization of American States (OAS) (observer). The Organization of American States (OAS or OEA), is an inter-continental organization founded on 30 April 1948, for the purposes of regional solidarity and cooperation among its member states. Headquartered in Washington, D.C., United States, the OAS's members are the 35 independent states of the Americas.¹¹⁰

¹⁰⁶https://en.wikipedia.org/wiki/Organization_for_Security_and_Co-operation_in_Europe (Access date 20.06.2015).

¹⁰⁷ Galbreath, David J. (2007). *The Organization for Security and Co-operation in Europe (OSCE)*. New York, NY: Routledge.

¹⁰⁸https://en.wikipedia.org/wiki/Organisation_for_the_Prohibition_of_Chemical_Weapons (Access date 20.06.2015).

¹⁰⁹https://en.wikipedia.org/wiki/Organisation_for_the_Prohibition_of_Chemical_Weapons (Access date 20.06.2015).

¹¹⁰https://en.wikipedia.org/wiki/Organization_of_American_States (Access date 20.06.2015).

Partnership for Peace (PFP). The Partnership for Peace (PFP) is a North Atlantic Treaty Organization (NATO) program aimed at creating trust between NATO and other states in Europe and the former Soviet Union; 22 states are members. It was first discussed by the Bulgarian Society Novae, after being proposed as an American initiative at the meeting of NATO defence ministers in Travemünde, Germany, on 20–21 October 1993, and formally launched on 10–11 January 1994 NATO summit in Brussels, Belgium.¹¹¹

Shanghai Cooperation Organization (SCO). The Shanghai Cooperation Organization (SCO), or Shanghai Pact is a Eurasian political, economic and military organization which was founded in 2001 in Shanghai by the leaders of China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan. These countries, except for Uzbekistan, had been members of the Shanghai Five, founded in 1996; after the inclusion of Uzbekistan in 2001, the members renamed the organization.¹¹²

United Nations (UN). The United Nations (UN) is an intergovernmental organization established 24 October 1945 to promote international co-operation. A replacement for the ineffective League of Nations, the organization was created following the Second World War to prevent another such conflict. At its founding, the UN had 51 member states; there are now 193. The headquarters of the United Nations is in Manhattan, New York City, and enjoys extraterritoriality. Further main offices are situated in Geneva, Nairobi and Vienna. The organization is financed by assessed and voluntary contributions from its member states. Its objectives include maintaining international peace and security, promoting human rights, fostering social and economic development, protecting the environment, and providing humanitarian aid in cases of famine, natural disaster, and armed conflict.¹¹³

United Nations Conference on Trade and Development (UNCTAD). The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 as a permanent intergovernmental body. UNCTAD is the principal organ of the United

¹¹¹https://en.wikipedia.org/wiki/Partnership_for_Peace (Access date 20.06.2015).

¹¹²https://en.wikipedia.org/wiki/Shanghai_Cooperation_Organisation (Access date 20.06.2015).

¹¹³https://en.wikipedia.org/wiki/United_Nations (Access date 20.06.2015).

Nations General Assembly dealing with trade, investment, and development issues. The organization's goals are to: "maximize the trade, investment and development opportunities of developing countries and assist them in their efforts to integrate into the world economy on an equitable basis. The primary objective of UNCTAD is to formulate policies relating to all aspects of development including trade, aid, transport, finance and technology. The conference ordinarily meets once in four years; the permanent secretariat is in Geneva."¹¹⁴

As of October 2012, 194 states are UNCTAD members: all UN members and the Holy See. UNCTAD members are divided into four lists, the division being based on United Nations Regional Groups with six members unassigned: Armenia, Kiribati, Nauru, South Sudan, Tajikistan, and Tuvalu. List A consists mostly of countries in the African and Asia-Pacific Groups of the UN. List B consists of countries of the Western European and Others Group. List C consists of countries of the Group of Latin American and Caribbean States (GRULAC). List D consists of countries of the Eastern European Group.¹¹⁵

United Nations Educational, Scientific, and Cultural Organization (UNESCO). The United Nations Educational, Scientific and Cultural Organization (UNESCO) is a specialized agency of the United Nations (UN). Its purpose is to contribute to peace and security by promoting international collaboration through education, science, and culture in order to further universal respect for justice, the rule of law, and human rights along with fundamental freedom proclaimed in the United Nations Charter. It is the heir of the League of Nations' International Committee on Intellectual Cooperation. UNESCO has 195 member states and nine associate members. Most of its field offices are "cluster" offices covering three or more countries; there are also national and regional offices.¹¹⁶

¹¹⁴https://en.wikipedia.org/wiki/United_Nations_Conference_on_Trade_and_Development (Access date 20.06.2015).

¹¹⁵https://en.wikipedia.org/wiki/United_Nations_Conference_on_Trade_and_Development (Access date 20.06.2015).

¹¹⁶<https://en.wikipedia.org/wiki/UNESCO> (Access date 20.06.2015).

UNESCO pursues its objectives through five major programs: education, natural sciences, social/human sciences, culture, and communication/information. Projects sponsored by UNESCO include literacy, technical, and teacher-training programmes; international science programmes; the promotion of independent media and freedom of the press; regional and cultural history projects; the promotion of cultural diversity; translations of world literature; international cooperation agreements to secure the world cultural and natural heritage (World Heritage Sites) and to preserve human rights, and attempts to bridge the worldwide digital divide. It is also a member of the United Nations Development Group.¹¹⁷

The broad goals and concrete objectives of the international community — as set out in the internationally agreed development goals, including the Millennium Development Goals (MDG) — underpin all UNESCO's strategies and activities.¹¹⁸

United Nations Industrial Development Organization (UNIDO). The United Nations Industrial Development Organization (UNIDO) is a specialized agency in the United Nations system, headquartered in Vienna, Austria. The Organization's primary objective is the promotion and acceleration of industrial development in developing countries and countries with economies in transition and the promotion of international industrial cooperation. It is also a member of the United Nations Development Group. Members of the UN, or of UN specialized agencies, or of the IAEA, are eligible for membership with UNIDO. The process of becoming a Member of the Organization is achieved by becoming a party to the Constitution. Observer status is open, upon request, to those enjoying such status in the General Assembly of the United Nations, unless the UNIDO General Conference decides otherwise. The Conference has the authority to invite other observers to participate in the work of the Organization in accordance with the relevant rules of procedure and the provisions of the Constitution.¹¹⁹

¹¹⁷<https://en.wikipedia.org/wiki/UNESCO> (Access date 20.06.2015).

¹¹⁸<https://en.wikipedia.org/wiki/UNESCO> (Access date 20.06.2015).

¹¹⁹https://en.wikipedia.org/wiki/United_Nations_Industrial_Development_Organization (Access date 20.06.2015).

As of March 2015, 172 States are UNIDO Members, all of them being UN members. UNIDO Members are divided into four lists. List A consists of all UNIDO countries in the African + Asian Groups of UN (along with Israel, while excluding Cyprus and Japan). List B consists of all UNIDO countries in WEOG group of UN (along with Cyprus and Japan, and excluding Israel). List C consists of all UNIDO countries in GRULAC group of UN. List D consists of all UNIDO countries in the Eastern European group of UN.¹²⁰

Universal Postal Union (UPU). The Universal Postal Union (UPU) is a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to the worldwide postal system. The UPU contains four bodies consisting of the Congress, the Council of Administration (CA), the Postal Operations Council (POC) and the International Bureau (IB). It also oversees the Telematics and EMS cooperatives. Each member agrees to the same terms for conducting international postal duties. The UPU's headquarters are located in Bern, Switzerland. All United Nations member states are allowed to become members of the UPU. A non-member state of the United Nations may also become a member if two-thirds of the UPU member countries approve its request. The UPU currently has 192 members (190 states and two joint memberships of dependent territories groups).¹²¹

World Confederation of Labour (WCL). The World Confederation of Labour (WCL) was an international labour organization founded in 1920 and based in Europe. Totalitarian governments of the 1930s repressed the federation and imprisoned many of its leaders, limiting operations until the end of World War II. In 2006, it became part of the International Trade Union Confederation (ITUC), ending its existence as an independent organization. The World Confederation of Labour has 26 million members in 116 countries.¹²²

¹²⁰https://en.wikipedia.org/wiki/United_Nations_Industrial_Development_Organization (Access date 20.06.2015).

¹²¹https://en.wikipedia.org/wiki/Universal_Postal_Union (Access date 20.06.2015).

¹²²https://en.wikipedia.org/wiki/World_Confederation_of_Labour (Access date 20.06.2015).

World Customs Organization (WCO). The World Customs Organization (WCO) is an intergovernmental organization headquartered in Brussels, Belgium. The WCO is noted for its work in areas covering the development of international conventions, instruments, and tools on topics such as commodity classification, valuation, rules of origin, collection of customs revenue, supply chain security, international trade facilitation, customs enforcement activities, combating counterfeiting in support of Intellectual Property Rights (IPR), integrity promotion, and delivering sustainable capacity building to assist with customs reforms and modernization. The WCO maintains the international Harmonized System (HS) goods nomenclature, and administers the technical aspects of the World Trade Organization (WTO) Agreements on Customs Valuation and Rules of Origin. The World Customs Organization has 180 customs administrations in the world.¹²³

World Federation of Trade Unions (WFTU). The World Federation of Trade Unions (WFTU) was established in 1945 to replace the International Federation of Trade Unions. Its mission was to bring together trade unions across the world in a single international organization, much like the United Nations. After a number of Western trade unions left it in 1949, as a result of disputes over support for the Marshall Plan, to form the International Confederation of Free Trade Unions, the WFTU was made up primarily of unions affiliated with or sympathetic to Communist parties. The WFTU has 78 million workers of 210 trade union organizations, from 105 countries across all six inhabited continents (2011)¹²⁴

World Health Organization (WHO). The World Health Organization (WHO) is a specialized agency of the United Nations (UN) that is concerned with international public health. It was established on 7 April 1948, headquartered in Geneva, Switzerland. The WHO is a member of the United Nations Development Group. Its predecessor, the Health Organization, was an agency of the League of Nations. The constitution of the World Health Organization had been signed by 61 countries on 22 July 1946, with the first meeting of the World Health Assembly finishing on 24 July

¹²³https://en.wikipedia.org/wiki/World_Customs_Organization (Access date 20.06.2015).

¹²⁴https://en.wikipedia.org/wiki/World_Federation_of_Trade_Unions (Access date 20.06.2015).

1948. It incorporated the Office International d'Hygiène Publique and the League of Nations Health Organization.¹²⁵

As of 2013, the WHO has 194 member states: all Member States of the United Nations except Liechtenstein, as well as the Cook Islands and Niue. (A state becomes a full member of WHO by ratifying the treaty known as the Constitution of the World Health Organization.) As of 2013, it also had two associate members, Puerto Rico and Tokelau. Several other entities have been granted observer status. Palestine is an observer as a "national liberation movement" recognized by the League of Arab States under United Nations Resolution 3118. The Holy See also attends as an observer, as does the Order of Malta. In 2010, Taiwan was invited under the name of "Chinese Taipei".¹²⁶

World Intellectual Property Organization (WIPO). The World Intellectual Property Organization (WIPO) is one of the 17 specialized agencies of the United Nations. WIPO was created in 1967 "to encourage creative activity, to promote the protection of intellectual property throughout the world." WIPO currently has 188 member states, administers 26 international treaties, and is headquartered in Geneva, Switzerland.¹²⁷

World Meteorological Organization (WMO). The World Meteorological Organization (WMO) is an intergovernmental organization with a membership of 191 Member States and Territories. It originated from the International Meteorological Organization (IMO), which was founded in 1873. Established in 1950, WMO became the specialized agency of the United Nations for meteorology (weather and climate), operational hydrology and related geophysical sciences. It has its headquarters in Geneva, Switzerland, and is a member of the United Nations Development Group.¹²⁸

World Tourism Organization (UNWTO). The United Nations World Tourism Organization (UNWTO) is the United Nations agency responsible for the promotion of responsible, sustainable and universally accessible tourism. It is the leading

¹²⁵https://en.wikipedia.org/wiki/World_Health_Organization (Access date 20.06.2015).

¹²⁶https://en.wikipedia.org/wiki/World_Health_Organization (Access date 20.06.2015).

¹²⁷https://en.wikipedia.org/wiki/World_Intellectual_Property_Organization (Access date 20.06.2015).

¹²⁸https://en.wikipedia.org/wiki/World_Meteorological_Organization (Access date 20.06.2015).

international organization in the field of tourism, which promotes tourism as a driver of economic growth, inclusive development and environmental sustainability and offers leadership and support to the sector in advancing knowledge and tourism policies worldwide. It encourages the implementation of the Global Code of Ethics for Tourism to maximize the contribution of tourism to socio-economic development, while minimizing its possible negative impacts, and is committed to promoting tourism as an instrument in achieving the United Nations Millennium Development Goals (MDGs), geared towards reducing poverty and fostering sustainable development.¹²⁹

UNWTO generates market knowledge, promotes competitive and sustainable tourism policies and instruments, fosters tourism education and training, and works to make tourism an effective tool for development through technical assistance projects in over 100 countries around the world.¹³⁰

UNWTO's membership includes 156 countries, 6 territories and over 400 affiliate members representing the private sector, educational institutions, tourism associations and local tourism authorities. Its headquarters are located in Madrid.¹³¹

World Trade Organization (WTO). The World Trade Organization (WTO) is an intergovernmental organization, which regulates international trade. The WTO officially commenced on 1 January 1995 under the Marrakech Agreement, signed by 123 nations on 15 April 1994, replacing the General Agreement on Tariffs and Trade (GATT), which commenced in 1948.¹³²

The WTO is also a centre of economic research and analysis: regular assessments of the global trade picture in its annual publications and research reports on specific topics are produced by the organization. Finally, the WTO cooperates closely with the two other components of the Bretton Woods system, the IMF and the World Bank.¹³³

¹²⁹https://en.wikipedia.org/wiki/World_Tourism_Organization (Access date 20.06.2015).

¹³⁰Jafari, J. (1974). Creation of the intergovernmental world tourism organization. *Annals of Tourism Research*, 2, (5), 237–245.

¹³¹https://en.wikipedia.org/wiki/World_Tourism_Organization (Access date 20.06.2015).

¹³²https://en.wikipedia.org/wiki/World_Trade_Organization (Access date 20.06.2015).

¹³³https://en.wikipedia.org/wiki/World_Trade_Organization (Access date 20.06.2015).

The entry of the country into the WTO has important value for increase of openness of the Kazakhstan economy. Now measures for reduction of the national legislation of foreign trade in compliance with the principles and norms of the WTO are taken, come to the end of the current month (July, 2015) - and bilateral negotiations with the main partner countries under the terms of mutual access of goods and services.

At the same time, despite significant progress in the sphere of formation of the foreign trade openness of the country, there are actual problems connected with a raw orientation of the Kazakhstan export, barriers from certain trade partners, a low share of production of the processing industries, lack of effective system of advance and encouragement of export of goods and weak management at the enterprises having the foreign trade potential today.¹³⁴

Besides, as the commodity structure of the Kazakhstan export has raw character, the economy of the republic is considered vulnerable for external shocks and depends on an environment of the world prices. However, by estimates of the international rating agencies, in particular, of Standard & Poor's, thanks to the proceeding growth of the investments extracting and export capacities of an oil and gas complex, Kazakhstan has the high potential of economic growth and when falling prices of oil can hold a budget deficit at a low level that reduces degree of vulnerability of economy to external influences.

¹³⁴www.en.wikipedia.org/wiki/Outline_of_Kazakhstan

The Third Chapter

1. The Research Method of an Impact the Customs Union on the Kazakhstan's Economic Growth.

Today globalization of the modern world occurs promptly quickly. One of the important factors of this process is the international relations, in particular, international trade between the partner-countries within the frames of various trade agreements. Development of economy of any country directly depends on foreign trade, because all parties participate in the international division of labor and the movement of capitals.

Recently many international trade economists like Scott L. Baier, Jeffrey H. Bergstrand, Afhanasios Vamvakidis, Gene M. Grossman, Florence Jaumotte, Hans-Michael Wolfgang, and etc. set goals of researches of the effects of international agreements on international or regional trade. For example, Scott L. Baier and Jeffrey H. Bergstrand analysed the effects of free trade agreements (FTAs) on trade flows by using the gravity equation for cross-country empirical analyses of international trade flows in their work, and concluded that, “on average, an FTA approximately doubles two members' bilateral trade after 10 years. (2007)”¹³⁵ Another scientists Florence Jaumotte investigates “whether the market size of a regional trade agreement (RTA) is a determinant of foreign direct investment received by countries participating in the RTA. Evidence is found that the RTA market size had a positive impact on the foreign direct investment received by member countries. (2004)”¹³⁶ The work of Florence Jaumotte can be a good impulse to the development ideas regarding further study of regional international agreements. Recently many states seek to negotiate regional trade agreements. In the article “Why Do Countries Seek Regional Trade Agreements?” (1998) of John Whalley raises the issue that Some see trade agreements as providing underpinnings to strategic alliances, and hence implicitly form part of security arrangements.¹³⁷

¹³⁵ Scott L. Baier and Jeffrey H. Bergstrand (2007). Do free trade agreements actually increase members' international trade? *Journal of International Economics* # 71, 72–95.

¹³⁶ Florence Jaumotte (2004). Foreign Direct Investment and Regional Trade Agreements: The Market Size Effect Revisited. *International Monetary Fund*, WP/04/206, 32.

¹³⁷ John Whalley (1998) Why Do Countries Seek Regional Trade Agreements? *University of Chicago Press*, 63-90

In addition Afhanasios Vamvakidis raised the issue of Regional Integration and Economic Growth more than once. The article “Regional Integration and Economic Growth” presents “empirical evidence that countries with open, large, and more developed neighbouring economies grow faster than those with closed, smaller, and less developed neighbouring economies. (1998)”¹³⁸ He assumed that his empirical model could be verification of GDP of the development countries grow faster when they form a regional trade agreement with the larger and more developed neighbouring countries. However, his examination shows that impact of five regional trade agreements during the tested period finds that none led to the further economic development for states. Vamvakidis also reaffirm own hypothesis in the article “Regional Trade Agreements or Broad Liberalization: Which Path Leads to Faster Growth? (1999)”¹³⁹ where focused on the policy implications support broad liberalization. For more detailed analysis it is necessary to appeal to econometric literature. “Econometrical analysis and the study of economic growth : a skeptical perspective” of Steven N. Durlauf became a good background for studing the main questions of the thesis.

The Kazakhstan’s agreement with Belarus and Russia consummated on the beginning of January, 2010, is at least in part about the intra-union trade between three countries of the Commonwealth of Independent States (CIS), with a goal attainment of openness of market and free movement of capital, labor, and goods. The Customs Union written agreement was signed in November, 2009 by the leaders: Belarus, Kazakhstan and Russia and launched on January 1st, 2010 by the questions related with free trade and tariff policy between them were settled. Finally, for creation a healthy economic and financial cooperation the international trade environments harmonized. When member countries enacted a document on the Common Customs Code the procedures of standardizations started in the middle of 2010. Since all tariff restrictions and customs controls among three countries were subsequently removed. Currently, there are plans to pursue further integration within the framework of the Common Economic Space with the ultimate goal of achieving free movement of goods, capital and labour.

¹³⁸ Afhanasios Vamvakidis (1998). Regional Integration and Economic Growth. The World Bank economic review, vol. 12, no. 2: 251-70.

¹³⁹ Afhanasios Vamvakidis (1999). Regional Trade Agreements or Broad Liberalization: Which Path Leads to Faster Growth? IMF Staff Papers, Vol. 46, No. 1, 42-68.

The new integration within the frames of the Customs Union aims to promote economic progress and improve the social living standards. The founding members plan achieve these goals by exploiting existing relationships in production and the economy. There are some reasons of creation that collaboration:¹⁴⁰

- Geographical proximity and cultural similarities;
- Increase the profitability of Eurasian countries and make them more attractive to investors;
- Establishing a common legal framework by means of supranational legislation will expand the economic freedom that can be claimed by economic operators.

However, recent time many economists consider that “the actual cumulative impact of the CU on Kazakhstan and other Central Asian economies so far is well below expectations and below early estimates (which used aggregate trade numbers only). This is not surprising as critical effects of comprehensive policy changes usually require a long time to evolve and emerge. A general assessment of the impact of the CU will be neither unambiguously positive nor negative; there are winners and losers in each country and accounting for details and nuances is necessary.”¹⁴¹

The main aim: to examine an impact of the international agreement “the Customs Union» on the development of Kazakhstan economy by using economic data of three member states: Belarus, Kazakhstan, Russia, and statistics data of Ministry of National Economy of the Republic of Kazakhstan Committee from 2003 to 2013 before and after a creation the Customs Union.

Three main questions have motivated this study:

(1) What is the determination of trade performance?

¹⁴⁰ Hans-Michael Wolfgang, Gennadiy Brovka and Igor Belozarov (2014). The Eurasian Customs Union in transition. *World Customs Journal*, 93-104.

¹⁴¹ Roman Mogilevskii (2012). Customs Union of Belarus, Kazakhstan and Russia: Trade Creation and Trade Diversion in Central Asia in 2010-2011. *Working paper # 12*. University of Central Asia. Graduate School of Development. Institute of Public Policy and Administration, 48.

- (2) What is Kazakhstan's trade performance?
- (3) Does international agreement influence economic growth of a state?

The methods of the scientific research: analysis, comparing, synthesis, ratio.

Hypothesis: the indicators of international trade within the trade agreement have the insignificant impact on economic development of Kazakhstan.

Consequence: In order to explain relations of international agreements on the development of state's economy it is important to use new approaches for creating growth model.

The main issue to know whether the indicators of international trade within the trade agreement the Customs Union have the insignificant or significant impact on economic development of Kazakhstan. Based on a data set over the quarterly period of 2003-2009 before and 2010-2013 after creation of the Customs Union there were two regression models that have to be tested for getting the reply how international agreements effect the development of Kazakhstan's Economy before and after the Customs Union creation. In this case the data have been collected from the World Bank Reports, Statistic Reports from International Monetary Fund, Official Reports for periods from 2003-2013. In addition, the same data were used to create a model growth that can account Economic Growth of Kazakhstan before and after being a member of the Customs Union.

Kazakhstan, as active member of world trade, has volatile and developing trade relations (Appendix A.). Since the beginning of the analysed period, international trade of Kazakhstan seems to have a relatively positive development.

Based on the results of the analysis data of Table 1, we indicate that compared with 1990, in 2013 the Kazakh economy grew twice, which seems nearly stable growth pattern. Kazakh foreign trade growth dynamics changed radically. As seen in Table-1 below, the growth of exports and Gross Capital Formation are slightly higher in 2013 than in 2003. However, Labour Force in Kazakhstan does not change drastically, because the level of population is almost the same.

Table 1.a. Total Trade Dynamics of Kazakhstan: GDP, Gross Capital Formation, Labour Force, Export, 2003 – 2013

Year	GDP KZ*	Gross Capital Formation KZ*	Labour Force KZ*	KZ Export to RF*	KZ Export to Blrs*	Total Export of KZ*
2003	47511520915	11385313018	7747414	196774040	12577900	12915946500
2004	52072626922	13104495284	7794452	2836285585	18232059	20079042632
2005	57123671734	17691068633	7940351	2926578211	26489684	27846084842
2006	63235904609	23299137390	8081828	3730036511	70974536	38244423102
2007	68863900119	28751135539	8238067	4658919347	129293777	47747902401
2008	71136408824	25070990190	8376505	6227049275	170831587	71171956161
2009	71990045730	25647622965	8628866	3546966531	54703572	43195762042
2010	77245319067	26160575424	8762646	3006543083	41479403	57244063938
2011	83038717998	27625567648	8908082	7514522000	103493000	88107933672
2012	87190653898	29588087855	9037123	6747212050	90356780	92281520630
2013	92422094888	24200672827	9168033	5806507543	57132420	82510022886

Source: UN COMTRADE Statistical database, 2014, www.comtrade.un.org/db/ (Access Date: December, 2014).

Comparing with Kazakhstan's export to Belarus and Russia, last one has all preconditions for further development of the mutual turnover. As Kazakhstan has multilateral international trade with many countries in the world (Appendix A. and Appendix B.), total export of Kazakhstan has powerful share of world trade balance.

***GDP KZ** – Gross Domestic Product of the Republic of Kazakhstan as for 2003-2013.

***Gross Capital Formation KZ**- is an indicator of the net capital accumulation of the Republic of Kazakhstan as for 2003-2013.

***Labour Force KZ** - Labour Force of the Republic of Kazakhstan as for 2003-2013.

***Export**- is a term means a function of international trade whereby commodities of one country are shipped to another country for future selling. Export influences on the producing nation's gross output.

***KZ Export to RF** – Export from the Republic of Kazakhstan to the Russian Federation as for 2003-2013.

***KZ Export to Blrs** – Export from the Republic of Kazakhstan to the Republic of Belarus as for 2003-2013.

***Total Export of KZ** - Total Export of the Republic of Kazakhstan as for 2003-2013.

According to the data of the World Trade Report in the Table 1. and Figure 1. GDP of the Republic of Kazakhstan in 2003 compared with 2013 increased twice in nominal terms. For comparison, GDP per capita, which is a measure of the welfare in 2013, increased about 80% compare to 2003 with the average annual growth rate around 2 percent.

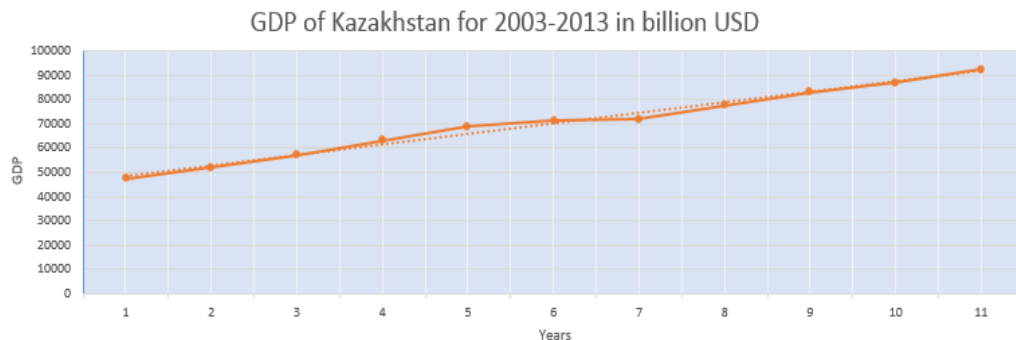


Figure 1. GDP of Kazakhstan for 2003-2013 in billion USD

Source: Author's calculations based on UN COMTRADE Statistical database, 2014, www.comtrade.un.org/db/ (Access Date: December, 2014).

Gross Capital Formation of Kazakhstan is also showed the same tendency and growth 2-fold in nominal terms at the end of 2013 (Figure 2). Gross Capital Formation increased about 112,5% compared with 2003 to 2013.

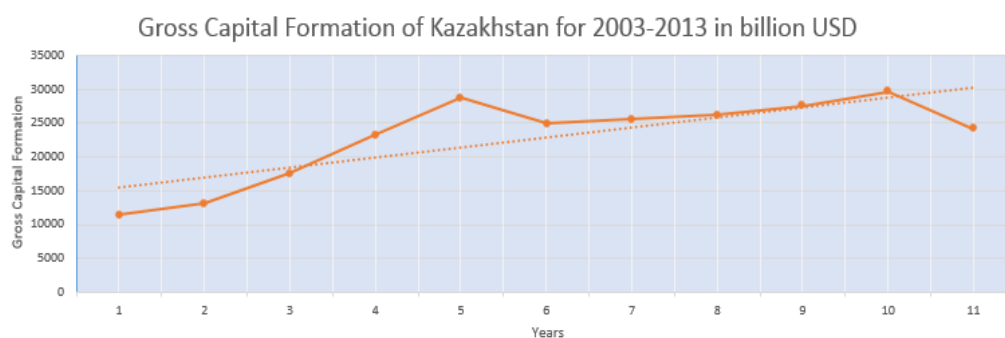


Figure 2. Gross Capital Formation of Kazakhstan for 2003-2013 in billion USD

Source: Author's calculations based on UN COMTRADE Statistical database, 2014, www.comtrade.un.org/db/ (Access Date: December, 2014).

The Labour Force was grown also, but not so significant. Export from the Republic of Kazakhstan to the Russian Federation has grown rapidly by 2008, decreased in 2009 and 2010, then increased again by 2011 and was stable by 2012 (Figure 3). Export from the Republic of Kazakhstan to Belarus was grown unsteady and by 2010 it increased twice in nominal terms, but fallen in 2013.



Figure 3. Labour Force of Kazakhstan for 2003-2013 in billion USD
 Source: Author's calculations based on UN COMTRADE Statistical database, 2014, www.comtrade.un.org/db/ (Access Date: December, 2014).

Overall, in 2013 the volume of Export from the Republic of Kazakhstan rose by at least twice in real terms. Graphically, it can be imagine in the following forms in Figure 4. That figure shows that total export from Kazakhstan to many countries in the world is significantly bigger than export from Kazakhstan to Belarus and Russia separately.



Figure 4. Total Export of Kazakhstan for 2003-2013 in billion USD.
 Source: Author's calculations based on UN COMTRADE Statistical database, 2014, www.comtrade.un.org/db/ (Access Date: December, 2014).

The Table 2. shows that Import from the Russian Federation and Belarus to the Republic of Kazakhstan; and Investment to Kazakhstan from Russia and Belarus. As seen in Table 1.b., import growth rate in 2013 is 481% that says many things about openness of the Kazakhstan's market for many countries. In 2003 the share of export in GDP was 27,19%; in 2013 it becomes 89,28%; in 2003 import held 17,68 % of GDP and in 2013 – 52,88 %. Comparing with the table below, the growth of exports and imports is not the same: export is bigger than import of Kazakhstan. It can be clearly seen in Figure 5 and 6 that the amounts in nominal terms varied considerably during 2003-2013.

Table 1.b.Total Trade Dynamics of Kazakhstan: Import, Investments, 2003 – 2013

Year	KZ Import from RF*	KZ import from Blrs*	Total import of KZ*	RF Investment to KZ*	Blrs Investment to KZ*	Total Foreign Direct Investment KZ-inflows*
2003	3277753400	94896200	8401999500	196781500	943600	2092028800
2004	4807771957	143821990	12773473442	206781500	1164600	4157208487
2005	6581786028	207994633	17333158546	226781500	1311600	2546065710
2006	9064093643	284350549	23660993437	541146890	0	7611168450
2007	11573772024	395967009	32686612797	827612770	4743500	11972842989
2008	13753819558	396202110	37815371782	965644410	14378900	16818890680
2009	8896564567	367063179	28408679844	663559030	26967900	14275888207
2010	5475744712	251123979	24023626743	951594110	41744170	7456117901
2011	16269065800	623366200	38010237472	1000055600	85822000	13760291529
2012	17110459435	675526580	44538070815	1069458534	122512500	13784782314
2013	17685586034	681738577	48871868575	1299224894	165025050	9738521652

Source: UN COMTRADE Statistical database, 2013, www.comtrade.un.org/db/ (Access Date: December, 2014).

During the studied period import of goods to Kazakhstan from Russia had dynamic character, from 2003 it was 3 277 billion dollars and became 13 753 billion dollars in 2008. Due to the consequences of world crisis in 2008, from 2009 to 2010 there was a sharp decline in the import of goods by 42,8 %.

***KZ Import from RF** – Import from the Russian Federation to the Republic of Kazakhstan as for 2003-2013.

***KZ Import from Blrs** – Import from the Republic of Belarus to the Republic of Kazakhstan as for 2003-2013.

***Total Export of KZ** - Total Export of the Republic of Kazakhstan as for 2003-2013.

***RF Investment to KZ** - Investment from the Russian Federation to the Republic of Kazakhstan as for 2003-2013.

***Blrs Investment to KZ**- Investment from the Republic of Belarus to the Republic of Kazakhstan as for 2003-2013.

***Total Foreign Direct Investment KZ-inflows** - Total Foreign Direct Investment of of the Republic of Kazakhstan as for 2003-2013 (inflows).

After joining in 2010 Kazakhstan in the Customs Union, import of goods from Russia increased notably. In 2003 the share of import in 2003 import held 6,89 % of GDP and in 2013 was 19,14%. Import of goods from Belarus has absolutely other picture. It was connected with limited quantity of a product line in Belarus for import to Kazakhstan, besides it had a stable dynamics.



Figure 5. Import from Russia, Belarus to Kazakhstan for 2003-2013 in billion USD
 Source: Author's calculations based on UN COMTRADE Statistical database, 2014, www.comtrade.un.org/db/ (Access Date: December, 2014).

The share ratio of Russian import to Kazakhstan in comparing with the world level shows that from 2003 to 2008 it was 45-50%, in 2009 and 2010 it decreased to 20-25%, and since 2011 was stabilized to one-third of world imports. Import of goods from Belarus is a minimum share in relation to the world level investments. Thus, Russia for Kazakhstan is one of large importers of goods. It is caused by geographical and political factors.

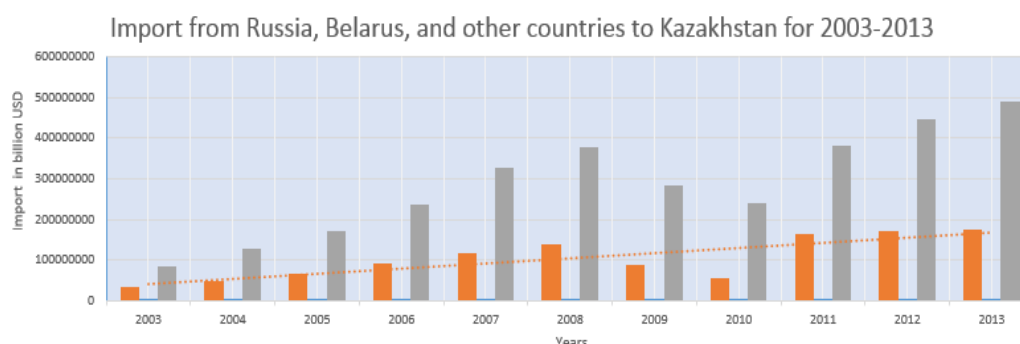


Figure 6. Import from Russia, Belarus, and other countries to Kazakhstan for 2003-2013 in billion USD. Source: Author's calculations based on UN COMTRADE Statistical database, 2014, www.comtrade.un.org/db/ (Access Date: December, 2014).

In the Figure 7. it seems to be that average growth rate of the Russian investments before Crisis was unstable. During 2003-2005 it was at the same level, and in times of the pre-crisis period it was ascending, and by 2008 increased 5-fold. However, in 2009, there is some decline, and subsequent years are characterized by dynamic growth, the level of investment in 2013 increased by 6,5 times. Belarus has insignificantly stepped up own investments in the economic sector of Kazakhstan in the post-crisis period.

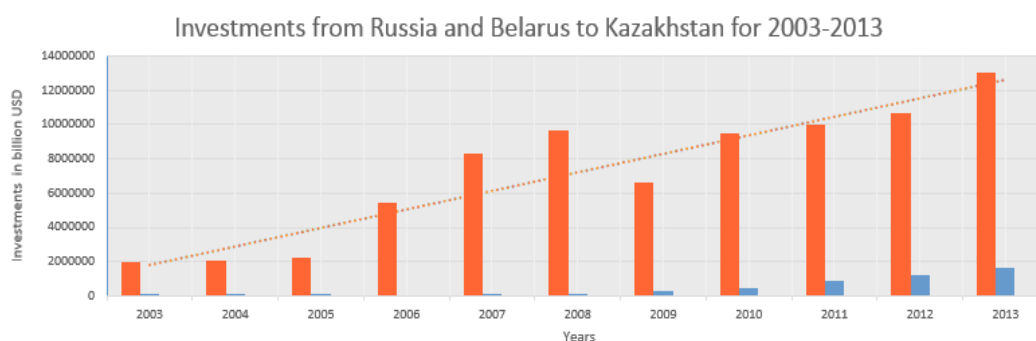


Figure 7. Total Investments from Russia and Belarus to Kazakhstan for 2003-2013 in billion USD. Source: Author's calculations based on UN COMTRADE Statistical database, 2014, www.comtrade.un.org/db/ (Access Date: December, 2014).

The ratio of a share of the Russian investments into Kazakhstan with world indicators is characterized by steadily low inflow of investments from 2003 to 2005. Further from 2006 to 2008 there is a culmination, where the share of Russian investments increased on 8,5 times, and in 2010 this level decreased twice. Also there is no stable picture of investment in 2011-2013. Investments from Belarus make still a smaller share in the ratio with world level of investments. Thus, the investment background of these countries leaves much to be desired.

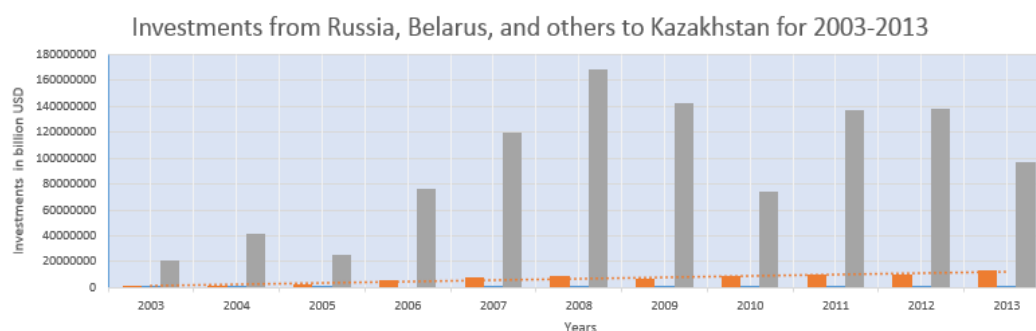


Figure 8. Total Investments from Russia, Belarus, and other countries to Kazakhstan for 2003-2013 in billion USD. Source: Author's calculations based on UN COMTRADE Statistical database, 2014, www.comtrade.un.org/db/ (Access Date: December, 2014).

The table presents GDP deflator and Official exchange rate of the Russian Federation, the Republic of Belarus; and the Republic of Kazakhstan. Average change of cost or cost index assesses the degree of inflation of the entire set of goods and services produced and consumed in the state.

Table 1.c. Total Trade Dynamics of Kazakhstan: GDP deflator, Official exchange rate, 2003 – 2013

Year	GDP deflator KZ*	GDP deflator RF*	GDP deflator Blrs*	Official exchange rate KZ*	Official exchange rate RF*	Official exchange rate Blrs*
2003	11,74	13,78	30,69	149,58	30,69	2051,27
2004	16,13	20,28	22,68	136,04	28,81	2160,26
2005	17,87	19,31	18,93	132,88	28,28	2153,82
2006	21,55	15,17	10,75	126,09	27,19	2144,56
2007	15,53	13,80	12,82	122,55	25,58	2146,08
2008	20,94	17,96	21,16	120,30	24,85	2136,40
2009	4,69	1,99	5,72	147,50	31,74	2793,05
2010	19,54	14,19	11,07	147,36	30,37	2978,51
2011	17,57	15,91	71,18	146,62	29,38	4974,63
2012	4,82	7,48	75,44	149,11	30,84	8336,90
2013	6,13	5,90	19,00	152,13	31,84	8880,05

Source: UN COMTRADE Statistical database, 2013, www.comtrade.un.org/db/ (Access Date: December, 2014).

In the currency markets of the Russian Federation and the Republic of Kazakhstan official exchange rate have the stable positions (Figure 12 and 13). But because of devaluation in Belarus since 2011 official exchange rate climbed over 4 times to 2013 (Figure 14). In Figure 9, 10, 11, total tendency of GDP Deflator of Kazakhstan, Russia and Belarus shows the same position for 5 years between 2005 to 2010, but at the end of the current period for 2011-2013 GDP deflator of Belarus has the different fluctuations.

***GDP deflator KZ**- Gross Domestic Product deflator of the Republic of Kazakhstan as for 2003-2013.

***GDP deflator RF**- Gross Domestic Product deflator of the Russian Federation as for 2003-2013.

***GDP deflator Blrs**- Gross Domestic Product deflator of the Republic of Belarus as for 2003-2013.

***Official exchange rate KZ**-official exchange rate of the Republic of Kazakhstan as for 2003-2013.

***Official exchange rate RF**-official exchange rate of the Russian Federation as for 2003-2013.

***Official exchange rate Blrs**-official exchange rate of the Belarus as for 2003-2013.

Kazakhstan's Gross Domestic Product deflator has more positive trend than Belarus. But Gross Domestic Product deflators of Russia and Kazakhstan have the similar trend. In 2003-2005 Kazakhstan's deflator was rather stable, but in 2006 during the pre-crisis period it rose almost twice and fell down in 2007. On the figure 9. given below positive tendencies of a deflator in Kazakhstan can be tracked in 2009, 2012, 2013.

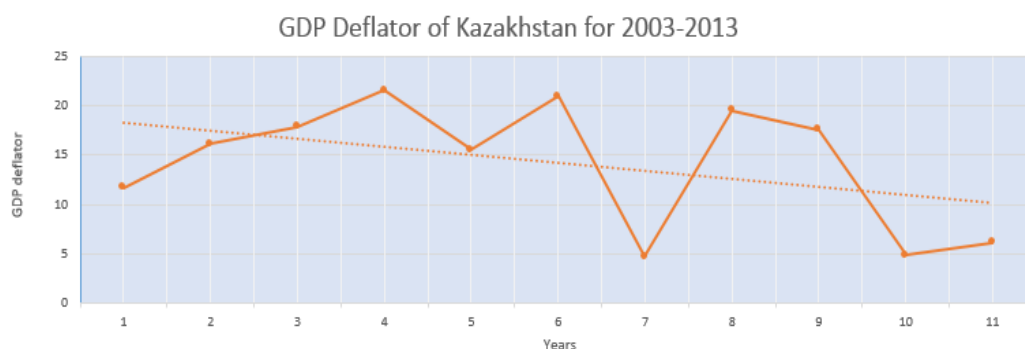


Figure 9. GDP Deflator of Kazakhstan for 2003-2013
 Source: Author's calculations based on UN COMTRADE Statistical database, 2014, www.comtrade.un.org/db/ (Access Date: December, 2014).

The indicators of GDP Deflator of Russia for 2003-2013 in Figure 10. show the same tendencies of a deflator as in Kazakhstan for this period. It is caused by similar economic policy of two countries.



Figure 10. GDP Deflator of Russia for 2003-2013
 Source: Author's calculations based on UN COMTRADE Statistical database, 2014, www.comtrade.un.org/db/ (Access Date: December, 2014).

It is important to note that rapid growth of Gross Domestic Product deflator of the Republic of Belarus grew up in 2011 and 2012 and was around 582 %. Such situation says about the high level of inflation and crisis in state economy.

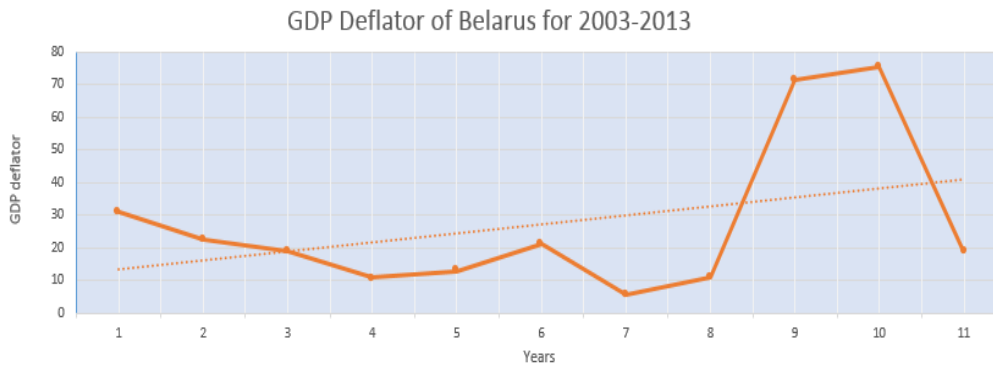


Figure 11. GDP Deflator of Belarus for 2003-2013

Source: Author's calculations based on UN COMTRADE Statistical database, 2014, www.comtrade.un.org/db/ (Access Date: December, 2014).

The analysis of the Figures 12, 13, 14 presents the general trend of the official exchange rate separately. As the currency corridor is expanded in these countries, national currency has floating character. Thus, as was shown in graphs below Kazakhstan and Russian have the same situation. However, dollar exchange rate in relation to local currencies constantly grows.

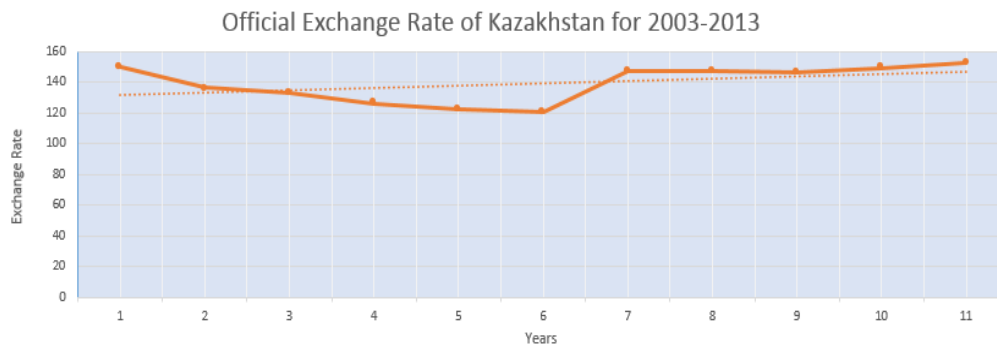


Figure 12. Official exchange rate of Kazakhstan for 2003-2013

Source: Author's calculations based on UN COMTRADE Statistical database, 2014, www.comtrade.un.org/db/ (Access Date: December, 2014).

On average, during the analysing period, dollar in relation to the Kazakhstan tenge fall down to 120 tenge in the crisis period. then it was rosen to around 150 tenge (the domestic currency). In 2009 trade relations have reached the after-Crisis period and state economy was stabilized by 2010.

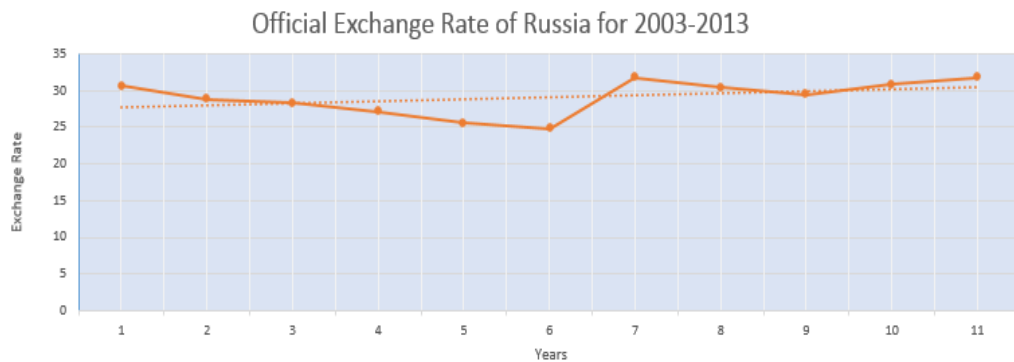


Figure 13. Official exchange rate of Russia for 2003-2013
 Source: Author's calculations based on UN COMTRADE Statistical database, 2014, www.comtrade.un.org/db/ (Access Date: December, 2014).

As Kazakhstan's and Russian monetary financial policy are similar in relation to the exchange currency rate, firstly, it is connected with the large volume of turnover for many years. Nevertheless, development of economy is at the different level due to distinction possession of natural and productive resources in countries.

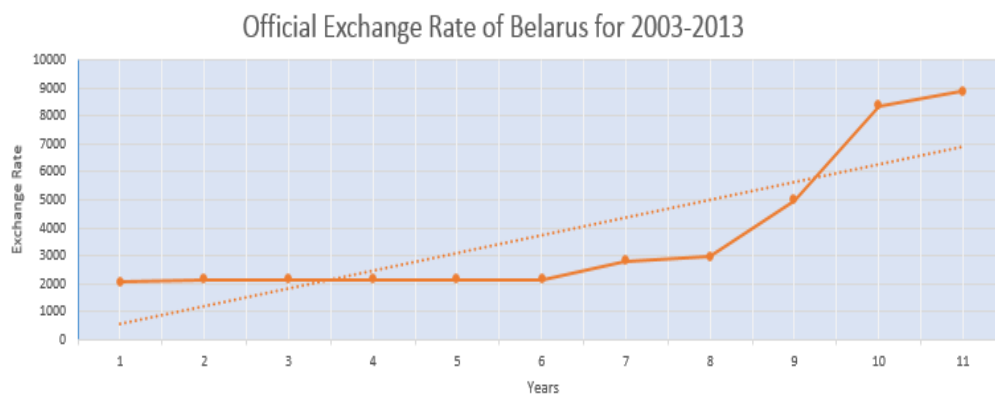


Figure 14. Official exchange rate of Belarus for 2003-2013
 Source: Author's calculations based on UN COMTRADE Statistical database, 2014, www.comtrade.un.org/db/ (Access Date: December, 2014).

Analysing the dollar exchange rate in relation to local currency, which is shown in Figure 14, we can see significant increase in 2012. Most likely it is connected with change and devaluation of Belarusian ruble as the monetary financial policy of Belarus is other than Kazakhstan and Russia.

2. The regression model of how the Customs Union weigh with Kazakhstan's economic growth

The model can be tested by regression form which is analytical and statistical process for determination of the relationship between a dependent variable and one or more independent variables. The construction of the equation reduces to the estimation of its parameters. To estimate the regression parameters, it is necessary to determine values of coefficients and calculate F-test, which the test statistic has an F-distribution under the null hypothesis. The resulting value of F-test indicates a closeness of the connection indicator and identified dependence and statistically insignificant parameters of the equation. The model of Economic Growth based on the calculation of the regression equation can be written as follows:

$$\ln GDP_t = \beta_1 + \beta_2 \ln K_t + \beta_3 \ln L_t + \vartheta_t$$

The model was tested on Eviews8 Program. Based on the annual data over the period of 2003 and 2013, the following production function was estimated by OLS to see whether the Customs Union with Russia and Belarus has created a significant effect on the production. To do this, it is necessary to use constant term dummy variable CUSDUM, which takes 1 value after the Customs Union and zero otherwise.

Table 2. a. Included observations, 2003-2013

Number of Observations	Variable
1	2003
1	2004
1	2005
1	2006
1	2007
1	2008
1	2009
1	2010
1	2011

1	2012
1	2013

Source: Author's calculations based on UN COMTRADE Statistical database, 2014, www.comtrade.un.org/db/ (Access Date: December, 2014).

Table 2.b. Regression Statistics.

Variable	Coefficient	Standard Error	t-Statistic	Prob.
C	-21,0661	7,276323	-2,895169	0,0231
LOG(K)	0,187058	0,059804	3,127833	0,0167
LOG(L)	2,606581	0,524406	4,970539	0,0016
CUSDUM	0,008792	0,044757	0,196445	0,8498

Source: Author's calculations based on UN COMTRADE Statistical database, 2014, www.comtrade.un.org/db/ (Access Date: December 2014).

Numerical coefficients evaluate the effect found by regression dependence based on the coefficient of determination, which characterizes the quality of the obtained regression line. This quality is expressed by the degree of correspondence between the original data and the regression model (calculated data). Certainty measure is always within the interval [0; 1].

Table 2.c. Generated results of the regression statistics

The Regression Statistics	Coefficient
R-squared	0,983288
Adjusted R-squared	0,976126
S.E. of regression	0,032834
Sum squared resid.	0,007547
Log likelihood	24,45669
F-statistic	137,2865
Prob.(F-statistic)	0,000001
Mean dependent var.	24,95415

S.D. dependent var.	0,212501
Akaike info criterion	-3,719399
Schwarz criterion	-3,574710
Hannan-Quinn criter.	-3,810605
Durbin-Watson stat	1,564080

Source: Author's calculations based on UN COMTRADE Statistical database, 2014, www.comtrade.un.org/db/ (Access Date: December 2014).

As was shown in the Table 2.c. Generated results of the regression statistics, a measure of certainty is 0,9833. In that case R-squared is closely to 1, it means that the model explains almost all of the variability of the relevant variables. It indicates a very good fit regression line to the original data, and coincides with the coefficient of determination (R-squared).

Based on the estimated values of coefficients, it can be concluded, that one percent rise in labor and capital inputs increase the GDP, on average, by 2,61 and 0,19 percent respectively. Regression results indicate that there is a statistically significant positive relationship between capital input and GDP as well as between labor input and GDP, since P-values of t-statistics of both coefficients are less than 5% level of significance.

The calculated level of significance F-test in the table confirms the importance of the coefficient of determination. Also based on the F-test of overall significance of estimated model, it can be concluded that capital labor inputs have statistically significant joint effect on GDP. Moreover, coefficient of determination ($R^2 = 0,983$) shows that our estimated model fits data well. Model does not suffer from the autocorrelation problem, since Durbin Watson d-statistic value of 1,564 is less than DW lower limit value.

However, as can be seen from the regression results above, since the coefficient of constant term dummy variable is not statistically significant (p-value of 0,8498 is greater than 5% level of significance), it can be concluded that the Customs Union with Russia and Belarus has not created any significant effect Kazakhstan output.

For more detailed analysis of effects of an impact of the international agreement the Custom Union on the Kazakhstan's economic growth by using macroeconomic data of three countries: Kazakhstan, Russia and Belarus and statistics data of Ministry of National Economy of the Republic of Kazakhstan Committee it is necessary create the two model before creation of union from 2003 to 2009 and after from 2010 to 2013. There are some data shown in the table that used for the first model over the period 2003 to 2009 quarterly: Labor Force, Capital Formation, Gross Domestic Product, and Turnover between Kazakhstan, Russia, and Belarus. The models became the important tools to analyze GDP of the country.

Table 3.a. Trade Dynamics of Kazakhstan: Labour Force, Gross Capital Formation, GDP, Turnover between Kazakhstan and Russia, Turnover between Kazakhstan and Belarus for 2003 – 2009 (Quarterly).

Year	Labour force	Gross Capital Formation	GDP	Turnover between Kazakhstan and Russia	Turnover between Kazakhstan and Bellarus
Q1 2003	6545200,00	2037300000,00	9462900000,00	171774702,30	33212409,00
Q2 2003	7107700,00	2333300000,00	10418400000,00	190786107,90	39913293,00
Q3 2003	7228700,00	3236700000,00	12475700000,00	198714112,00	40480000,00
Q4 2003	6991600,00	3019300000,00	12294900000,00	224762818,70	47527560,00
Q1 2004	7004800,00	2965400000,00	12131800000,00	207073158,00	43365960,00
Q2 2004	7239200,00	3677900000,00	13919900000,00	255264267,60	55646765,00
Q3 2004	7305000,00	4269500000,00	16440700000,00	287762834,90	61260360,00
Q4 2004	7114500,00	3811400000,00	16238400000,00	292756572,00	61376940,00
Q1 2005	7102100,00	3870100000,00	15186500000,00	243380389,20	59372508,00
Q2 2005	7285200,00	5355200000,00	19323300000,00	332280636,80	81648448,00
Q3 2005	7349900,00	6318300000,00	20555000000,00	337050863,60	82547136,00
Q4 2005	7239400,00	5683200000,00	21518100000,00	348653856,40	86618998,00
Q1 2006	7289000,00	3847800000,00	20424400000,00	297146946,60	65433573,50
Q2 2006	7427000,00	9274500000,00	25979200000,00	398257156,70	89540365,20
Q3 2006	7483700,00	7138500000,00	27353500000,00	439818684,80	98996022,40
Q4 2006	7414900,00	10583100000,00	28866800000,00	473855579,20	112331729,60
Q1 2007	7490970,00	5506800000,00	24291300000,00	409223342,00	101067323,50
Q2 2007	7642130,00	11883700000,00	32253200000,00	498140254,20	126079123,80
Q3 2007	7713470,00	10723900000,00	34927000000,00	533597399,30	136691538,20
Q4 2007	7680370,00	10457600000,00	34644200000,00	552330725,70	136628308,70
Q1 2008	7762900,00	6455800000,00	32926000000,00	476770008,00	93923296,50
Q2 2008	7868430,00	12690300000,00	42361300000,00	641337414,70	131664985,60
Q3 2008	7925370,00	13291700000,00	45430600000,00	698974147,30	143576434,30

Q4 2008	7862070,00	10650200000,00	42777600000,00	587799889,60	127940360,00
Q1 2009	7830400,00	6249000000,00	30889800000,00	351966539,60	108889943,50
Q2 2009	7896600,00	10108300000,00	33811600000,00	452849994,20	141913872,00
Q3 2009	7955170,00	16362900000,00	45957400000,00	497298443,60	145233138,40
Q4 2009	7937370,00	14246900000,00	53196400000,00	539650006,00	155089438,00

Source: Author's calculations based on IFS Statistical database, 2015, www.data.imf.org/?sk=5DABAFF2-C5AD-4D27-A1751253419C02D1&sid=1390030341854).

In order to explain relations of international agreement on the development of state's economy it is important to use the new approaches for creating the new model before creation of the Customs Union. Linear regression model in the formula form corresponds to:

$$\ln GDP_t = \beta_1 + \beta_2 \ln K_t + \beta_3 \ln L_t + \vartheta_t$$

The regression was estimated on STATA program. The first regression model with quarter period of 2003-2009 is linear and has 28 number of observations. Square root of the mean squared error, which estimates the standard deviation of the error distribution is 0.8673. As was shown from the table the coefficient of determination is 0.9739 that means the estimated model fits data well. The regression results indicate that there is a statistically significant positive relationship between labor input and GDP as well as capital input and GDP, since B-value of t-statistics of both coefficients are less than 5% level of significance. Based on F-test of overall significance of estimated model, it can be conclude that capital and labor inputs have statistically significant joint effect on GDP. Due to the estimated value of coefficients, both inputs of turnover between Kazakhstan, Belarus, and Russia have also statistically significant positive relationship with respect to GDP.

Table 3.b. Generated results of the regression statistics

The Regression Statistics	Coefficient
Number of obs	28
F-statistic	213,03
Prob.(F-statistic)	0,0000
R-squared	0,9739

Root MS.E.

0,08673

Source: Author's calculations based on IFS Statistical database, 2015, www.data.imf.org/?sk=5DABAFF2-C5AD-4D27-A1751253419C02D1&sId=1390030341854).

Due to the results of regression, p-value of turnover between Kazakhstan, Belarus, and Russia are 0,088 and 0,031 respectively. It means that the coefficient of turnover between Kazakhstan and Belarus is not statistically significant as its p-value is greater than 0.05, at the 5% significance level. However, the coefficient of turnover between Kazakhstan and Russia is statistically significant as its p-value is lower than 0.05, so this term is significant at the 5% level of significance given in the model.

Table 3.c. Regression Statistics.

Variable	Coefficient	Standard Error	t-Statistic	Prob.
C	-38,24328	13,423	-2.85	0,009
LOG(L)	2,940372	0,9358299	3,14	0,005
LOG(K)	0,1684383	0,0949787	1,77	0,089
TURNOVER_BELARUS	0,2408633	0,1350137	1,78	0,088
TURNOVER_RUSSIA	0.375461	0.1638238	2.29	0,031

Source: Author's calculations based on IFS Statistical database, 2015, www.data.imf.org/?sk=5DABAFF2-C5AD-4D27-A1751253419C02D1&sId=1390030341854).

Thus, it can be deduced that the international trade with Belarus before creation of the Customs Union has not significant effect on Kazakhstan output. Simultaneously the international trade with Russia has significant effect on GDP of Kazakhstan before the Customs Union formation over the period of 2003-2009.

For forming the second model there were used the following data that presented in the table below: Labor Force, Capital Formation, Gross Domestic Product, and Turnover

between Kazakhstan, Russia, and Belarus over the period of first four year from date of foundation of the Customs Union. The main aim of estimation of the next model is to examine an impact of international agreement the Customs Union on the Kazakhstan's economic growth since 2010 to 2013.

Table 4.a. Trade Dynamics of Kazakhstan: Labour Force, Gross Capital Formation, GDP, Turnover between Kazakhstan and Russia, Turnover between Kazakhstan and Belarus for 2010 – 2013 (Quarterly).

Year	Labour force	Capital	GDP	Turnover between Kazakhstan and Russia	Turnover between Kazakhstan and Belarus
Q1 2010	8229300,00	7217500000,00	41364900000,00	2180672340,00	674693600,00
Q2 2010	8116500,00	10814800000,00	47127300000,00	2879751555,00	947306206,00
Q3 2010	8171100,00	12955200000,00	50688200000,00	3048671141,00	978752908,00
Q4 2010	8141370,00	22083900000,00	70066400000,00	3302767940,00	769460572,00
Q1 2011	8134530,00	7796100000,00	49059100000,00	3175719540,50	874106740,00
Q2 2011	8204370,00	11463500000,00	60859700000,00	3239243739,75	821853656,00
Q3 2011	8310830,00	14812800000,00	68222800000,00	8783131512,40	267230029,40
Q4 2011	8483800,00	23643100000,00	90141200000,00	8322571777,10	268379145,10
Q1 2012	8462470,00	8640100000,00	59928100000,00	7582149625,50	216215225,80
Q2 2012	8526730,00	12162900000,00	66989200000,00	8232935774,60	336109877,80
Q3 2012	8540300,00	17212300000,00	73789600000,00	9164191528,30	317019845,20
Q4 2012	8499930,00	24968400000,00	95685200000,00	9477755203,00	311559584,40
Q1 2013	8546100,00	9821500000,00	65471300000,00	7980648675,70	211611310,90
Q2 2013	8592670,00	14244500000,00	73814500000,00	9323989833,10	295771082,30
Q3 2013	8607700,00	23879100000,00	88545400000,00	9064071925,20	296157068,30
Q4 2013	8573000,00	26783400000,00	112482500000,00	9817485195,50	345312678,60

Source: Author's calculations based on IFS Statistical database, 2015, www.data.imf.org/?sk=5DABAFF2-C5AD-4D27-A1751253419C02D1&sId=1390030341854).

In order to explain an impact of the union on the development of state's economy it is important to use the new approaches for creating the new model after forming of the Customs Union. Linear regression model as the first model in the formula form corresponds the same equation:

$$\ln GDP_t = \beta_1 + \beta_2 \ln K_t + \beta_3 \ln L_t + \vartheta_t$$

Due to the results of the regression statistics for the second estimated model the coefficient of determination is 0.9371 and root mean squared error closer to 0, so that

means the model fits data well. The number of observation is 16 as for period of 2010-2013.

Table 4.b. Generated results of the regression statistics

The Regression Statistics	Coefficient
Number of obs	16
F-statistic	46,41
Prob.(F-statistic)	0,0000
R-squared	0,9371
Root MS.E.	0,0806

Source: Author's calculations based on IFS Statistical database, 2015, www.data.imf.org/?sk=5DABAFF2-C5AD-4D27-A1751253419C02D1&sId=1390030341854).

Due to the results of regression, p-value of turnover between Kazakhstan, Belarus, and Russia are 0,954 and 0,130 respectively. It means that the coefficient of turnover between Kazakhstan, Belarus, and Russia are not statistically significant as its p-value is greater than 0.05, at the 5% significance level. The regression results show that there is a statistically significant positive relationship between labor input and GDP as well as capital input and GDP, since B-value of t-statistics of both coefficients are less than 5% level of significance. Based on F-test of overall significance of estimated model, it can be conclude that capital and labor inputs have statistically significant joint effect on GDP.

Table 4.c. Regression Statistics.

Variable	Coefficient	Standard Error	t-Statistic	Prob.
C	-22,77636	28,26952	-0,81	0,437
LOG(L)	2,176257	1,736791	1,25	0,236
LOG(K)	0,4047395	0,487187	8,31	0,000

TURNOVER_BELARUS	0,0056612	0,0956154	0,06	0,954
TURNOVER_RUSSIA	0,1529915	0,0935532	1.64	0,130

Source: Author's calculations based on IFS Statistical database, 2015, www.data.imf.org/?sk=5DABAFF2-C5AD-4D27-A1751253419C02D1&sId=1390030341854).

However as can be seen from regression results, since p-value of 0,9371 is greater than 5% level of significance, it can be concluded that the Customs Union with Russia and Belarus has not created any significant effect on Kazakhstan's economic growth. Comparing the two models with different period it is clear that conditions of international trade with these two countries were more favorable for Kazakhstan before than after union's formation. It is possible to say that Kazakhstan was not ready to be competitive because of low level conditions of goods' producing.

In whole, the establishment of the Customs Union doesn't affect negatively on the talks on joining the World Trade Organization (WTO). Since the Customs Union has been in operation for less than some years, it is too early to evaluate the impact on the direction of Kazakhstan's trade. Some trade effects could be expected in the long term, as higher import tariffs may induce Kazakhstan importers to start switching to suppliers within the Customs Union. These effects are likely to be small, however, since trade with other CIS countries is already minimal, while China holds a large cost advantage compared to alternative suppliers, and trade with it is not likely to be affected by an increase in tariffs.

The Fourth Chapter

1. A SWOT analysis of the Customs Union

A **SWOT analysis** (alternatively **SWOT matrix**) is a structured planning method used to evaluate the **strengths, weaknesses, opportunities and threats** involved in a project. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieve that objective. Identification of SWOT is important because they can inform later steps in planning to achieve the objective. First, the decision makers should consider whether the objective is attainable, given the SWOT. If the objective is not attainable a different objective must be selected and the process repeated.^{142, 143}

The Customs Union is an alliance and economic integration of the third independent states that provides the uniform customs area within which on free mutual trade in the goods and services on condition of abolition of customs duties and restrictions of economic character, except for special protective, anti-dumping and countervailing measures aren't applied. A common customs tariff and measures are directed on regulation the common free trade zone with the third countries. The main aim is to test whether the Customs Union with Russia and Belarus has effective functioning of the common goods market, services, capital and labour; has created a significant effect on conditions stable development of economy of the Parties to enhance living standards; and realization of the coordinated tax and monetary, foreign exchange, trade, customs policy. For making the analysis useful and find the competitive advantage of the Customs Union, it is necessary to ask and answer questions that generate meaningful information for each category (strengths, weaknesses, opportunities, and threats).

¹⁴²www.en.wikipedia.org/wiki/SWOT_analysis

¹⁴³ Humphrey, Albert (December 2005). SWOT Analysis for Management Consulting (PDF). *SRI Alumni Newsletter* (SRI International).

1.1. Strengths

Strengths: characteristics of the business or project that give it an advantage over others.

- **Decrease in barriers for import and export of CIS**

Unimpeded movement trade flows reduces trade barriers and contributes to the development of foreign trade relations.

- **Legislation's standardization**

Simplifying and standardizing of customs procedures; eliminating of bureaucracy, centralized database; and other measures aimed at the "trade facilitation" helps to evolve the mutual and beneficial trade relations between state-members of the Customs Union.

- **Availability and openness of CIS' market**

Availability and openness of markets of the participating states play a major role the establishment and strengthening confidence in the free trade principles.

- **A huge sales market**

The Customs Union is a vast market for producers: there are about 200 million people, and potentially more than half a billion.

- **International confidential relations among CIS**

Well-organized trade relations, trust and mutual collaboration contribute to improving general welfare.

If trade flows are flowing smoothly and participants voluntarily maintain a healthy business relationship for mutual benefit, the political confrontation is practically impossible.

- **Proximity to major markets**

Proximity and accessibility of markets of the Customs Union, low transport costs are more significant factor for the development of mutually beneficial trade.

- **Increasing supply and demand on domestic and international markets**

An international exchange of goods and services brought benefits to all participants of the common market.

- **Availability of transport and energy infrastructure**

Harnessing the power of transport and power infrastructure are defined as a fundamental factor for socio-economic development countries participating in the Customs Union.

- **Availability of labour force**

The need to attract foreign citizens caused by their unique specialization, the presence of previous experience in a specific field or industries. Especially skills and knowledge of the functioning of enterprises are important for development of the domestic manufacturing.

- **Availability of raw materials and production capabilities**

Availability of raw materials, as well as virtually unlimited is determined by its reserves large scale production.

- **High level of competitiveness**

Actually, it is often competition with foreign manufacturers becomes the key factor to reducing the costs of production, modernize and improve the efficiency of domestic production.

1.2. Weaknesses

Weaknesses: characteristics that place the business or project at a disadvantage relative to others.

- **Poor quality of some products**

Poor product quality is due to design of the terms of trade and certification of goods.

- **Low level of competitiveness on domestic markets**

Low level of goods production in the country gives negative affect on country's economy, because the state will be uncompetitive on its domestic market.

- **Low level of domestic brands**

Many enterprises on the domestic market have the profit targets. They do not work under the marketing policies and healthy competitiveness of domestic goods. Thus, the problem is arised from the brand unrecognizability.

- **Lack of investments into industry**

There is a problem of attracting capital flow from the other countries in the investment sector.

- **High share of exports of commodity with low added value**

The main reason of goods sales in foreign and domestic markets with low added value is reduce the production costs with aim of benefit and competitiveness.

- **Considerable depreciation of fixed assets**

Outdated equipment adversely affects the goods production, which leads to uncompetitive of enterprises and firms.

- **Problems of nonqualified personnel**

Unskilled labour has a negative impact on the development of many sectors of the economy.

- **Different level of consumer ability in CIS**

Difference of costs of living and wage level among CIS generates a low level of purchasing power.

- **Different political position of CIS**

Different political positions and views of the member states inhibit the processes of economic integration of the Customs Union and severe constraints for the accession to the union.

1.3. Opportunities

Opportunities: elements that the project could exploit to its advantage.

- **Expansion of the market through EurAsEC**

Development of the Eurasian Economic Union in future will give an impetus to the new process of liberalization of trade and business environment; improve the investment climate and allow the CU to a new level of integration.

- **Further decreasing in barriers for import and export of industries' development**

The Parties shall establish conditions necessary for a stable economic development of States Parties is carried out a coordinated state to support their priority industries

- **Further flexible policy for market expansion**

The participating States will endeavour to afford each other on a reciprocal basis national regime to market access goods and services.

- **Development of raw materials processing and manufacture**

The parties shall create the necessary conditions for development of raw materials processing and manufacture. They implement an efficient conversion and reforming defence complex enterprises.

- **Exchange the technological leaders' experience and technologies**

The countries will create the conditions for the exchange the technological leaders' experience and technologies.

- **Freedom of movement for the citizens of the member states**

The parties shall ensure free movement of the citizens of the state's parties within the Common Economic Space, which involves the creation of a unified legal regime in terms of employment, rewards and other terms of employment and occupation.

- **Liberalization of monetary policy**

The parties will continue gradual liberalization of foreign exchange policy in terms of the lifting of restrictions on the use of currencies from other states in the current account. It also means the introduction of a single exchange rate of the national currency on current account payment balance; the admission of non-resident banks the domestic currency market; and the abolition of restrictions on import and export of local currency by the authorized banks.

1.4. Threats

Threats: elements in the environment that could cause trouble for the business or project.

- **Low level of investments into the economic sectors**

The government started to focus on attracting foreign investments in the country's economy. But according to the data of the global report, the level of investment over the past 5 years has decreased by 40%.

- **Expansion of smuggling and counterfeit goods**

Poor quality goods, contraband and counterfeit origin fall into the Customs Union countries and have a negative impact on the mutual trade.

- **High competition on domestic and international markets**

Competition in the domestic market by increasing imports may lead to an increase in foreign currency risk.

- **Low quality of goods**

Imports of low-quality goods from third countries which are in free circulation can lead to the negative consequences in the internal market of goods and services and undermine consumer confidence.

- **Market glut**

It is a situation in which the production and supply of goods on the market are not suitable.

- **The level of commodity producing is below the threshold level of economic security**

Low goods production in the country adversely affect its economy, because member-state will be uncompetitive in both as domestic and foreign markets.

1.5 Summary

Table 1. SWOT analysis of the Customs Union

<p style="text-align: center;">Strengths:</p> <ul style="list-style-type: none"> ▪ decrease in barriers for import and export of CIS ▪ legislation's standardization ▪ availability and openness of CIS' market ▪ a huge sales market ▪ international confidential relations among CIS ▪ proximity to major markets ▪ increasing supply and demand on domestic and international markets ▪ availability of transport and energy infrastructure ▪ availability of labour force ▪ employment through "The road map" (program for employment) ▪ availability of raw materials ▪ availability of production capabilities ▪ high level of competitiveness 	<p style="text-align: center;">Weaknesses:</p> <ul style="list-style-type: none"> ▪ poor quality of some products ▪ low level of competitiveness on domestic markets ▪ low level of domestic brands ▪ lack of investments into industry ▪ high share of exports of commodity with low added value ▪ considerable depreciation of fixed assets ▪ problems of nonqualified personnel ▪ different level of consumer ability in CIS ▪ different political position of CIS
<p style="text-align: center;">Opportunities:</p> <ul style="list-style-type: none"> ▪ expansion of the market through the CU ▪ further decreasing in barriers for import and export of industries' development ▪ further flexible policy for market expansion ▪ development of raw materials processing and manufacture ▪ exchange the technological leaders' experience and technologies ▪ freedom of movement the citizens of the member states ▪ liberalization of monetary policy 	<p style="text-align: center;">Threats:</p> <ul style="list-style-type: none"> ▪ low level of investments into the economic sectors ▪ expansion of smuggling and counterfeit goods ▪ high competition on domestic and international markets ▪ low quality of goods ▪ market glut ▪ the level of commodity producing is below the threshold level of economic security

Source: Table made by author.

Based on the SWOT analysis it can be concluded that project “the Custom Union” has as positive as negative sides. In action, the union was created with created with goals attainment of openness of market, free movement of capital, labor, and goods.

Today Kazakhstan’s market became more available for the mutual turnover between the member-states of the collaboration. At the same time the country has got an access to the market of other partners. However, due to the low rate of production forms the low level of competitiveness on the domestic market and investments into the economic sectors. Due to the data on turnover among the three member-states in the previous chapter, it is clear that export from Kazakhstan is lower than import from Belarus and Russia.

On the other hand, there are some prospects for the domestic market development: Firstly, there is an availability of raw materials, production capabilities, and labor force (because of the conditions for attracting foreign labor force). Secondly, there are more flexible customs policy, tariffing, and legislation of the intra-union trade. Thirdly, it is an exchange the technological leaders’ experience and technologies. In consequence of that factors it is a good opportunities for the beneficial mutual collaboration.

Nevertheless, there are several disadvantages that could be negative effects for economic development: low level of investments into Kazakhstan, expansion of smuggling and counterfeit goods, high competition on domestic and international markets, low quality of goods, market glut and etc.

The table SWOT analysis have the most important outputs of the Customs Union. For the further development. Finally for creation a healthy economic and international trade between member-states of the Customs Union it is necessary to improve the conditions of manufacturing; tariff and tax policy; labour force and to minimize the risks connected with the threats.

Conclusion

This work analysed influence of trade contracts for development of economy of Kazakhstan. To make so, we at first created model of economic growth and entered data on commodity turnover of member countries of the trade agreement.

We defined some assumptions which involved in a choice of an index of the union, and we claimed that this new index reflects degree of the relations between all participating countries. Thus, during the analysis the hypothesis: the indicators of international trade within the trade agreement “the Customs Union” have the insignificant impact on economic development of Kazakhstan, was confirmed.

We found inverse relationship between the union and economic growth. In other words, such unions increase growth of mutual commodity turnover between the countries, but especially don't influence the economic growth of the country. Results of an assessment of the analysis of SWOT also showed that the unions render more positive effect on a political background of the country that too plays an important role for the state wellbeing of the country.

Conclusion and Policy Implications

This thesis considers interrelation of the international agreement on development of the Kazakhstan's economy on the example of the Customs Union before its education and after. At the thesis there is a comparative analysis of two periods with 2003 to 2010 and 2010-2013. The findings of this study may be summarized as follows;

- During these 11 years, as model of economic growth shows, the Kazakhstan's economy rose by a new stage of development in a positive side.
- As a result of addition data of these countries with economies in transition, it was revealed, that trade agreements between the countries do not have the strong significant impact on development of economy of Kazakhstan.
- Also in this research it is revealed that influence of trade agreements between the countries makes the positive impact on a political background of the country.

1. Main Findings

Bases of the theory of economic growth were entered at the beginning of the 20th century by the Austrian economist Josef Schumpeter. After it many economists created a set of various theories and models of economic growth. Measurement of growth of economy is carried out by calculations of rates of a gain of GDP of the country or for its expenses. This model became the important tool to analyze GDP of the country.

The equation of economic growth is an empirical model for the analysis of streams of tripartite trade. The model explains a trade stream between the countries as being proportional to their economic weight submitted GDP and in inverse proportion to distance between them.

Today in the conditions of globalization the international relations play an important role in development of international trade, attraction of the foreign capital and policy of the state. Within the international agreements the position of the state on the world scene is defined. As subject hardware as analog of the European Customs Union, I acquired great popularity, in this research it was interesting to compare its influence on

Economy of Kazakhstan. Therefore, models of economic growth included model of the impact of trade agreement on GDP of the country. Nevertheless, the model shows that this tripartite agreement doesn't influence negatively growth of the national economy.

The econometric assessment in chapter 3 testifies that this model is important for an assessment of a condition of the current trade relations. Results of this chapter assume that political factor plays an important role for the economic growth as developments of the country it is focused on attraction of foreign investments.

2. Policy Implications

Trade and economic relations reached for today new results as the parties of this agreement closely interact on the international and regional issues. Further the union assumes to include new partners of participants that can favorably affect a tendency of stable development.

First, the political mutual trust between the countries partners is a basis for development of mutually beneficial cooperation. Secondly, with development of the Eurasian's union, commodity turnover considerably increased in comparison with last years to creation of the Customs Union. In the third, the horizons for trade and new streams of investments extended.

In the conclusion this research means that the countries well develop the development plan of stable trade relations which purpose is the multidimensional trade policy. Therefore very important role is played by gradual creation of strategically important unions for creation of favorable climate in the field of trade, economies, safety, cultures, trade and other areas.

Appendix A.: The main indicators of International Trade of Republic of Kazakhstan

The main indicators of International Trade of Republic of Kazakhstan						
As for January - August 2012						
	in thousand, USD		in thousand, USD		in thousand, USD	
Name of continent, country and group of countries.	Turnover		Export		Import	
	total	unit weight of country in total volume of turnover, %	total	unit weight of country in total volume of export, %	total	unit weight of country in total volume of import, %
TOTAL including:	89,984,341.8	100.0	62,093,183.2	100.0	27,891,158.7	100.0
To CIS	22,181,543.8	24.7	8,188,428.2	13.2	13,993,115.7	50.2
From them: Countries of Customs Union	15,522,049.6	17.2	4,546,786.5	7.3	10,975,263.2	39.4
Belarus	483,277.2	0.5	63,877.3	0.1	419,399.9	1.5
Russia	15,038,772.4	16.7	4,482,909.2	7.2	10,555,863.2	37.8
Countries of Eurasian Economic Community (EurAsEC)	17,856,628.7	19.8	6,142,298.4	9.9	11,714,330.4	42.0
Belarus	483,277.2	0.5	63,877.3	0.1	419,399.9	1.5
Kyrgyzstan	676,728.2	0.8	453,425.5	0.7	223,302.7	0.8
Russia	15,038,772.4	16.7	4,482,909.2	7.2	10,555,863.2	37.8
Tajikistan	359,601.8	0.4	314,657.2	0.5	44,944.6	0.2
Uzbekistan	1,298,249.1	1.4	827,429.2	1.3	470,819.9	1.7
Outside Eurasian Economic Community (EurAsEC)	4,324,915.1	4.8	2,046,129.8	3.3	2,278,785.3	8.2
Azerbaijan	276,604.2	0.3	248,794.7	0.4	27,809.5	0.1
Armenia	2,142.2		392.2		1,750.0	
Moldova	49,800.0	0.1	28,408.0		21,392.0	0.1
Turkmenia	267,060.2	0.3	106,294.5	0.2	160,765.7	0.6
Ukraine	3,729,308.5	4.1	1,662,240.4	2.7	2,067,068.1	7.4
Other countries of the world	67,802,798.0	75.3	53,904,755.0	86.8	13,898,043.0	49.8

Europe	40,443,301.4	44.9	35,541,885.9	57.2	4,901,415.5	17.6
Countries of EU	36,679,057.2	40.8	31,973,678.6	51.5	4,705,378.6	16.9
Austria	3,153,528.7	3.5	2,995,348.1	4.8	158,180.6	0.6
Belgium	233,978.6	0.3	95,449.3	0.2	138,529.3	0.5
Bulgaria	180,984.9	0.2	152,248.5	0.2	28,736.4	0.1
Hungary	182,403.1	0.2	82,786.2	0.1	99,616.9	0.4
Germany	2,514,784.6	2.8	1,112,137.9	1.8	1,402,646.7	5.0
Greece	334,145.3	0.4	323,914.8	0.5	10,230.5	
Denmark	74,652.0	0.1	22,057.0		52,595.0	0.2
Ireland	140,790.9	0.2	60,068.3	0.1	80,722.6	0.3
Spain	536,107.3	0.6	416,647.2	0.7	119,460.1	0.4
Italy	11,101,555.0	12.3	10,452,796.2	16.8	648,758.8	2.3
Cyprus	122,191.6	0.1	120,389.2	0.2	1,802.4	
Latvia	249,773.3	0.3	221,592.2	0.4	28,181.1	0.1
Lithuania	204,405.0	0.2	115,786.7	0.2	88,618.3	0.3
Luxemburg	3,760.5				3,760.5	
Malta	845.0				845.0	
the Netherlands	5,958,195.3	6.6	5,789,863.7	9.3	168,331.6	0.6
Poland	1,472,881.3	1.6	1,178,368.4	1.9	294,512.9	1.1
Portugal	836,736.7	0.9	827,572.9	1.3	9,163.8	
Rumania	2,102,568.9	2.3	2,064,872.5	3.3	37,696.4	0.1
Slovakia	79,280.1	0.1	44,924.8	0.1	34,355.3	0.1
Slovenia	74,007.4	0.1	26,369.2		47,638.2	0.2
the United Kingdom	1,267,881.8	1.4	888,488.6	1.4	379,393.2	1.4
Finland	464,694.8	0.5	316,880.4	0.5	147,814.4	0.5
France	4,963,670.4	5.5	4,582,355.0	7.4	381,315.4	1.4
Czech Republic	208,341.4	0.2	61,313.2	0.1	147,028.2	0.5
Sweden	199,949.3	0.2	16,085.8		183,863.5	0.7
Estonia	16,944.0		5,362.5		11,581.5	
Outside of EU	3,764,244.2	4.2	3,568,207.3	5.7	196,036.9	0.7
Albania	5,930.8		5,836.0		94.8	
Andorra						
Bosnia and Herzegovina	648.3				648.3	
Gibraltar	0.8				0.8	
Iceland	2,231.2		3.0		2,228.2	
Liechtenstein	220.5				220.5	
Macedonia	881.5		1.0		880.5	
Monaco	105.6		59.4		46.2	
Norway	38,733.5		8,011.7		30,721.8	0.1
San Marino	611.9				611.9	
Serbia	19,990.0		7,113.2		12,876.8	
Faeroe Islands	0.1				0.1	
Croatia	152,829.0	0.2	140,394.3	0.2	12,434.7	
Switzerland	3,542,061.0	3.9	3,406,788.7	5.5	135,272.3	0.5

Asia	22,641,362.4	25.2	15,536,026.8	25.0	7,105,335.6	25.5
Afghanistan	240,836.2	0.3	240,259.7	0.4	576.5	
Bangladesh	13,349.8				13,349.8	
Bahrain	832.4				832.4	
Brunei	11.5		11.5			
Vietnam	60,787.4	0.1	4,773.6		56,013.8	0.2
Hong Kong	74,120.6	0.1	73,420.1	0.1	700.5	
Georgia	108,649.1	0.1	81,935.0	0.1	26,714.1	0.1
Israel	1,305,663.2	1.5	1,241,385.0	2.0	64,278.2	0.2
India	281,400.4	0.3	80,450.8	0.1	200,949.6	0.7
Indonesia	44,474.9		19,863.9		24,611.0	0.1
Jordan	12,016.6		11,068.2		948.4	
Iraq	946.3		936.5		9.8	
Iran	453,225.8	0.5	420,734.4	0.7	32,491.4	0.1
Yemen	70,364.8	0.1	70,297.8	0.1	67.0	
Cambodia	1,987.5		4.2		1,983.3	
Karap	1,570.6		811.0		759.6	
China	14,494,876.6	16.1	9,861,295.8	15.9	4,633,580.8	16.6
North Korea	477.4		439.2		38.2	
Kuwait	526.7		526.7			
Laos	38.4				38.4	
Lebanon	5,790.8		5,247.5		543.3	
Macao	22.8				22.8	
Malaysia	68,741.0	0.1	718.7		68,022.3	0.2
Maldives	0.8				0.8	
Mongolia	35,644.2		35,440.0	0.1	204.2	
Myanmar	295.0		0.2		294.8	
Nepal	110.1		37.2		72.9	
United Arab Emirates	153,978.5	0.2	104,826.7	0.2	49,151.8	0.2
Oman	15,960.5		74.0		15,886.5	0.1
Pakistan	29,408.6		15,243.9		14,164.7	0.1
Palestinian autonomy	73.1				73.1	
South Korea	823,577.7	0.9	207,776.0	0.3	615,801.7	2.2
Saudi Arabia	12,945.1		2,187.8		10,757.3	
Singapore	56,956.9	0.1	1,579.4		55,377.5	0.2
Syria	5,841.9		3,833.6		2,008.3	
Thailand	86,364.0	0.1	9,965.9		76,398.1	0.3
Taiwan	47,047.1	0.1	857.6		46,189.5	0.2
Turkey	2,766,154.6	3.1	2,270,332.8	3.7	495,821.8	1.8
Philippines	10,900.1		18.7		10,881.4	
Sri Lanka	5,752.5				5,752.5	
Japan	1,349,640.9	1.5	769,673.4	1.2	579,967.5	2.1
America	4,320,243.3	4.8	2,606,314.6	4.2	1,713,928.7	6.1
Anguilla	17.3				17.3	
Antigua and	37.0				37.0	

Barbuda						
Argentina	28,695.2		10.4		28,684.8	0.1
Aruba	27.3				27.3	
Bahamas	11.5				11.5	
Barbados	17.9				17.9	
Belize	144.2				144.2	
Bermuda	0.6				0.6	
Bolivia	1,086.6		23.5		1,063.1	
Brazil	161,227.8	0.2	37,391.0	0.1	123,836.8	0.4
Venezuela	25.3		25.2		0.1	
Virgin island (USA)	222.1		221.8		0.3	
Virgin island (Britain)	9,703.6		9,702.1		1.5	
Haiti	1.2				1.2	
Guyana	21.0				21.0	
Guadeloupe (Fr.)	0.2				0.2	
Guatemala	69.7				69.7	
Honduras	21.9				21.9	
Dominica	10.3				10.3	
Dominican Republic	274.7				274.7	
Cayman Islands (Britain)	0.9				0.9	
Canada	2,327,643.0	2.6	2,189,738.8	3.5	137,904.2	0.5
Colombia	2,191.6		72.3		2,119.3	
Costa Rica	5,675.4				5,675.4	
Cuba	407.5				407.5	
Mexico	48,609.6	0.1	11.6		48,598.0	0.2
NetherlandianA ntilly	66.9				66.9	
Nicaragua	8.5				8.5	
Terks and Kaykos islands	6.0				6.0	
Panama	127.4				127.4	
Paraguay	1,885.6				1,885.6	
Peru	934.1				934.1	
Puerto Rico	2,609.0				2,609.0	
Salvador	2.7				2.7	
Saint Lucia	5.5				5.5	
the United States of America	1,655,434.4	1.8	336,806.8	0.5	1,318,627.6	4.7
Trinidad and Tobago	32,309.6		32,309.6	0.1		
Uruguay	5,679.6				5,679.6	

Chile	14,194.4				14,194.4	0.1
Ecuador	20,832.2		1.5		20,830.7	0.1
Jamaica	4.0				4.0	
Africa	339,447.1	0.4	200,171.0	0.3	139,276.1	0.5
Algeria	541.1		531.9		9.2	
Angola	136.9		136.9			
Benin	4.0				4.0	
Burundi	6.1				6.1	
Ghana	12,706.4		582.1		12,124.3	
Guinea	1.9				1.9	
Egypt	76,177.0	0.1	42,133.7	0.1	34,043.3	0.1
Zambia	201.6				201.6	
Zimbabwe	2,334.5				2,334.5	
Cameroun	1.4		1.4			
Kenya	40,752.8				40,752.8	0.1
Congo	1.9		1.9			
Congo, democratic republic	10,160.6				10,160.6	
KotDivuar	381.4				381.4	
Lesotto	16.9				16.9	
Liberia	0.3				0.3	
Lybia	3,259.6		3,259.6			
Mauritius	300.3				300.3	
Mauritania	302.4				302.4	
Madagascar	143.5				143.5	
Mayotta	0.4				0.4	
Malawi	946.8				946.8	
Mali	266.4				266.4	
Morocco	59,995.2	0.1	53,868.2	0.1	6,127.0	
Mozambique	1,561.8		55.0		1,506.8	
Namibia	7,070.6		7,043.0		27.6	
Nigeria	1,108.3		1,104.4		3.9	
St. Helena	1.3				1.3	
Réunion	0.1				0.1	
Ruanda	10,630.6				10,630.6	
Swaziland	0.2				0.2	
Seychelles	183.1		62.0		121.1	
Senegal	3.2				3.2	
Somalia	57.3				57.3	
Sudan	82,983.5	0.1	82,941.8	0.1	41.7	
Surinam						
Sierra Leone	55.2		9.0		46.2	
Tanzania	1,772.6				1,772.6	
Tunis	11,491.8		7,959.8		3,532.0	
Republic of Uganda	239.7		225.3		14.4	

Central African Republic	5.8		5.8			
Equatorial Guinea	229.4		229.4			
Ethiopia	13.6		0.2		13.4	
Southern Africa	13,399.6		19.6		13,380.0	
Australia and Oceania	58,443.8	0.1	20,356.7		38,087.1	0.1
Australia	56,443.9	0.1	20,337.4		36,106.5	0.1
American Samoa	0.9				0.9	
Cocos Islands	0.1				0.1	
Nauru	15.6				15.6	
Niue	2.6				2.6	
New Zealand	1,911.5		15.9		1,895.6	
New Caledonia	20.9				20.9	
Cook Islands	36.9				36.9	
New Guinea	4.7		3.4		1.3	
Solomon Island	4.5				4.5	
Tokelau Islands	2.2				2.2	

Source: Agency of the Republic of Kazakhstan on Statistics.

Appendix B.: Commodity composition of Kazakhstan Export as for QIII, 2012

Name of consumption	Export, in thousand USD			Export, in %		
	total	Including in countries		total	Including in countries	
		CIS	Other countries		CIS	Other countries
Total, including	62 093 183,2	8 188 428,2	53 904 755,0	100,0	100,0	100,0
Agriculture products and foodstuffs	2 290 197,0	968 141,3	1 322 055,7	3,7	11,8	2,5
Mineral products	47 706 048,9	4 042 871,8	43 663 177,1	76,8	49,4	81,0
Electricity, gas and water production and distribution	44 509 317,3	2 629 405,2	41 879 912,1	71,7	32,1	77,7
Chemical industry products	1 828 725,9	778 961,8	1 049 764,1	2,9	9,5	1,9
Rawstock , peltry-ware and peltry-ware products	17 363,6	6 901,9	10 461,7	0,0	0,1	0,0
Agriculture, hunting, forestry	41 050,9	14 854,4	26 196,5	0,1	0,2	0,0
Textile and textile goods	71 975,4	43 755,3	28 220,1	0,1	0,5	0,1
Footwear, headwear and small ware	31 815,7	31 588,7	227,0	0,1	0,4	0,0
Construction	18 976,9	17 934,9	1 042,0	0,0	0,2	0,0
Metal and fabricated metal products	7 954 126,9	1 715 159,8	6 238 967,1	12,8	20,9	11,6
Machinery and equipment, transport vehicles	828 036,1	542 232,5	285 803,6	1,3	6,6	0,5
Other goods	1 304 866,0	26 025,9	1 278 840,1	2,1	0,3	2,4

Source: Agency of the Republic of Kazakhstan on Statistics.

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