

УДК 33.339.52

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## **ВЗАИМНАЯ ТОРГОВЛЯ КАЗАХСТАНА И РОССИИ В РАМКАХ ЕАЭС**

**Анотация:** В статье рассматривается торгово-экономическое сотрудничество Республики Казахстан и Российской Федерации в рамках ЕАЭС. Статья включает хронологию двустороннего сотрудничества, исследование торговых связей между двумя странами с 2000 по 2021 год, а также анализ структуры экспорта и импорта стран во времени. Основное внимание уделено состоянию сотрудничества стран в рамках ЕАЭС.

**Ключевые слова:** региональная интеграция, ЕАЭС, торгово-экономическое сотрудничество, Казахстан, Россия, импорт, экспорт, товарооборот.

## **BILATERAL TRADE BETWEEN KAZAKHSTAN AND RUSSIA WITHIN THE EAEU**

**Annotation.** The article discusses the Republic of Kazakhstan's and the Russian Federation's trade and economic cooperation within the EAEU framework. The article includes a timeline of the beginnings of bilateral cooperation, a study of trade ties between the two nations from 2000 to 2021, and an examination of the structure of countries' exports and imports through time. The main attention is dedicated to the state of cooperation between countries within the scope of the EAEU.

*Key words: regional integration, EAEU, trade and economic cooperation, Kazakhstan, Russia, import, export, trade turnover*

## **Introduction**

If worldwide free exchange becomes difficult to achieve, the construction of a regional integration area could be considered as a backup plan, at least temporarily [1]. The terms "regional integration" and "globalization" are frequently used interchangeably. All of them imply a strengthening of interrelationships between particular countries and communities in a variety of areas, including economics, politics, military, and culture. The first process of creating regional integration was on the territory of Europe after the end of World War II. The European Coal and Steel Community was created in 1951 to set up free movement of coal and steel between Belgium, France, Italy, Luxembourg and West Germany. The ECSC was a significant step toward European integration.

Bela Balassa, a well-known American economist of Hungarian ancestry, created the present classification of regional integration stages in 1961. The following major stages, in his opinion, can be recognized [2]:

- Free Trade Area
- Customs Union

- Common market
- Monetary Union
- Political Union

Nowadays, the European Union is one and only who achieved all 5 stages of regional integration.

**Table 1.** Chronological order of events

<b>№</b>	<b>Year</b>	<b>Event</b>
1	1995	The Customs Union Agreement was signed by the Republic of Belarus, the Republic of Kazakhstan, and the Russian Federation for the purpose of free economic exchange, trade, and equal competition among the participants.
2	26 March, 1996	Belarus, Kazakhstan, Kyrgyzstan, and Russia concluded an agreement on economic and humanitarian integration.
3	26 February, 1999	Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan signed the Treaty on the Customs Union and the Common Economic Space, in which they agreed to complete the establishment of the Customs Union and create a Common Economic Space on its foundation.
4	10 October, 2000	The Eurasian Economic Community (EurAsEC) was founded by Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan to improve interaction efficiency, build integration processes, and deepen cooperation in a variety of fields. Uzbekistan became a member of the Community in 2006.
5	19 September, 2003	Within the framework of the CIS, the heads of state of Belarus, Kazakhstan, Russia, and Ukraine signed an agreement on the creation of a Common Economic Space based on the principle of multi-level integration in order to establish conditions for the stable and successful growth of states' economies and to improve the living standards of their populations.

6	6 October, 2007	Belarus, Kazakhstan and Russia signed an Agreement on the Creation of a Single Customs Territory and the Formation of a Customs Union on the basis of the EurAsEC.
7	November, 2009	Belarus, Kazakhstan and Russia signed an Agreement on the Customs Code of the Customs Union
8	January, 2010	Was introduced a single customs tariff and were canceled customs control at internal borders since the beginning of functioning of the Customs Union
9	November, 2011	Was signed the Eurasian Economic Integration Declaration, which declared the transition to the next stage of integration construction - a single economic room - on January 1, 2012; And an agreement on a creation of regulatory body of the Customs Union and the Common Economic Space - the Eurasian Economic Commission
10	January, 2012	The beginning of functioning of the Common Economic Space
11	29 May, 2014	Presidents of Kazakhstan, Belarus and Russia signed an Agreement on a creation of Eurasian Economic Union (EAEU)
12	10 October, 2014	Agreement on the accession of the Republic of Armenia to the EAEU was signed. On 2 January, 2015 it came into force
13	23 December, 2014	Agreement on the accession of the Kyrgyz Republic to the EAEU was signed. On 12 August, 2015 it came into force
14	2016	Entry into force of the free trade zone agreement between the EAEU and Vietnam; Statement by the Presidents of the member states on the digital agenda of the EAEU
15	2017	Signing and ratification of the agreement on the Customs Code of the EAEU

16	2018	<p>EAEU member states and China signed an agreement on the trade and economic cooperation;</p> <p>The Republic of Moldova became an observer country;</p> <p>Signing of an interim agreement leading to the creation of a free trade area with Iran</p>
17	2019	<p>The EAEU and Singapore have signed a free trade agreement;</p> <p>The EAEU and Serbia have signed a free trade agreement;</p> <p>The Agreement on Trade and Economic Cooperation between the EAEU and China enters into force;</p> <p>The Interim Agreement establishing a free trade zone between the EAEU and Iran enters into force.</p>
18	2020	<p>Adoption of significant EEC measures and decisions to combat the spread of the COVID-19 coronavirus infection and the pandemic's effects;</p> <p>The Republic of Uzbekistan and Cuba became observer countries;</p> <p>The Strategic Directions for the Development of Eurasian Economic Integration until 2025 have been approved by the heads of the EAEU member states;</p> <p>The beginning of discussions on a free trade deal with Iran was approved by the heads of the EAEU nations.</p>

Source: Eurasian Economic Commission, <http://www.eurasiancommission.org/ru/nae/news/Pages/11-10-2018-inf.aspx>

Eurasian Economic Union, <http://www.eaeunion.org/#about-history>

The Eurasian Economic Union was established after signing an international treaty signed in Astana on May 29, 2014. (EAEU). The Russian Federation, Kazakhstan, Belarus, Armenia, and Kyrgyzstan are the current members of the

supranational organization. Moldova was also granted the status of an observer country in 2018.

However, the preconditions for creation of a union arose earlier. Since the collapse of the USSR, the former member states have signed an agreement on the creation of a commonwealth of independent states. In the framework of this organization countries cooperate in political, economic, environmental, humanitarian, cultural and other fields.

President of Kazakhstan N.A. Nazarbayev proposed the creation of the Eurasian Union on the basis of a single economic space and a shared defense policy during his first official visit to Russia on March 29, 1994 at Moscow State University after L. N. Lomonosov. In his speech he stood that there is a need for transition on a new level of countries' relationship.

As we can see, the EAEU is the outcome of a Eurasian integration process that began from the CIS, Customs Union and EurAsEC. The Eurasian Economic Union went through two stages in its development: the Customs Union and the Common Economic Space, before entering the Eurasian Economic Union stage.

The bodies of the EAEU are:

- The Supreme Eurasian Economic Council (the SEEC);
- Eurasian Intergovernmental Council (Intergovernmental Council);
- Eurasian Economic Commission (EEC);
- Court of the Eurasian Economic Union (Court of the EAEU)

### **Research methods**

Statistical methods of analysis, data collection methods, data analysis methods, as well as methods of systematization and comparison, are all part of the research methodology, from which acceptable conclusions are made. The study gathered and analyzed data from the period of 2000<sup>th</sup> till 2021<sup>st</sup> from the Statistics Committee of Kazakhstan's Ministry of National Economy, the Russian Federation's Federal Customs Service, and the Eurasian Economic Commission.

## **Research results**

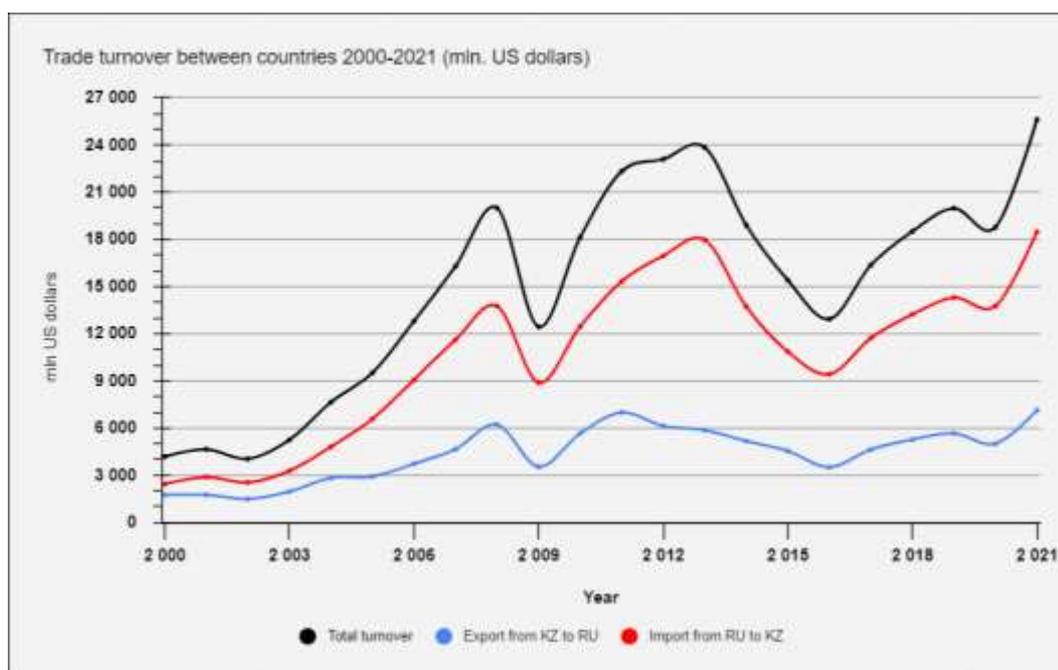
At present, trade and economic cooperation between Kazakhstan and Russia play a key role in the economy of both countries. Since the collapse of the USSR, the countries have been the main partners in many areas of the country's activities. Cooperation between the newly formed countries dates back to May 25, 1992, from the moment of signing the Treaty of Friendship, Cooperation and Mutual Assistance. Subsequently, Kazakhstan and Russia signed several more agreements, such as:

- Agreement on further deepening of economic cooperation and integration of the Republic of Kazakhstan and the Russian Federation of March 3, 1994;
- Declaration on the Broadening and Deepening of Kazakh-Russian Cooperation of January 20, 1995;
- Almaty declaration of December 27, 1991;
- Declaration of eternal friendship and alliance between the Republic of Kazakhstan and the Russian Federation, oriented to the XXI century of July 6. 1998;
- Agreement on economic cooperation for 1998-2007 of October 1, 1998.

In the result of the existing regulatory and legal framework, and as a result of fruitful cooperation between interstate organizations, trade and economic relations between countries are productive

At the given Table 2, we can observe dynamics of three indicators (export, import, trade turnover) of two countries since 2000<sup>th</sup> until 2021<sup>st</sup>

**Table 2.** Trade turnover between Kazakhstan and Russia from 2000 to 2021



Source: Federal customs service, <https://customs.gov.ru/folder/502>; Eurasian Economic Commission [http://www.eurasiancommission.org/ru/act/integr\\_i\\_makroec/dep\\_stat/Pages/default.aspx](http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/Pages/default.aspx); Agency for Strategic planning and reforms of the Republic of Kazakhstan Bureau of National statistics <https://stat.gov.kz/edition/publication/collection>

Since the development of active cooperation between countries in the field of trade and economy, we can see the dynamic development of trade between countries until 2008. At the moment, Russia is the dominant consumer of Kazakh products. However, in 2009 there was a sharp decline in trade by 37.7%. There was a decrease in the export of goods of Kazakh production by 43% and Russian production by 35.3%. The decline occurred as a result of the global crisis in 2008, which affected the production of almost all categories of goods, chemical, food, grain and technical.

The customs union, which includes the Republic of Kazakhstan, the Russian Federation, and the Republic of Belarus, began operations in January 2010. Member states agreed to eliminate customs controls and implement a single tariff. As a result, in 2010, the trade turnover between Kazakhstan and Russia surged by 31.3 percent to 18,128 million US dollars. The volume of commerce has restored to the prior level as a result of a change in trade and economic relations strategy.

According to the Eurasian Economic Commission's report for the years 2010-2014, the overall volume of trade between the three member states, Kazakhstan, Russia, and Belarus, was 47.1 billion US dollars in the first years. However, during the time that the customs union and the single economic space were in operation, the amount of commerce climbed to 57.4 billion US dollars, a rise of 17.9% in percentage terms [3].

Following a strong growth in mutual trade volume in 2010-2011, owing to the establishment of a common market for goods, there has been a downturn in trade turnover since 2013, which has later developed into a recession. At the same time, multidirectional dynamics in the volume of commodities provided to the CU and SES common markets were displayed by the participating countries. Exports of Belarus, for example, have been increasing year after year, whilst exports of Kazakhstan have been declining since 2011. In the case of Kazakhstan and Russia, the volume of commodities exchanged between the two nations accounted for barely 1/3 of the entire volume [3].

Table 2 shows the 2014 indicators, which show negative trends in both countries when compared to 2013. The drop is equal to 20% of overall trade volume, of which Russia accounts for 85.9%.

The indicators of trade between Kazakhstan and Russia continued to drop in the years after that, till 2017. The amount of mutual commerce declined by 18.4 percent compared to the previous year. The amount of trade fell by further 16 percent in 2016. Energy items account for a large portion of trade volume, hence there was a drop in 2015-2016 due to lower Brent crude oil prices. Brent crude oil was \$34 per barrel in 2015, and \$29 per barrel in 2016. Other internal and external variables influencing the drop in trade volume include the state of the global economy and trade, EAEU nations' devaluation processes and macroeconomic indicators [4].

In 2017, 2018, and 2019, the volume of commerce increased gradually, eventually reaching 19,983 million US dollars [5], with Kazakhstan accounting for 29.4 percent and Russia for 71.6 percent.

However, an epidemic of the COVID-19 virus occurred in February 2020, causing the global economy to contract by 3.2 percent and worldwide trade to contract by 5.3 percent [6]. By 2020, the trade turnover between Kazakhstan and Russia will have declined by 6%.

The Russian Federation's Federal Customs Service estimates a commercial turnover of \$25,621 million dollars in 2021 [7]. This is a 26.7 percent increase over 2020, and it is the greatest statistic for the whole duration of partnership.

As we noted, one of the features of mutual trade between Kazakhstan and Russia is a large gap between their volumes. The volume of imports exceeds the volume of exports by almost three times. Based on tables 3 and 4, we can observe a gap between the same categories of goods in the turnover of both countries.

In both countries, most of the volume of supplies is occupied by the Fuel and Energy Complex Products, Mineral Products, Fuel and Energy. The categories of metals and related products in exports and machinery, equipment, and vehicles in imports are tied for second place.

Agricultural items are one of the most important groups, accounting for a large portion of Kazakhstan's and Russia's trade turnover. However, considering Russia's current situation with Ukraine, as well as Russia's recent announcement that it will no longer export sugar and grain products to EAEU nations, the volume of this category of trade between Kazakhstan and Russia may decline and now it resulted an increase in the prices of these products in Kazakhstan and other EAEU countries.

According to official statistics, nowadays, the foreign trade transaction between Kazakhstan and the Russian Federation has increased by 26.2 percent to \$25 billion 621 million since 2014, when Russia was subjected to economic sanctions as a result of the annexation of Crimea. By \$6 billion 713 million, in absolute terms [7].

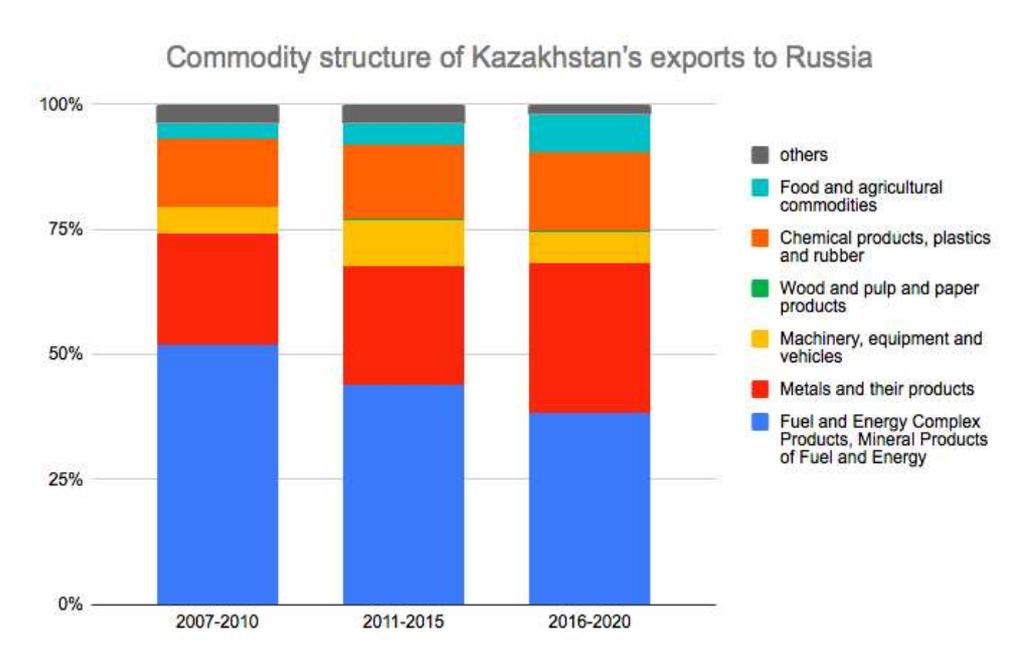
Domestic goods exports to Russia climbed by 27.5 percent, or \$1 billion 965 million, at the same time. Russian imports grew by 25.6 percent, or \$4 billion 748

million. Over eight years, the gap in favor of Russia climbed by 24.5 percent, rising from \$8 billion 552.2 million to \$11billion 335 million [7].

Russian producers' interest in Kazakhstan has increased dramatically as a result of Western sanctions against the Russian Federation.

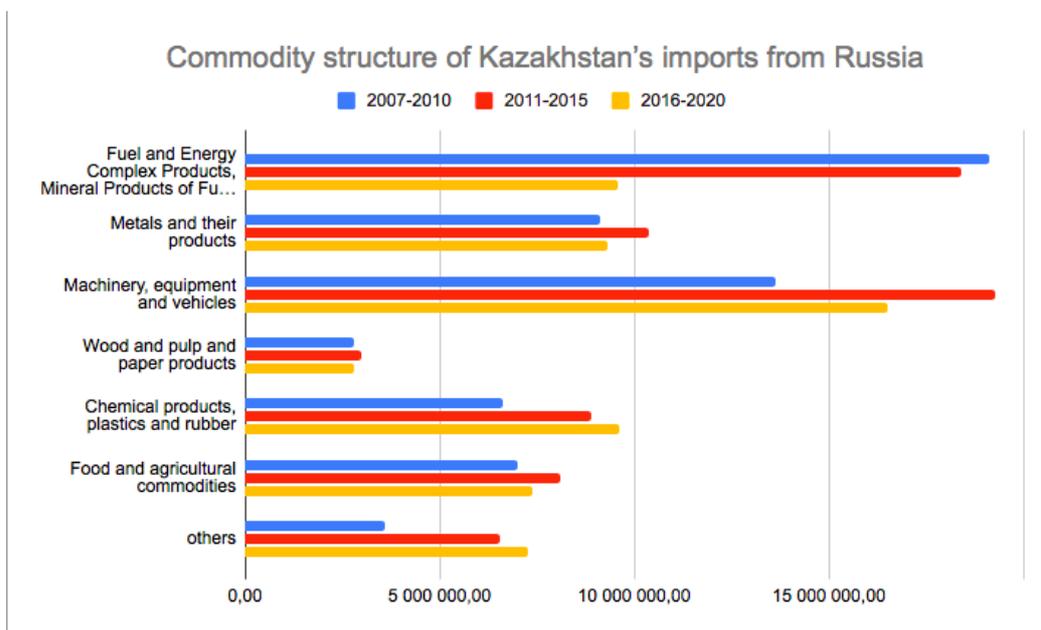
The Kazakh economy is currently performing better than Russia's. The volume of Russian exports to Kazakhstan is expected to expand in the future. Restrictions on direct or indirect export delivery of Russian commodities to numerous countries across the world will help to enable this. Also, it will certainly be impossible to re-export Russian goods through Kazakhstan. Kazakhstan will not be used to bypass sanctions, according to the deputy director of the presidential administration.

Table 3. Commodity structure of Kazakhstan’s export to Russia



Source: Federal customs service, <https://customs.gov.ru/folder/502>; Eurasian Economic Commission [http://www.eurasiancommission.org/ru/act/integr\\_i\\_makroec/dep\\_stat/Pages/default.aspx](http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/Pages/default.aspx)

Table 4. Commodity structure of Kazakhstan’s imports from Russia



Source: Federal customs service, <https://customs.gov.ru/folder/502>; Eurasian Economic Commission [http://www.eurasiancommission.org/ru/act/integr\\_i\\_makroec/dep\\_stat/Pages/default.aspx](http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/Pages/default.aspx)

## Conclusion

Kazakhstan and Russia have been important partners in economic, social, and political matters since the fall of the Soviet Union. According to data from 2021, the countries' trade turnover accounts for 25% of Kazakhstan's overall trade turnover. At the start of the year 2000, trade relations between the two countries were improving.

However, trade relations between Kazakhstan and Russia had difficulties as a result of various global events, including the global financial crisis of 2008, the development of a customs union between Kazakhstan, Russia, and Belarus, and sanctions against Russia following the Crimean events.

These effects, on the other hand, have certain benefits. The trade turnover between Kazakhstan and Russia, for example, surged by 1.3 after the sanctions

imposed in response to the Crimean events. The EAEU also helped to reduce trade barriers.

In light of the current situation between Ukraine and Russia, it is unclear how Kazakhstan and Russia's trade relations will grow. Russia has currently banned the export of grain and sugar to EAEU nations, resulting in an increase in the prices of these products in Kazakhstan and other EAEU countries. Furthermore, Russia is having problems importing sophisticated technology for the creation of a domestic product, which will have an impact on the production and export of a variety of items.

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