COMPOTITIVE ABILITY OF PRODUCTION AS THE INDEX OF COUNTRY'S FOREIGN TRADE DEVELOPMENT

by

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ABSTRACT

In conditions of globalization and integration of world economic system, country aims effort to the development of foreign economic cooperation with in distant and near foreign countries and participates in global and regional economic processes in order to provide sustainable economic development. Problems of competitive ability take specific place in the development of economy, because they are one of terms of industrial-innovating development and liberalization of foreign trade activity. Nowadays, country's competitive ability is the index of economic system's condition and the prospects of development. It determines the character of country's participation in the international division of labor, and acts as guarantor of economic security and the ability to produce goods and services, which satisfy the requirements of world market. The realization of these goods and services encourages the growth of nation's welfare. Formation and development of industry determines that fact, that it builds up the economy's infrastructure basis and plays one of the main poles in the improvement of nation's welfare. Year by year, the proportion of mineral industry increases in the structure of Kazakhstan's economy. This leads to the one-sided development of economy and the decrease of it's general competitive ability.

KEYWORDS
External Trade, Competitive Ability, Kazakhstan, Export, Import

INTRODUCTION

In conditions of globalization and integration of world economic system, country aims effort to the development of foreign economic cooperation with in distant and near foreign countries and participates in global and regional economic processes in order to provide sustainable economic development. In the state-of-the-nation address of the President of Kazakhstan N.A.Nazarbaev to the nation of Republic of Kazakhstan, it is mentioned that "one of the main strategy interest of our country in the foreign policy is entrance to the number of 50 the most competitive countries in the world economy and the growth of country's competitive ability". [1] Being the country with market economy, Kazakhstan aims to increase foreign trade potential. In this case, the necessity of the growth of domestic production's competitive ability becomes actual. It requires the unusual ways of problems' solution and searching for new methods and forms of trade development's control. Problems of competitive ability take specific place in the development of economy, because they are one of terms of industrial-innovating development and liberalization of foreign trade activity. Nowadays, country's competitive ability is the index of economic system's condition and the prospects of development. It determines the character of country's participation in the international division of labor, and acts as guarantor of economic security and the ability to produce goods and services, which satisfy the requirements of world market.

The realization of these goods and services encourages the growth of nation's welfare. Formation and development of industry determines that fact, that it builds up the economy's infrastructure basis and plays one of the main poles in the improvement of nation's welfare. Year by year, the proportion of mineral industry increases in the structure of Kazakhstan's economy. This leads to the one-sided development of economy and the decrease of it's general competitive ability. At the same time, mineral industry has to be the basis of the development of other sectors of economy and to encourage the support of macroeconomic stability, economy modernization and the social prosperity of the nation of Kazakhstan. According to the global experience, effective governmental regulation of economy provides positive economic results. Meanwhile, governmental policy doesn't have to be limited only by the impact on consumers, moreover, it has to provide the development of national industry's potential. Unfortunately, the indexes of the level of the national substance are low, because the production output and purchase of national goods and services are imperceptible in comparison with the level of import. At same time, it is evident, that national manufacturing industry has a potential to provide parochial market with products of high competitive ability. The analysis of the industry position, which is based on the foreign trade indexes and the proportion of national output in the parochial market, shows , that the competitive ability of manufacturing industry in Kazakhstan is not high enough. The Dynamics of foreign trade's growth is illustrated in the table 1.

TABLE 1
FOREIGN TRADE TURNOVER IN KAZAKHSTAN, mlrd $

Index	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Commercial exchange	15.1	16.2	21.3	32.9	45.2	61.9	80.5	109.1	71.6
Export	8.6	9.7	12.9	20.1	27.8	38.2	47.7	71.2	43.2
Import	6.4	6.6	8.4	12.8	17.3	23.7	32.8	37.9	28.4
Source : [2]									

The development of national substance through the increase of localization of manufacture and the growth of the conversion's level in the branches of industry, which is based on the usage of high technologies, and the rise of productivity of labor de-facto means job creation, consolidation and increase of non-energy base of country's budget, and certainly, influence on socio-economic and socio-political advancement of country.

Export of Kazakhstan in 2010 reached 43.2 milliard $, import – 28.4 milliard $. However, despite the fact, that export is one and half times bigger than import, nowadays the level of national industry's diversification is still low. Export of primary products, which has a high competitive ability, exceed 31.9 milliard $, or 74% of the sum of export in 2010.

For the purpose of qualitative analysis of economic indexes, it is necessary to provide cross-section analysis of output's export and import. The data about main kinds of exported and imported production illustrates raw-material orientation of industry's development.

TABLE 2
MANUFACTURE, EXPORT AND IMPORT OF MAIN COMMODITY LINES IN KAZAKHSTAN, 2010

Million USD

	Manufacture, million $.	Export, million $	Import, Million $	The proportion of national output in the parochial market, %
engineering industry	1 915,2	399,7	11 225,2	11,9
metallurgical industry	10 249,4	7 216,1	5 783,7	34,4
chemical industry	575,0	2 218,4	2 307,5	19,9
consumer goods industry	172,9	333,9	363,6	32,2
food processing industry	5 366,7	797,7	1 714,5	72,7
fuel and energy complex	35 431,5	30 027,2	2 834,8	65,6
Source: [3]				

The data shows that output from fuel and energy complex and food processing industry take leading positions in the parochial market.

The analysis of current situation and the assessment of competitive ability of basic output in Kazakhstan is given below engineering industry. All over the world, engineering industry is considered as the index of technological development of national industry. This branch of industry provides multiplicative effect, which is used for development of related sectors of economy. Moreover, the employment of population multiplies increases, and thereby, competitive ability of country's economy goes up. The sum of output, which was produced in 2010, is 1.9 mlrd $. In comparison with 2009, this index dropped by 14.3% (2.5 mlrd $). Total sum of produced output includes: machinery and equipment - 0.8 mlrd $, electric and optical equipment – 0.4 mlrd $, transport equipment – 0.7 mlrd $. The number of produced machinery and equipment , in value terms, dropped by 6.1%, electric equipment – 13.4%. The number of produced transport equipment went up by 2.4%. Till 2008, engineering industry sector grew up noticeably. In 2009, this sector of industry suffered from economic crisis most of all. Primarily, it is connected with the investment character of demand for engineering products. From 1990 to 2009, the proportion of engineering products in the total amount of produced output went down from 15.9% to 2.9% respectively. During the period between 2009 and 2010, this index increased gradually, and remained at 3.2%.

According to the table 3, during the period between 2006 and 2009, there was a steady increase in the number of national output. It is noticeable, that decrease of manufacture, which took place in 2010, is connected with economic crisis. Similarly, there was a rise and fall of the indexes of export and import in 2010.

TABLE 3
THE DYNAMICS OF ENGINEERING INDUSTRY MARKET DURING 2006-2010 IN KAZAKHSTAN

Million USD

Index	2006	2007	2008	2009	2010
production output, mln $	1 350,8	1 814,0	2 244,5	2 473,0	1 915,2
Export, mln $	358,7	673,6	938,0	1 284,3	399,7
Import, mln $	7 595,2	10 708,0	15 258,6	15 475,0	11 225,2
capacity of market, mln $	8 587,3	11 848,4	16 565,2	16 663,7	12 740,6
Proportion of national output in the parochial market, %	11,6	9,6	7,9	7,1	11,9
Index of competitive ability	-0,79	-0,79	-0,81	-0,78	-0,81
Source: [2]					

Through there have been some fluctuations, the proportion of national output in the parochial market remains steady at nearly 9.6 % over the last 5 years. The index of competitive ability of engineering industry is the lowest between all the branches of industry. In 2010 this index remained at -0,81.

For Mining and smelting industry, nowadays this branch of industry has the highest competitive ability, and plays an important role in the increase of export of nation output to the export market. From 2009 to 2010, the amount of manufacture went down by 36.9%, 16262.8 mln and 10249.4 mln $ respectively. The proportion of the production of ready hardware remained at 728.7mln $, which is only 7.1% from the total amount of produced output in the mining and smelting industry (table 4)

TABLE 4
ANALYSIS OF THE MARKET OF METALLURGICAL INDUSTRY AND MANUFACTURE OF READY HARDWARE DURING 2006-2010 IN KAZAKHSTAN

Million USD

Index	2006	2007	2008	2009	2010
production output, mln $	7 037,2	10 502,3	13 131,1	16 262,8	10 249,4
Export, mln $	5 344,7	7 272,1	9 765,3	13 223,4	7 216,1
Import, mln $	2 671,2	3 261,2	4 581,6	6 609,2	5 783,7
capacity of market, mln $	4 363,70	6 491,40	7 947,40	9 648,60	8 817,00
Proportion of national output in the parochial market, %	38,8	49,8	42,4	31,5	34,4
Index of competitive ability	0,7	0,9	0,8	0,6	0,5
Source : [2]					

Percentage of the metal industry production of the ready metal product in the total volume of Kazakhstan industry in 2009 was 16,9%, herewith it was 19,2% in 2009.

Export and import dynamics is characterized with the stable growth in the period of 2006-2009 years, herewith decline is observed in 2010. It is seen from the chart below. With this Kazakhstan products share in the internal market changed permanently last 5 years, composing 39,4% on average.

Positive information about competitiveness is reached by ferrous metallurgy and non-ferrous metallurgy, herewith in the period of 2006-2010 years the competitiveness index is declined. The main reason for that is the decreasing of volume production and export.

Oil-gas sector. Production amount in 2010 compiled 30866,8 million US dollars. Percentage of oil-gas sector in the whole Kazakhstan industry constituted 51% in 2010. Export and import dynamics are characterized by stable growth between 2006-2009 years, herewith decline is observed in 2010 (table 5).

TABLE 5
ANALYSIS OF THE MAIN INDICATORS OF OIL-GAS SECTOR IN THE RK IN 2006-2010 YEARS

Million USD

Indicator	2006	2007	2008	2009	2010
Production volume, mln. USD	19 912,7	25 495,8	30 817,0	44 581,8	30 866,8
Export, USD	18 084,5	24 510,3	29 274,9	45 486,6	28 009,0
Import, USD	1 160,9	1 964,9	2 207,1	3 262,5	1 731,2
Capacity of market, USD	2 989,1	2 950,4	3 749,2	2 357,7	4 589,0
Share of Kazakhstan product in the internal market, %	61,2	33,4	41,1	-38,4	62,3
Competitive coeffisient	1,5	1,2	1,3	0,5	1,5
Source:[2]					

Herewith share of Kazakhstan product in the internal market in 2010 compiled 62,3%. Competitive indicator of the product is being positive for 5 years.

Chemical industry. Chemical industry is one of the significant branches of the state economic development. World experience shows us that chemicalization degree is being state economic development criteria and defines the degree of scientific-technical progress. Production volume dynamic of the chemical industry shows the stable growth between 2006-2009, so the volume of the production compiled 921,3 million USD in 2009, which was 1,5 times bigger in comparison with 2006. Herewith the production volume of the chemical industry declined in 2010 in comparison with 2009 to 23,7% and compiled 575 mln USD (table 6).

Share of the chemical products in the total volume of the industry in 2010 compiled 1%. Export and import dynamic of chemical industry products are characterized by stable growth between 2006-2009 years, herewith decline is observed in 2010. So export compiled 2405,2 million USD in 2009, which was 2,7% bigger than in 2005 (899,1 mln USD) and 7,8% bigger in comparison with 2010 (2218,4 mln USD). Import compiled 2307,5 mln USD in 2009, which was 1,9 times bigger than in 2006 (1337 mln USD) and 10,1% bigger in comparison with 2010 (2307,5 mln USD).

TABLE 6
ANALYSIS OF THE MAIN INDICATORS OF THE CHEMICAL INDUSTRY IN THE RK BETWEEN 2006-2010 YEARS

Million USD

Indicator	**2006**	**2007**	**2008**	**2009**	**2010**
Production volume, mln. USD	405,7	428,8	572,6	921,3	575,0
Export, USD	899,1	1 553,2	1 839,4	2 405,2	2 218,4
Import, USD	1 337,0	1 638,6	2 129,8	2 565,2	2 307,5
Capacity of market, USD	843,68	514,20	863,00	1 081,35	664,09
Share of Kazakhstan product in the internal market, %	23,3	20,7	21,2	26,4	19,9
Competitive coeffisient	-0,8	-2,2	-1,5	-1,4	-2,5
Source: [3]					

Competitive coefficient of chemical industry products in the world market are negative, thus product is characterized as uncompetitive.

Light industry of any country — is one of the attractive sectors of economy in the conditions of innovative development. The importance of this sector is defined by the level of consumption, where light industry takes 2nd place after food industry. Considering the significant role of the light industry in the providing of economic and strategic security, employment and increasing of its life level in the new geopolitical conditions, leading countries take a special attention to the development of the branch and contribute significant investment support.

Light industry development of the republic will enforce development of the foreign trade of the Republic of Kazakhstan, entering activation of Kazakhstan's economy into the world economy system.

Production volume of the branch decreased 1,8 times in comparison with the same indicator in 2006, compiling 172,9 mln USD. However, export share increased by 12% in 2010 in comparison with 2006. first of all it is connected with re-export of the goods in the branch and other factors, such as sold goods from the storages and sold in following years. Import displays growth, which increased in 2009 by 41,6% in comparison with 2006, compiling 363,3 mln USD. (table 7)

TABLE 7
ANALYSIS OF THE MAIN INDICATORS OF THE LIGHT INDUSTRY OF THE RK 2006 - 2010 YEARS

Million USD

Indicator	2006	2007	2008	2009	2010
Production volume, mln. USD	312,7	330,7	310,7	227,8	172,9
Export, USD	298,0	294,4	438,7	524,8	333,9
Import, USD	256,7	288,3	373,7	442,7	363,6
Capacity of market, USD	271,4	324,6	245,8	145,7	202,6
Share of kazakhstany product in the internal market, %	54,9	53,4	45,4	34,0	32,2
Competitive coeffisient	0,1	0,1	-0,4	-2,0	-0,8
Source: [3]					

Share of Kazakhstan production in light industry in the internal market demonstrates negative dynamic. So if share of Kazakhstan products was 54,9% in 2006, so this indicator declined to 32,2% in 2010. Competitive coefficient of the light industry shows us positive indicator in 2006-2007, however negative dynamic is observed in 2007-2010, which are connected with abovementioned re-export of the goods.

Agro-industrial complex. Agro-industrial sector is one of the key sectors of state economy and level of food security is completely depended on the level of its development and public-political stability. Agro products and recycled products development market dynamic in the whole volume of gross output of agricultural sphere in average 2006-2010 are showed in table 8.

TABLE 8
ANALYSIS OF THE AGRO-INDUSTRIAL COMPLEX OF THE RK IN 2006 - 2010 YEARS

Million USD

Indicator	2006	2007	2008	2009	2010
Production volume, mln. USD	5 073,1	6 767,5	9 153,6	11 506,1	11 261,2
Export, USD	679,0	1 063,8	2 043,9	2 981,2	1 642,4
Import, USD	1 273,9	1 662,0	2 275,1	2 991,3	2 462,7
Capacity of market, USD	5 668,1	7 365,7	9 384,8	11 516,2	12 081,4
Share of Kazakhstan product in the internal market, %	77,5	77,4	75,8	74,0	79,6
Competitive coeffisient	0,47	0,55	0,70	0,74	0,60
Source: [3]					

In this sector there was a production on 11. billion USD sum in 2010 in comparison with other branches agro-industrial complex (after mining industries) has a significant presence in the internal market. The share of the native products of agro-industrial complex in 2009 compiled 79.6%. The growth is observed in Chart 8 in 2006-2009 years, also export of agro-industrial products. However, world financial crisis impacted on the branch, and export in 2010 compiled 1642.4 mln USD (decline for 45% in comparison with 2010).

Owing to high share of the produced Kazakhstan products in the internal market and growth of the branch has high level of competition, which in spite of the definite decline in 2010 is positive and compiled 0,6.

Thus conducted analysis shows that the basis for the creation and supporting of the national industry is needed to take following measures:

- Indicative planning, monitoring of plan completion, entering corrections considering modifications of the internal and external conditions
- Using of the system of taxation, which enforce the development of the high technologic productions, also simplification of the tax system in general
- Production of the branch leaders
- Providing with preferential loans for the production of high quality and reaching definite level of productivity.
- Promotion for the foreign investors, investing fund into the scientific-technique complex
- Increasing of state investment in R and D, harmonization of state standards with international requirements;
- High level of branch cooperation and state-private partnership
- Custom-tariff adjusting of import of goods
- Defining of the obligatory to the local content in investment projects.

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