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Trade cooperation between Kazakhstan and Germany

The article discusses trade cooperation between Kazakhstan and Germany. It includes trade cooperation, economic policy cooperation, economic relationship between Kazakhstan and Germany, the industrial production of Kazakhstan, foreign trade between Kazakhstan and Germany and so on. Doubtless, Germany and Kazakhstan have maintained diplomatic relations, bilateral contracts have developed dynamically. Both countries are members of the Organization for Security and Cooperation in Europe (OSCE), Kazakhstan is a member of the NATO Partnership for Peace. Kazakhstan is also beyond the economic relations a friend and important partner for Germany. Furthermore, the economic relations between Kazakhstan and Germany will continue to develop in the same way, a promising future awaits the cooperation. The concept of trade cooperation is explained. Kazakhstan and Germany are described as trading partners. The article describes the development of relations between Kazakhstan and Germany, lists international agreements signed between the two countries. Particular attention is paid to the activities of the Kazakh-German Intergovernmental Working Group on trade and business operation of German-Kazakhstan Economic Council on Strategic Cooperation. The article is about the activity of the Association of German Business in the Republic of Kazakhstan. Specified role in the development of relations and establishment of business contacts between the two countries Training Program Manager, which since 2004 in Germany were trained 573 managers from Kazakhstan. The article analyzes the dynamics of trade indicators of Kazakhstan and Germany, certain groups of goods in exports and imports, the share of trade with other countries.

Keywords: trade, Kazakhstan, Germany, cooperation, trade cooperation, relations, economic policy cooperation, diplomatic relation, contracts, development, products, import, export, partners.

TRADE takes on the task of balancing spatial, temporal, qualitative and quantitative tensions between production and consumption. It is the act or process of buying, selling, or exchanging commodities, at either wholesale or retail, within a country or between countries. It is possible to differentiate between retail, wholesale and specialist retail companies. The form of retail trade includes the department store, specialty store, chain store, mail order, supermarket and hypermarket. The wholesale business supplies retailers in a variety of forms, depending on the range planning [1].

COOPERATION – a collaboration of different intensity, duration and direction between legally independent companies. Cooperation partners can include both competitors, i.e. companies of the same economic level as well as companies of another economic level [2].

So what is TRADE COOPERATION at all? Trade cooperation is any voluntary, contractual cooperation between legally and economically independent enterprises for the purpose of improving their performance. Cooperation as harmonization of interests in subareas of company activity is confronted with the concentration, with which one calls the union of enterprises with abandonment of the legal independence of a partner [3]. The cooperation always means coordinated market behavior and thus contains antitrust elements. The cooperation provides the cooperation partners with an opportunity to jointly achieve their target quality level better than with isolated activity. The coordination or merging of operational activities takes place while maintaining the legal independence of the cooperation partners.

Kazakhstan - Germany

Since the 11th February 1992 Germany and Kazakhstan have maintained diplomatic relations. Since then, bilateral contracts have developed dynamically. For example, the Joint Declaration of 22 September 1992 on the fundamentals of relations between the Federal Republic of Germany and the Republic of Kazakhstan, the Partnership and Cooperation Agreement between the European Communities and their Member States and the Republic Kazakhstan of 1999, the EU Central Asia Strategy of 2007, the bilateral development cooperation until 2008, the Joint Declaration on a Partnership for the Future between the Federal Republic of Germany and the Republic of Kazakhstan of 2008 and the Year of Germany in Kazakhstan 2010. Both countries are members of the Organization for Security and Cooperation in Europe (OSCE), Kazakhstan is a member of the NATO Partnership for Peace. In 2010, German Chancellor Angela Merkel took part in the OSCE Summit in Kazakhstan's capital Astana and also met Kazakh President Nursultan Nazarbayev.

Furthermore Germany maintains an embassy in Astana and a Consulate General in Almaty. A honorary consul operates in Atyrau. Kazakhstan has an embassy in Berlin with a field office in Bonn and a Consulate General in Frankfurt am Main. Honorary consuls reside in Bremen, Dresden, Hamburg, Hanover, Wolfratshausen near Munich and Stuttgart. Additionally there is a German-Kazakh university in Almaty.

But what about the economic relations?

Economic Policy Cooperation

There are the following organizations and institutions that make up the German-Kazakh cooperation.

First the Kazakh-German Intergovernmental Working Group on Business and Trade (IWG). The Intergovernmental Working Group on Business and Trade is an official institution between Kazakhstan and Germany, which is responsible for the establishment of broad cooperation between the two countries in the economic, industrial, trade, technologies, innovations, energy, renewable energy, health economics, vocational training area and others. Under the leadership of the German Federal Ministry for Economic Affairs and Energy and the Kazakh Ministry of Investment and Development, the IWG meets once a year and discusses the framework conditions for the economic engagement of German companies in Kazakhstan and Kazakh companies in Germany. This year the IWG meeting took place on July 13, 2017 in Astana.

Furthermore, since the 1st of October 2010 there exists the German-Kazakh Economic Council for Strategic Cooperation. It is supported by banks and companies. The business council wants to pick up on business opportunities and bring concrete projects on the way. Meetings are held twice a year, alternately in Kazakhstan and Germany [2].

Moreover, there is the Association of German Business in the Republic of Kazakhstan (VDW). This is a voluntary association of German Companies and organizations that have active business relations with Kazakhstan and mostly all the time are present in Kazakhstan. It sees itself as representing the interests of its members towards politics and business in Kazakhstan and Germany.

At least there is also the Manager Training Program of the BMWi. As part of the Manager Training Program of the Federal Ministry for Economic Affairs and Energy (BMWi), over 573 Kazakh managers have been invited to internships in Germany since 2004 in order to establish direct contacts between German and Kazakh companies to promote.

Economic relations between Kazakhstan and Germany. The industrial production in Kazakhstan (Fig. 1).

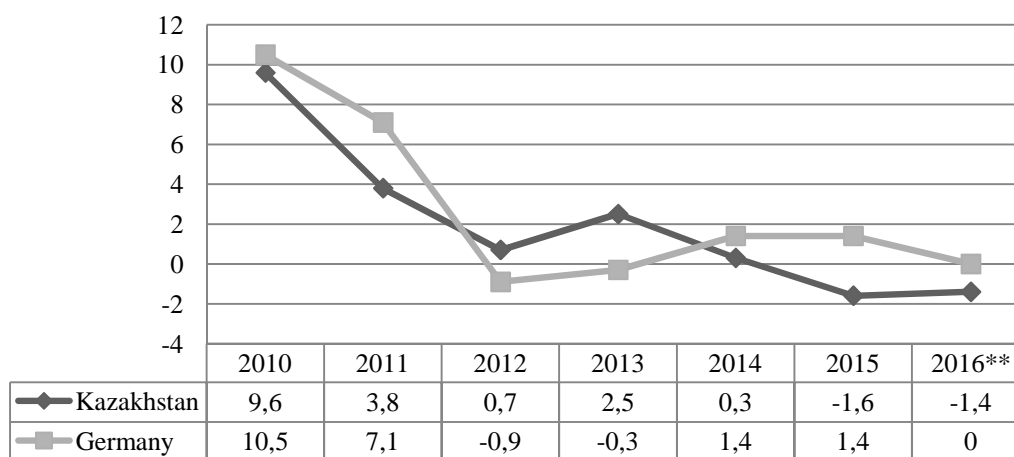


Figure 1. Industrial production (real change in relation to the previous year in %) (source: Committee on Statistics of the Republic of Kazakhstan, Federal Statistical Office of Germany)

Despite industrialization efforts, industrial production in Kazakhstan has increased only slowly in recent years and in 2015 even dropped by 1.6 percent. For the first seven months of 2016, the statistical office reports a further decline of 1.4 percent.

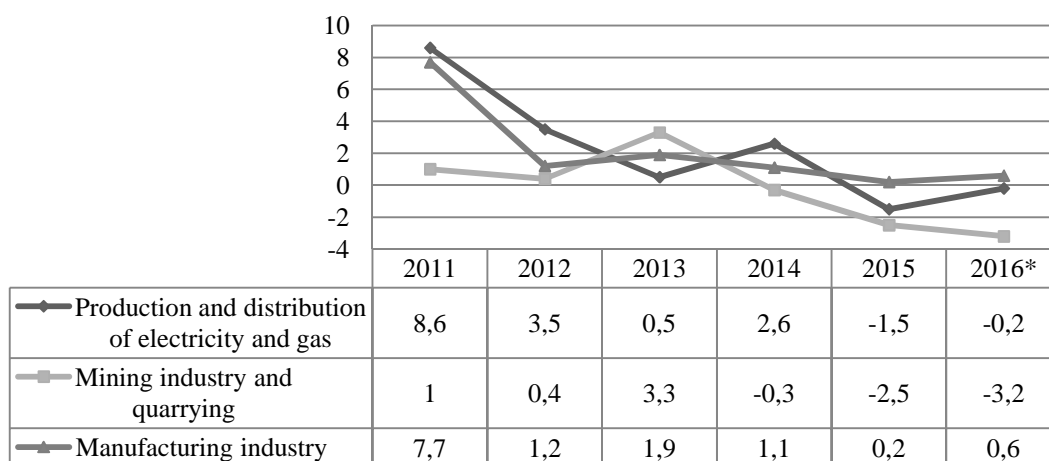


Figure 2. Industrial production of the main sectors (real change in relation to the previous year in %) (source: Committee on Statistics of the Republic of Kazakhstan)

In Figure 2 is shown the industrial production of the main sectors, the real change in relation to the previous year, stated in %. The sectors chosen for the statistic are the following: Production and distribution of electricity and gas, Mining and quarrying and the last one the Manufacturing industry.

The reason for the decline in industrial production in 2015 and in the first seven months of 2016 is lower production in the extractive and electricity sectors. The manufacturing industry is stagnating [4].

Due to the fact that there is a decline in the manufacturing industry in Kazakhstan, the country depends on imports of processed goods like e.g. food, beverages, petroleum products, building materials, metal goods, chemical goods, etc., in this case also on imports from Germany.

Foreign trade Kazakhstan – Germany

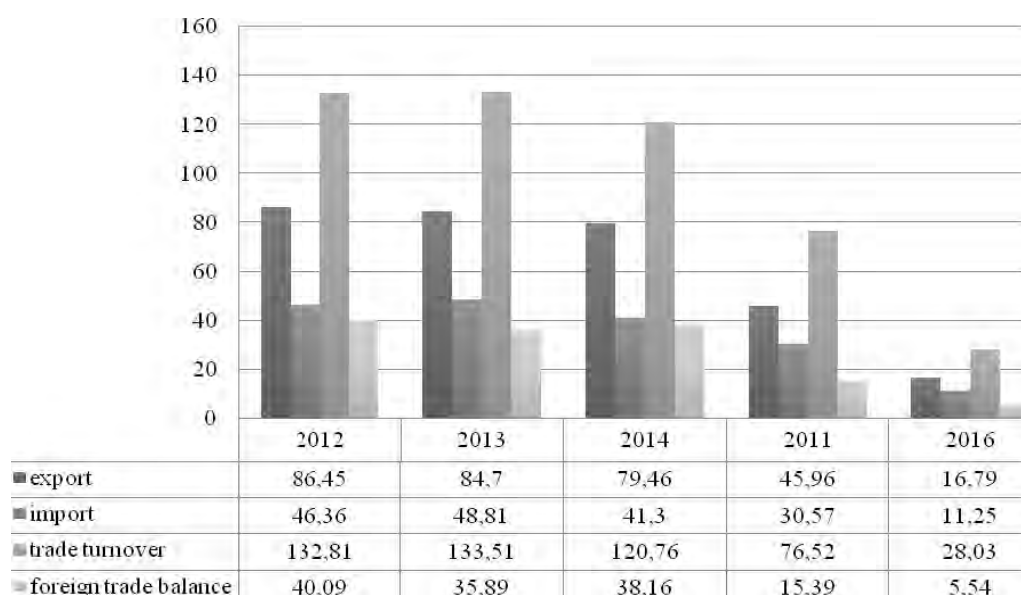


Figure 3. Kazakhstan's overseas trade (in billions of dollars) (source: Committee on Statistics of the Republic of Kazakhstan)

Figure 3 above shows us the overseas trade of Kazakhstan from 2012 to 2016, stated in billions of dollars. Due to the fact that the sum of the exports is larger than the sum of the imports, we can conclude a positive trade balance of the RK.

The fall in prices for raw materials leads to a fall in Kazakhstan's exports. After a decline in exports by 42 % in 2015, in the first half of 2016 it fell by another 32 %. Import figures also fall (2015: - 26.0 %, first half of 2016 - 28.4 %).

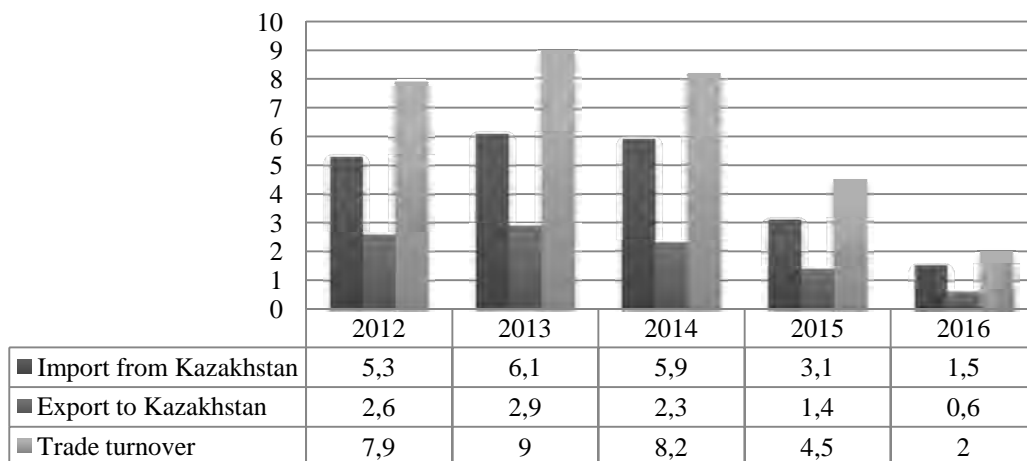


Figure 4. Bilateral trade Germany - Kazakhstan (in billions of dollars, according to the German Statistics Agency) (source: Committee on Statistics of the Republic of Kazakhstan)

The Figure 4 shows the bilateral trade between Germany and Kazakhstan from 2012 to 2016 from the German perspective (German Statistics Agency), stated in billions of dollars. Here the total of imports from Kazakhstan and the total of exports to Kazakhstan show a negative development. Imports to Germany dropped from 5,3 bn. \$ in 2012 to 1,5 bn. \$ in 2016, what means a fall of 71.7 % and exports to Kazakhstan declined from 2,6 bn. \$ in 2012 to 0,6 bn. \$ in 2016, a drop of 76.92 %.

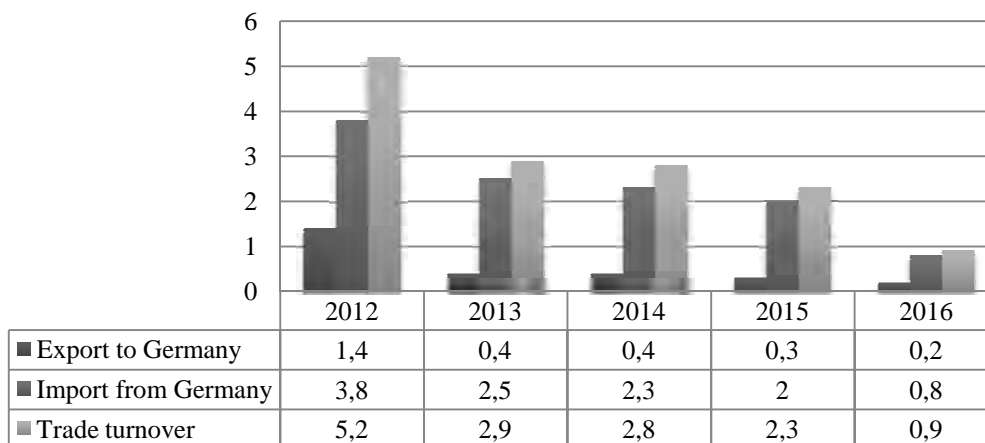


Figure 5. Bilateral trade of Kazakhstan and Germany (in billions of dollars, according to Committee on statistics of the Ministry of national economy of the Republic of Kazakhstan)

In the statistic shown above we can see the bilateral trade between Kazakhstan and Germany from 2012 until 2016, stated in billions of dollars, according to the Kazakh Statistics Agency. Here we can also observe a negative trade development in the given period of time. Exports from Kazakhstan to Germany decreased from 1,4 bn. \$ in 2012 to 0,2 bn. \$ in 2016, a fall of 85.71 %. Imports from Germany to Kazakhstan decreased as well from 3,8 bn. \$ in 2012 to 0,8 bn. \$ in 2016, a drop of 78.95 %. In general, the total of imports to Kazakhstan from Germany is larger than the total of exports from Kazakhstan to Germany.

However, there are strong differences between the numbers reported by the Kazakh statistical office and the information provided by the German Federal Statistical Office. This refers mainly to Kazakh exports to Germany. Behind the discrepancy are the differently registered oil exports in Kazakhstan, which are registered mostly as exports to other buyer countries, but are also intended for end users in Germany [5].

If we now compare Figure 3 and Figure 5, we get the following facts: In 2016, total exports from Kazakhstan amounted to 16,79 bn. \$. Of this amount 0,2 bn. \$ of the Kazakh exports were directed to Germany. Total Kazakh imports amounted to 11,25 bn. \$ in 2016 and of this amount 0,8 bn. \$ of imports directed Kazakhstan. To get a better overview, we are going to look more detailed on the trading partners of both countries and their importance.

Trading partners from the perspective of Kazakhstan

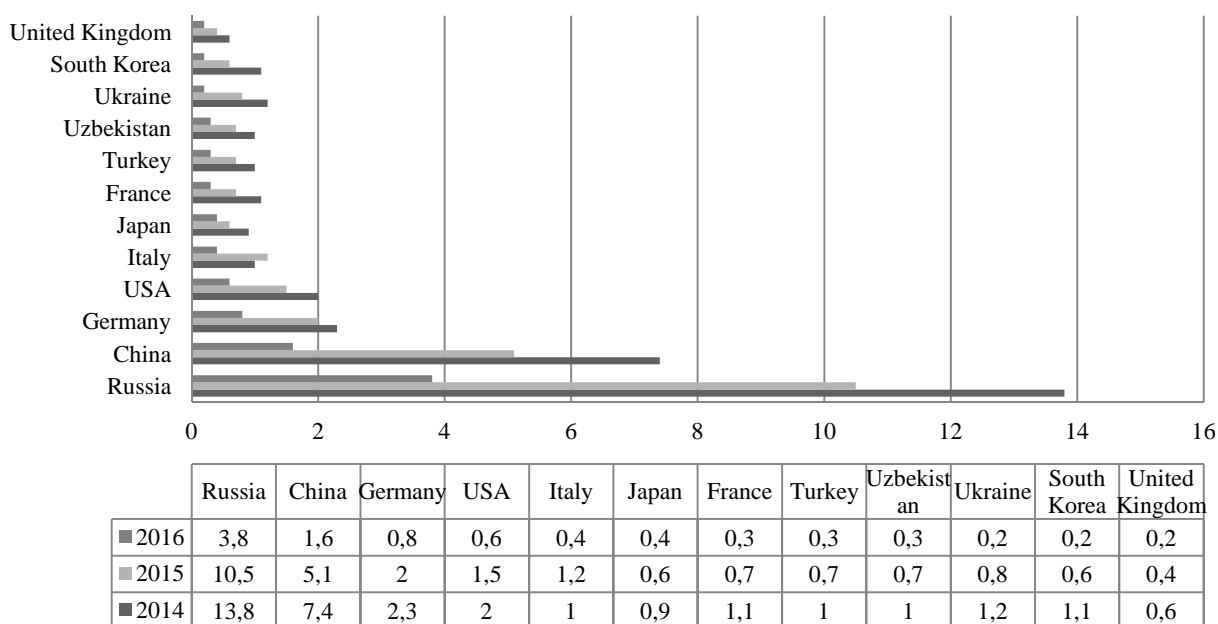


Figure 6. Main supplier partners of Kazakhstan (source: Committee on Statistics of the Republic of Kazakhstan)

Figure 6 depicts the main supplier partners of Kazakhstan. Russia is the most important supplier of Kazakhstan, followed by China. Germany takes the 3rd place. According to the Committee on Statistics of the Republic of Kazakhstan, in the first half of 2016, imports from Germany decreased by 8.8 % and amounted to 773 million US dollars. The Federal Statistical Office of Germany, in turn, reports a decrease of 28.8 %. Due to the ranking we can see that Germany is one of the most important suppliers of Kazakhstan.

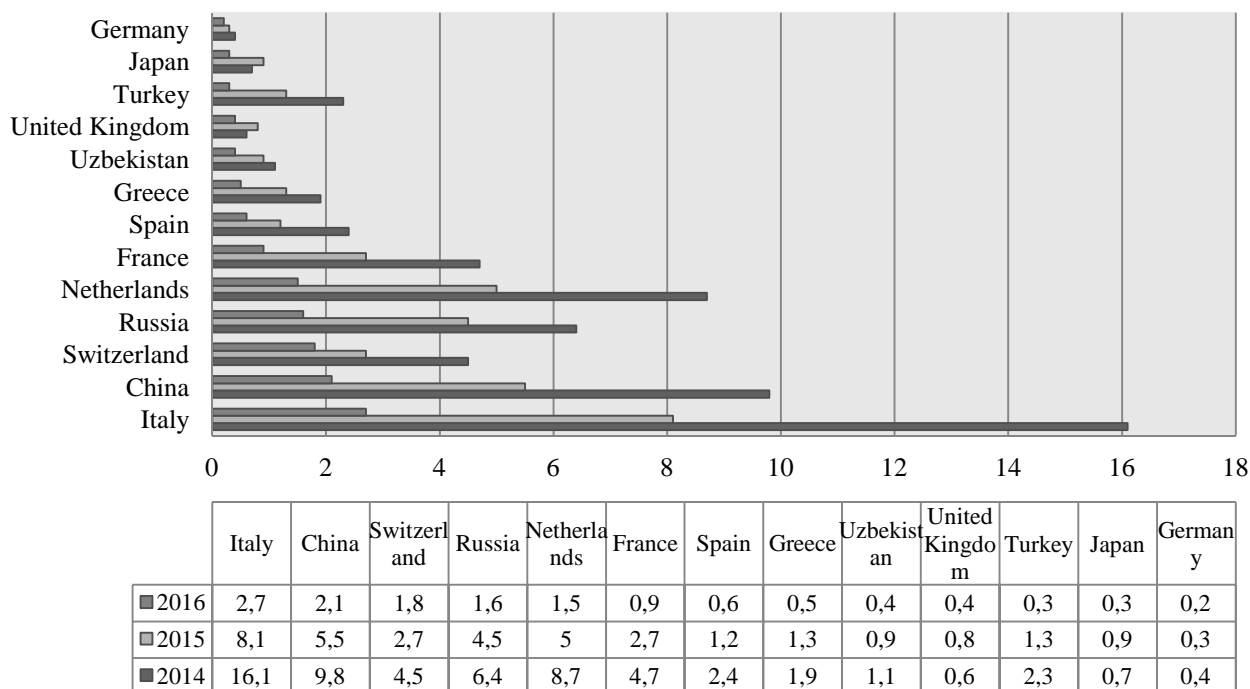


Figure 7. Main importing partners of Kazakhstan (source: Committee on Statistics of the Republic of Kazakhstan)

Figure 7 depicts the main importing partners of Kazakhstan. At this, Italy is the most important importing partner of Kazakhstan, followed by China. In the first half of 2016, Germany took 22nd place (export to

Germany: 165 million US dollars). However, according to the Federal Statistical Office of Germany, it should take a higher position (imports from Kazakhstan: \$ 1.5 billion). By reference to the statistic above we can conclude that Germany is a less important importing partner of Kazakhstan. But how does it look like from the German perspective?

Table 1

Ranking of trading partners in foreign trade of the Federal Republic of Germany, 2016

Rung	Export	
	Country	In 1000 Euro
053	Chile	2442571
054	Indonesia	2422753
055	Serbia	2092244
056	Philippines	2049753
057	Morocco	1974115
058	Latvia	1689042
059	Estonia	1657364
060	Colombia	1426113
061	Kuwait	1400419
062	Tunisia	1381838
063	Pakistan	1160507
064	Belarus	1139011
065	New Zealand	1096420
066	Kazakhstan	1082998
067	Former Yugoslav. Republic of Macedonia	934690
068	Peru	862019

According to the Federal Statistical Office of Germany, Kazakhstan took 66th place in the ranking of the importing partners of Germany with an amount of 1,082 bn. \$ in 2016 followed by the Republic of Macedonia and Peru (Table 1).

Table 2

Ranking of trading partners in foreign trade of the Federal Republic of Germany, 2016

031	Portugal	5701759
032	Slovenia	5500550
033	Thailand	5375649
034	Singapore	5366934
035	Mexico	5156140
036	Bangladesh	4923659
037	Canada	4099614
038	Indonesia	3850090
039	Bulgaria	3212029
040	Luxembourg	3108337
041	Kazakhstan	2899546
042	Philippines	2849228
043	Australia	2164213

In the ranking of the supplier partners, Kazakhstan took 41st place with an amount of 2,899 bn. \$ in 2016 followed by the Philippines and Australia [5] (Table 2).

Kazakhstan continues to be by far the most important trading partner in Central Asia for Germany, even though the weak economy in particular has recently restricted the supply from German companies to Kazakhstan. However, the situation has stabilized towards the end of 2016, and a clear increase has again been recorded in the first two months of 2017: if bilateral trade volumes declined again slightly in 2016 by 2.1 %

to 3.98 billion Euros, exports rose after a decline of almost 13 % in the first two months of 2017 by 31 % and imports even by 58 % after only slight growth of 2.7 % in 2016 [6].

German supplies mainly include equipment and technology (including mining, energy, motor vehicles, agricultural machinery, medical technology). Kazakh deliveries, which consist mainly of oil (Kazakhstan is the fourth largest oil supplier in Germany) and raw materials, recorded only a slight decline, but have been lower in recent years due to the fall in the price of oil. Much of the foreign direct investment in Kazakhstan continues to go into geological exploration of raw materials and oil and gas production. As a result, Germany is currently ranked 11th in direct investment, with an inflow of \$ 250 million in 2016, and currently ranked 19th with a portfolio of \$ 418 million. The last major investments of German companies in Kazakhstan were mainly in the building materials sector (Companies HeidelbergCement and Knauf) and in wholesale (Metro AG) [7].

In the summer of 2010, the first visit by German Chancellor Angela Merkel took place in Kazakhstan. Kazakhstan's authoritarian President Nursultan Nazarbayev called it 'historical'. At the meeting, Germany and Kazakhstan agreed to do business with an investment volume of 2.2 billion Euros. Germany is a key partner for Kazakhstan in Europe. Merkel described the investment agreements as a good starting point and praised Kazakhstan as Germany's most important economic partner in Central Asia. «Importing (...) oil from Kazakhstan has become increasingly important to us, and Kazakhstan is now the fourth most important supplier of crude oil for Germany» [8]. The German economy is certainly interested in the areas of energy efficiency, telecommunications, construction, mechanical engineering and agriculture, Merkel said. But: «The most important requirement for a greater engagement in Kazakhstan are reliable framework conditions and a solid basis of mutual trust. «The Chancellor emphasized: «We want to look to the future (...)». Kazakhstan is also beyond the economic relations a friend and important partner for Germany [9]. So in conclusion, it may be said that if the economic relations between Kazakhstan and Germany will continue to develop in the same way, a promising future awaits the cooperation.

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Қазақстан мен Германия арасындағы сауда ынтымақтастығы

Мақалада Қазақстан мен Германия арасындағы сауда қатынастары қарастырылды. Авторлар сауда ынтымақтастығын, экономикалық саясатты, Қазақстан мен Германия арасындағы экономикалық қатынастарды, Қазақстанның өнеркәсіптік өндірісін, Қазақстан мен Германия арасындағы сыртқы сауданы және тағы басқаны қарастырды. Қазақстан мен Германия арасындағы дипломатиялық қарым-

қатынастар сақталып отырғаны сөзсіз. Екі ел Еуропадағы қауіпсіздік және ынтымақтастық ұйымының (ЕҚЫҰ) мүшелері, Қазақстан НАТО-ның Бейбітшілік үшін серіктестік мүшесі болып табылады. Сыртқы экономикалық қатынастардан басқа, Қазақстан Германия үшін маңызды және достық ел болып табылады. Сонымен бірге Қазақстан мен Германия арасындағы экономикалық қатынастар қарқынды дамып, болашақтағы ынтымақтастық күтілуде. Сауда ынтымақтастығының тұжырымдамасы түсіндіріледі. Қазақстан мен Германия сауда әріптестері ретінде сипатталады. Мақалада Қазақстан мен Германия арасындағы қатынастардың дамуы, екі ел арасында қол қойылған халықаралық келісімдердің тізбесі көрсетілген. Сауда-саттық жөніндегі Қазақстан-Германия мемлекетаралық жұмыс тобының қызметі, Стратегиялық ынтымақтастық жөніндегі Германия-Қазақстан экономикалық Кеңесінің жұмысына ерекше көңіл бөлінеді. Мақалада Қазақстан Республикасында Неміс бизнесі қауымдастығының жұмыс тобы қызметі туралы жазылған. 2004 жылдан бастап «Менеджерлерді оқыту» бағдарламасы бойынша Германияға 573 менеджерді дайындауға жіберілгені екі ел арасындағы қарым-қатынастарды дамыту мен іскерлік байланыстарды орнатуды дәлелдей түсті. Мақалада Қазақстан мен Германияның сауда көрсеткіштерінің динамикасы, экспорты мен импорты бойынша тауарлардың жекелеген топтары, басқа елдермен сауда үлесі қарастырылды.

Кілт сөздер: сауда, Қазақстан, Германия, ынтымақтастық, сауда ынтымақтастығы, қатынастар, экономикалық саясат саласындағы ынтымақтастық, дипломатиялық қатынастар, келісімшарттар, даму, өнімдер, импорт, экспорт, серіктестер.

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Торговое сотрудничество между Казахстаном и Германией

В статье рассмотрены торговое сотрудничество, сотрудничество в экономической политике, экономические отношения между Казахстаном и Германией, промышленное производство Казахстана, внешняя торговля между Казахстаном и Германией и т.д. Несомненно, между Казахстаном и Германией поддерживаются дипломатические отношения, отмечается динамичное развитие контрактных отношений. Обе страны являются членами Организации по безопасности и сотрудничеству в Европе (ОБСЕ), Казахстан — участником программы НАТО «Партнерство ради Мира». Кроме того, подчеркнуто авторами, вне экономических отношений Казахстан — дружественная страна и важный партнер для Германии. При этом экономические отношения между Казахстаном и Германией будут динамично расти, ожидается развитие перспективного сотрудничества. Авторами разъясняется понятие торговой кооперации. Казахстан и Германия охарактеризованы как торговые партнеры. Показано развитие отношений между Казахстаном и Германией, перечислены международные соглашения, подписанные между странами. Особое внимание уделено деятельности Казахстанско-германской межправительственной рабочей группы по торгово-экономическому сотрудничеству, функционированию Казахстанско-Германского Делового совета по стратегическому сотрудничеству. В статье представлена деятельность Ассоциации Германского Бизнеса в Республике Казахстан. Отмечено также, что развитию отношений и налаживанию бизнес-контактов между двумя странами способствуют программы обучения казахстанских менеджеров, в частности, инструмент «Деловые связи» в рамках реализации Программы «Дорожная карта бизнеса-2020». В статье анализируется динамика показателей торговли Казахстана и Германии, отдельных групп товаров в экспорте и импорте, удельного веса торговли с другими странами.

Ключевые слова: торговля, Казахстан, Германия, сотрудничество, торговое сотрудничество, отношения, сотрудничество в экономической политике, дипломатические отношения, контракты, развитие, продукция, импорт, экспорт, партнеры.