

TRENDS IN FOREIGN TRADE DEVELOPMENT OF SLOVAK AND KAZAKH REPUBLICS

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Abstract

The Republic of Kazakhstan is the most economically developed country in Central Asia which has a large content of strategically important natural resources, and it is an important hub of their transport. The country is located on the New Silk Road, and it connects the interests of many Asian and European trading partners. For Slovak exporters, Kazakhstan can provide great prospects for the realization of its goods and services, and the creation of joint investment projects can bring significant economic benefits to both countries. The aim of the article is to research the tendency of development and actual situation of mutual trade between Slovakia and Kazakhstan, and the position of given economic partners in their foreign trade. The research conducted on the basis of the latest available statistical data has identified possible prospective ways to intensify trade relations between countries for their mutual prosperity and economic development.

Key words:

Republic of Kazakhstan, Slovak Republic, foreign trade, foreign direct investments (FDI).

JEL Classification: F19, F21

Introduction

The Slovak economy has a relatively small economic potential, but at the same time it is a developed, market and strongly integrated Eurocentric economy, which is largely based on exports (OECD, 2019). The share of Slovak economy in world GDP in 2019 represents 0.14% or the value of 112 milliard USD (International Monetary Fund, 2019). Slovak economy is the fourth most open economy in European Union and in 2018 Slovak exports and imports accounted for 190% of the country's GDP (Statistical Office of Slovak Republic, 2020).

It is an axiom that the vast majority of national economies benefit from participating in international trade. At the same time, this interdependence is associated with a high risk of the negative effects of a globalized economy. The main task of each state's economic policy is to secure a compromise and find a balance between the benefits of liberalism and protectionism. The diversification of the territorial structure of foreign trade and the expansion of sales markets is a promising strategy for the further economic development of each state.

The countries of Central Asia represent a promising area of cooperation for many countries that are trying to promote their economic and geopolitical interests in this region. European Union is one of them. As part of the renewed partnership strategy presented by the European Commission on 15 May 2019, cooperation between the two regions will focus on following aspects such as better energy, transport and digital interconnections, intensified cooperation on water and environmental protection, increased trade in goods and services, and combat drug trafficking from Afghanistan and Islamic radicalism (European Union. External Action, 2019).

The Republic of Kazakhstan, with its economic potential, is the economic engine of Central Asia and accounts for 60% of the region's GDP (World Bank Group, 2020). In 2019, according to data released by the International Monetary Fund, its gross domestic product reached 182 milliard USD, creating the 0.38% of the world's GDP volume (International Monetary Fund, 2019).

Kazakhstan determines the direction of development of the region not only in economic sphere, but also initiates the solution of many strategic political, security, integration and many

other challenges within the regional and international context.

Objective and Methodology

The aim of this article is to evaluate the most important development factors of foreign trade and investment relations between Slovakia and the Republic of Kazakhstan. Based on the information obtained, we examine the position of the partners on a range of trade preferences and will determine the possibilities of more advantageous mutual cooperation for companies of both countries.

Slovakia has a long-standing friendly diplomatic relationship with this particular Central Asian partner, which was established on January 1, 1993. In 2005, the Embassy of Slovak Republic was opened in the capital of Kazakhstan - Nur Saultane. With the opening of the Embassy of the Republic of Kazakhstan in Bratislava in 2019, not only diplomatic but also economic relations between the two countries were further strengthened (Posol'stvo Respubliki Kazakhstan v Slovatskoy Respublike. 2020). Within this political context, the analysis of mutual trade between Slovakia and Kazakhstan is gaining even more academic weight and relevance.

To fulfill the set goal, we used classical theoretical research methods - synthesis, induction, deduction and analysis. Our research also combines qualitative (analysis of available documents, expert opinions and case studies) and quantitative methods (statistical data, its processing and analysis). Based on statistical data published by the Statistical Office of Slovak Republic, the Ministry of Foreign Affairs of Slovak Republic, the Statistics Committee of the Ministry of National Economy of Kazakhstan and the National Bank of the Republic of Kazakhstan, we evaluated the development trends of trade in goods and foreign direct investment. For a deeper study of bilateral trade relations between those countries and the degree of fulfillment of mutual export capacities, we used the Trade Intensity Index set by the World Bank.

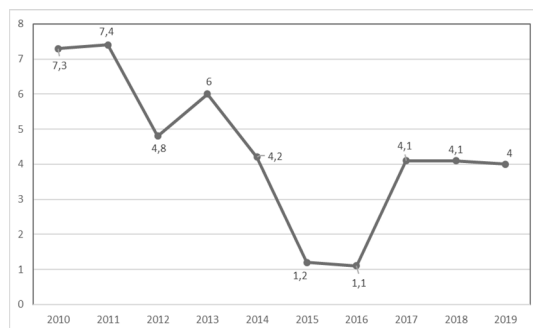
At the end of the article, based on deduction and induction, we defined the main promising areas of cooperation for Slovak and Kazakh business partners and investors for the expansion of their sales markets and subsequent economic

prosperity. An important aspect for our research was the preservation of systematics, constructivism and objectivism during the data processing from Kazakh, Slovak and international official sources.

1. Development of trade relations between Slovakia and Kazakhstan in the years of 2010 - 2019

Kazakhstan is the country with the largest economic potential in the region of Central Asia and the 54th economy in the world in terms of GDP. Kazakhstan's share of global GDP is 0.21%¹ (World Bank, 2019). In 2019, the absolute value of the country's GDP reached 196 milliard USD and GDP per capita reached about 10,000 USD. The economic growth of the Republic of Kazakhstan shows a declining trend in the observed period, but nevertheless it shows sufficiently high indicators on a global scale (MZVaEZ SR, 2019).

Figure 1. Economic growth of Kazakhstan in% during 2010 - 2019



Source: World Bank, 2019

¹ Slovakia's share in global GDP is 0.12

The slowdown in economic growth in the Republic of Kazakhstan and its fall in 2015-2016 was caused by a sharp decline in world oil prices, a decline in domestic and foreign demand, caused by a slowdown in economic growth in China and Russia, which largely affected Kazakhstan's exports. Since 2017, we can observe stable economic growth at 4%, based on domestic demand, public and private investment and foreign trade (World Bank, 2019).

According to data published by the Statistical Office of Kazakhstan, the main components of Kazakhstan's GDP in 2018 are: services - 54.4%,

38.3% - production of goods and 7.3% - net taxes on products (Economic Research Institute, 2020). The largest share in the field of services is represented by wholesale and retail - 15.9%, transport and storage - 8.3% and real estate activities - 7.6%. The sector of industries producing goods is mainly represented by the mining industry, which accounts for about 15.3% of GDP and industrial production - 11.7%. Agriculture and construction contribute 4.2% and 5.4% to the country's GDP (Ministry of National Economy of the Republic of Kazakhstan - Komitet Po Statistike, 2020).

Table 1. Structure of Kazakhstan's GDP in 2018 in %

Total GDP	100
Industries producing goods	38,3
Agriculture, forestry, fishing	4,2
Industry	28,7
• Mining industry	15,3
• Manufacturing	11,7
• Electricity, gas, steam	1,7
Construction	5,4
Sectors producing services	54,4
Wholesale and retail	15,9
Transport and storage	8,3
Information and communication services	1,8
Financial and insurance activities	3,4
Real estate activities	7,6
Professional, scientific and technical activities	4,3
Administrative and support service activities	2,3
Public administration, defense	1,6
Education	2,7
Healthcare and social work	1,9
Other services	4,6
Gross value added	92,7
Net taxes on products	7,3

Source: Ministry of National Economy of Kazakhstan, 2020 and Ministry of Foreign Affairs and European affairs of Slovak Republic, 2019a

The Republic of Kazakhstan is one of the largest producers of energy raw materials in the world, which gives the state a significant impact on international economic and political scene. Kazakhstan is one of the ten countries with the largest geologically explored reserves of oil, hard coal and uranium. Despite the fact that the state

strives to diversify the structure of its economy, energy resources and their transit are a major development factor. The basis of the country's energy complex consists of hard coal, oil and natural gas, which the state successfully produces to meet domestic demand and for export (Kazenergy, 2019).

Table 2. Energy complex of Kazakhstan in 2018

	Resources	Mining	Export	World production share
Oil	30 mld. barells 3,9 mld. tons	91,2 mil. tons per year 1,9 mil. barells a day	71,5 mil. ton	2 % ²
Gas	1,3 mld. m ³	54,8 mld. m ³	19 mld. m ³	1,4 % ³
Coal	25,6 mld. tons	50,6 mld. tons	29,2 mld. ton	1,3 % ⁴

Source: Ministry of Foreign Affairs and European affairs of Slovak Republic, 2019; British Petroleum Statistical Review of World Energy, 2019

The mining industry plays an important role in the economy of Kazakhstan. The country has a large volume and various types of minerals. From an economic point of view, a major advantage of the industry is the presence of mineral resources close to the earth's surface, which does not require high mining costs. Kazakhstan has the world's largest reserves of tungsten, the second largest reserves of uranium (39%) and chromium. There are reserves of many non-ferrous metals in Kazakhstan, such as: manganese, silver, lead, zinc, titanium, copper and gold. The Republic of Kazakhstan has the eight highest world reserves of iron ore - 8.7 billion ton. Up to 70% of extracted iron ore is exported. Extensive reserves and diversity of minerals are the basis for the development of chemical, petrochemical and engineering industries (Kakhakhstanskaya Fondovaya Birzha, 2019).

Kazakhstan's geographical location between Europe and Asia is another comparative advantage of the state. Kazakhstan actively supports the international project for the restoration of the Silk Road "One Belt, One Road", which was presented in Almata in 2013 by the President of the People's Republic of China - Xi Jinping. As part of this initiative Kazakhstan has invested about 30 milliard USD into the development of its transport infrastructure over the last ten years; 2.5 thousand kilometers of railways and 12.5 thousand kilometers of expressways have been built and modernized (Ofitsial'nyy Sayt Prezidenta Respubliki Kazakhstan, 2019).

In 2015, Kazakhstan, together with Armenia, Belarus, Kyrgyzstan and Russia, formed the Eurasian Economic Union (EEU), which was transformed from the Eurasian Economic Community in 2000 and the Common Union in 2010. The economic union is the highest degree of economic integration among the states. Along with with the Common Customs Tariff and the free movement of goods and production factors, it ensures the coordination of macroeconomic policies and the harmonization of legislation in key economic areas - the monetary and fiscal spheres (Evroaziyskaya Ekonomicheskaya Komissiya, 2018). According to Zubro (2014), the countries that form the basis of the Eurasian Economic Union have a common past, largely recognize similar political and cultural values, and have historically had comprehensive economic relations. Kazakhstan's membership in that international organization brings the benefits from the free movement of goods, services, capital, labor, and opens up free access to new markets with a total population of 184 million people.

Kazakhstan's foreign trade is primarily focused on EEU Member States and mainly on the Russian Federation, which is the main importer (37% of total imports in 2018) and the third territory of exports for Kazakh goods (8%) (Strategy 2050, 2019). In 2018, mutual trade between states exceeded the value of 18 milliard USD.

²The world's major oil producers - US (669 million tonnes), Saudi Arabia (578 million tonnes), Russia (563 million tonnes), Canada (256 million tonnes), Iraq (226 million tonnes)

³ The world's major natural gas producers - USA (832 miliard m³), Russia (670 miliard m³), Iran (240 miliard m³), Canada (185 miliard m³), Qatar (176 miliard m³)

⁴The world's main producers of hard coal - China (1,829 million tonnes), the USA (365 million tonnes), Indonesia (323 million tonnes), India (308 million tonnes), Australia (301 million tonnes)

Table 3. Mutual trade in goods between EEU countries, in mill. USD, 2014 - 2018

	2014	2015	2016	2017	2018
Armenia - Belarus	38,3	34,6	35,4	41,6	49,1
Armenia - Kazakhstan	7,3	4,9	5,5	10,5	17,3
Belarus - Kazakhstan	940,8	578,6	411,2	693,5	871,4
Belarus - Kyrgyzstan	95,3	61	52	130,5	127,3
Kazakhstan - Kyrgyzstan	1 206,5	756,1	702,7	785,3	882,1
Kazakhstan - Russia	20 196,2	15 413,7	13 005,6	17 104,4	18 085,4
Kyrgyzstan - Armenia	0,5	0,5	1	1,9	1,1
Kyrgyzstan - Russia	1 856,8	1 467,3	1 211	1 665,1	1 949,5
Russia - Armenia	1 397	1 295,8	1 337	1 804,3	2 007,9
Russia - Belarus	37 374	26 003,2	26 198,9	32 474,5	35 730
all	63 112,7	45 615,7	42 960,3	54 711,6	59 721,1

Source: Eurasian Economic Commission, 2019

The

year 2015 was also significant for the Republic of Kazakhstan because of its entry into the World Trade Organization - WTO. Kazakhstan has become its 162nd member state, which has taken the country's involvement in international trade to a new level. Since the application was submitted in 1996 and until the time of accession in 2015 (19 years), Kazakhstan has held 20 rounds of multilateral negotiations. Already at the preparatory stage, Kazakhstan has made the required changes in national legislation and foreign trade regulation.

Kazakhstan has made the following concessions regarding its accession to the WTO:

- 1) The state subsidies volume reduction in agriculture to 8.5% of the value of total production.
- 2) Import duties reduction on agricultural products from 14% to 7.6% (by 46%).
- 3) Liberalization of 10 sectors and 116 subsectors in services. In 2017, Kazakhstan lifted restrictions on the share of foreign capital in telecommunications sector and allowed foreign travel agencies to work in internal market.
- 4) Since December 2020, Kazakhstan has pledged to allow foreign banks to open subsidiaries in the country.

At this stage, it is not possible to evaluate the effective direct economic benefits of Kazakhstan after its accession to the WTO. Unlike its regional neighbors - Uzbekistan, Kyrgyzstan, Tajikistan

and Turkmenistan, Kazakhstan actively uses the platform to pursue its economic and political interests in international trade (Mardinova, 2019).

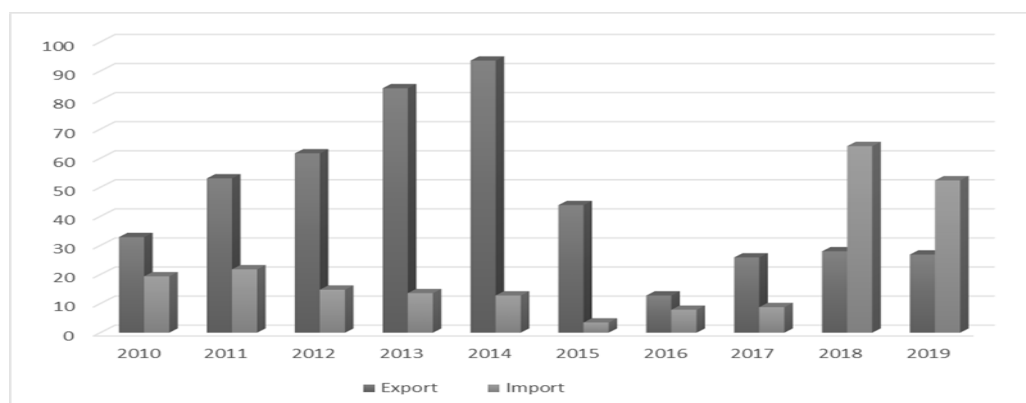
Kazakhstan's foreign trade with the Member States of European Union plays an important role in its economic and political development. According to Eurostat data, we can say that in 2018, the Member States of European Union were the main trading partners of Kazakhstan and their mutual trade exceeded the value of 31 milliard EUR (40% of the total volume). Imports from the Member States of European Union reached 20% (5.6 milliard EUR) of the total imports of the Republic of Kazakhstan, which is the second largest after Russian Federation. The largest import items of Kazakhstan from European Union according to HS2 are nuclear reactors, boilers, electrical machinery and apparatus, pharmaceutical products. Kazakhstan's main export partner in 2018 remained the European Union. The value of Kazakh goods exports is 26 milliard EUR, which is a half of the total export volume - 51%. Up to 90% of exports are presented by fuels and mineral oils (European Commission, 2019).

Table 4. Business partners of Kazakhstan, in mil. EUR, in 2018

	IMPORT		EXPORT		OVERALL TURNOVER		% of total turnover share
1	Russia	10 135	EU 28	26 273	EU 28	31 927	40 %
2	EU 28	5 654	China	5 284	Russia	14 351	18 %
3	China	4 556	Russia	4 216	China	9 840	13 %
4	USA	1 269	South Korea	2 492	South Korea	3 279	4 %
5	South Korea	781	Switzerland	2 428	Switzerland	2 578	3 %

Source: European Commission, 2019

In the article we will focus on a more detailed analysis of foreign trade relations between Slovakia and Kazakhstan in an observed period.

Figure 2. Foreign trade between Slovakia and Kazakhstan in mil. EUR during 2010 - 2019

Source: Statistical Office of the Slovak Republic, 2019

Table no. 5. Foreign trade between Slovakia and Kazakhstan in mil. EUR during 2010 - 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Export	32,9	53,1	61,7	84,1	93,6	43,9	12,8	25,9	28	26,9
Import	19,4	21,8	14,8	13,6	12,8	3,5	7,9	8,8	64,2	52,4
Turnover	52,3	74,9	76,5	97,7	106,4	47,4	20,7	34,7	92,2	79,3
Balance	13,5	31,3	46,9	70,5	80,8	40,4	4,9	17,7	-36,2	-25,5

Source: Statistical Office of the Slovak Republic, 2019

As we can see in Figure 2, the exports of Slovak Republic to Kazakhstan had a growing tendency until 2014. Over a five-year period, the given indicator tripled and in 2014 amounted to 93.6 million EUR. The main export items of Slovakia in a particular year were presented by vehicles other than rail and their parts (36%), electrical machinery and equipment (19%) and machinery and mechanical equipment (18%). In the years of 2015 - 2016, a significant decline in exports was

recorded; when in 2016 it reached only 12, 8 million EUR, or 7 times less. Subsequently, the situation began to be stabilized, but the volume of Slovak exports to Kazakhstan did not reach the level before 2014.

Imports from Kazakhstan to Slovakia were lower than exports. From 2010 to 2015, we can observe a slightly declining trend of the indicator. In 2015, the value of imports fell to a minimum of 3.5 million EUR. Mineral fuels and mineral oils

(51%), iron and steel (42%) account for the largest share of imports. A slight increase in imports in 2016 was ensured by imports of copper and copper products (42%) and also by mineral fuels (41%).

The turnover in foreign trade relations between Slovakia and Kazakhstan can be observed in 2018 and 2019, when the foreign trade exchange of Slovakia with Kazakhstan recorded a negative balance. The volume of imports from Kazakhstan to Slovakia significantly exceeds the volume of exports for the particular two years.

During the observed period (2010 - 2014), foreign trade turnover between the two countries had a growing tendency. In 2015, the indicator more than doubled compared to the previous year, but subsequently the situation in mutual trade got

stabilized and reached the value of 79.3 million EUR in 2019. The decline in foreign trade between Slovakia and Kazakhstan in 2015 can be explained by a change in Kazakhstan's territorial orientation in foreign trade after its accession to the EEU, when Russia became its main trading partner and China to a lesser extent.

According to statistics published by the Ministry of National Economy of Kazakhstan, in 2018 Slovakia was at the 24th spot in terms of turnover of goods among the states of European Union. The main trading partners and countries to which Kazakhstan's exports were heading are Italy, the Netherlands and France. In terms of import volume, Slovakia ranks the 19th spot (Ministry of National Economy of the Republic of Kazakhstan Komitet Po Statistike, 2020).

Table 6. Kazakhstan's trading partners within the EU, in mil. USD, in 2018

IMPORT			EXPORT		Turnover		% share
1	Germany	1 639	Italy	11 734	Italy	13 219	35
2	Italy	1 485	Netherlands	6 186	Netherlands	6 493	17
3	France	657	France	3 839	France	4 496	12
4	UK	459	Spain	1 862	Germany	2 102	6
5	Netherlands	307	Rumunsko	1 497	Spain	2 041	5
	Slovakia	53	Slovakia	8	Slovakia	61	0,2

Source: Ministry of National Economy of Kazakhstan, 2019

We summarized the commodity structure of Slovak exports and imports according to HS2 to the Republic of Kazakhstan into ten key commodity groups, which are presented in Table 6 and Table 7.

Table 7. Commodity structure of Slovakia's exports to Kazakhstan in 2019

	EXPORT	Value in v EUR	% of total exports share
1	Cars and other motor vehicles principally designed for the transport of persons	8 920 213	33 %
2	Live bovine animals	2 082 820	8 %
3	Reciprocating or rotary internal combustion piston engines	1 790 560	7 %
4	Birds' eggs, in shell, fresh or preserved	1 667 040	6 %
5	Conveyor belts or transmission belts from vulcanised rubber	1 338 439	5 %
6	Paper, paperboard, cellulose wadding and webs of cellulose fibers	1 128 848	4 %
7	Electrical transformers, static converters (for example, rectifiers) and inductors	879 653	3 %
8	Medical, surgical, dental or veterinary instruments	879 618	3 %
9	Transmitting apparatus for radio - broadcasting or television	822 190	3 %
10	Parts and accessories of motor vehicles	539 690	2 %

Source: Statistical Office of the Slovak Republic, 2019

Passenger cars represent the main export item of Slovakia being exported to Kazakhstan, which accounts for about 33% of the total value. An interesting factor is that the two most important

export items are agricultural goods - live cattle and birds' eggs. However, a significant part of exports from Slovakia to Kazakhstan are also represented by devices and automotive parts.

Table. 8. Commodity structure of Slovakia's imports from Kazakhstan in 2019

	IMPORT	Value in v EUR	% of total imports share
1	Petroleum oils and oils obtained from bituminous minerals, crude	50 392 718	96 %
2	Mineral or chemical fertilizers containing two or three of the fertilizing elements	735 091	1,4 %
3	Petroleum gases and other gaseous hydrocarbons	303 567	0,6 %
4	Fish, frozen, excluding fish fillets and other fish meat	207 000	0,4 %
5	Ferroalloys	143 140	0,3 %
6	Other oil seeds and oleaginous fruits, crushed or uncrushed	128 480	0,2 %
7	Slag-wool, rock-wool and similar mineral wools; slate vermiculite, ...	88 657	0,2 %
8	Oxides and Chromium hydroxides	85 885	0,2 %
9	Salts of oxometallic or peroxometallic acids	58 694	0,1 %
10	Fish fillets and other fish meat (minced or not), fresh, chilled, frozen	27 376	0,05 %

Source: Statistical Office of the Slovak Republic, 2019

Imports from the Republic of Kazakhstan to Slovakia are represented by the main and practically the only item that accounts for 96% of total imports - petroleum oils. Imports of those goods exceeded 50 million EUR, which is more than double for the total export of the ten main items of goods (around EUR 20 million). More than 1% is achieved by the product group - mineral or chemical oils. The rest of the goods represent only an insignificant part of the state's imports.

2. Foreign direct investment between Slovakia and Kazakhstan in the years of 2010 - 2019

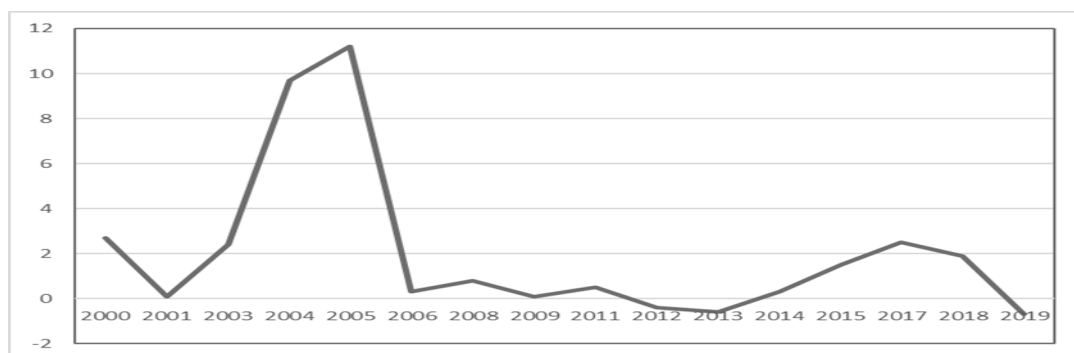
Mutual economic cooperation between Slovak Republic and Kazakhstan is also developed at the level of foreign direct investment area.

According to the latest results within the rating of Doing Business project, which is implemented by the World Bank among 190 countries of the

world for evaluating the effectiveness of legal norms in business sphere, the Republic of Kazakhstan ranked the 25th spot. This particular indicator allows potential investors to assess the degree of competitive advantage and attractiveness of investments in a particular country. Slovak Republic ranked only the 45th spot within this rating.

Total foreign direct investment in the Republic of Kazakhstan has a long-term increasing trend, with the latest figures for 2018 showing 24.3 milliard USD. In the first 9 months of 2019, the value reached more than 18 milliard USD.

Investments in Kazakhstan come from different countries, but the volumes of these investments vary significantly. As we can see in Table 9, the largest foreign investor in Kazakhstan is the Netherlands, which accounts for more than 30% of investments. In second place is the USA, followed by Switzerland, the Russian Federation and China.

Figure 3: Gross inflow of FDI from Slovakia to Kazakhstan in mil. USD during 2000 - 2019

2000	2001	2003	2004	2005	2006	2008	2009	2011	2012	2013	2014
2,7	0,1	2,4	9,7	11,2	0,3	0,8	0,1	0,5	- 0,4	- 0,6	0,3

2015	2017	2018	2019
1,5	2,5	1,9	- 0,7

Source: National Bank of Kazakhstan, 2019

The inflow of FDI into Slovakia also has a long-term growing tendency, and according to the data of the National Bank of Slovak Republic in 2018, the value amounted to 1,002,501 thousand EUR (National Bank of Slovakia, 2020). Investments from Czech Republic, United Kingdom and France account for the largest share of total FDI flows. Kazakh investments in Slovakia are not recorded due to their minimum value.

Despite the fact that the statistics show a low level of mutual investment between the Republic of Kazakhstan and Slovak Republic, the political and economic representatives of both countries show great interest in intensifying cooperation in this area. Business meetings supported by the Slovak Investment and Trade Development Agency (SARIO) and KAZAKH INVEST are organised on regular basis, in which representatives of the relevant ministries are involved, as well as the particular trading companies (Kazakh Invest, 2020). Currently, there are more than 40 companies with a Slovak ownership stake in Kazakhstan, such as: Oftum laser vision correction centers, electrical engineering and energy company ELTECO, KANTO METAL and CSBC as companies in the field of development and sale of chemical machines for defence industry, CME Slovakia company, which operates in the field of diagnostic and therapeutic technologies supply,

and the PROGAST company - a manufacturer and supplier of a wide range of food additives and spices (Zakon.kz, 2010).

The creation of a Kazakh-Slovak company for the production of diesel railway trains with the ownership participation of the Kazakh joint-stock company Kazakhstan temir zholy (Казахстан темір жолы) and Slovak company ZOS Vrútky Slovenská a.s. can be considered a successful result of bilateral trade negotiations between the states with a total project value of \$ 60 million USD (Zakon.kz, 2010). One of the largest solar power plants in Kazakhstan is being built by a Slovak-Czech-German consortium worth of 130 million EUR (Ministry of Foreign Affairs and European affairs of Slovak Republic, 2019a)

3. Foreign trade intensity analysis between Slovakia and Kazakhstan

For a deeper analysis of foreign trade relations between Slovakia and the Republic of Kazakhstan, in the next part of the article, we will use the Trade Intensity Index.

The Trade Intensity Index (TII) allows us to calculate whether trade volumes between Kazakhstan and Slovakia are larger or smaller than it would be expected based on their position

in world economy (World Bank, 2013). Mathematically, we can express the particular indicator as follows:

$$TII_{ij} = 100 * \left[\frac{x_{ijk}}{X_{ik}} / \frac{x_{wjk}}{X_{wk}} \right] \quad (1)$$

x_{ijk} - value of export of goods into and from the country - j

X_{ik} - value of total exports of goods to and from the state - i

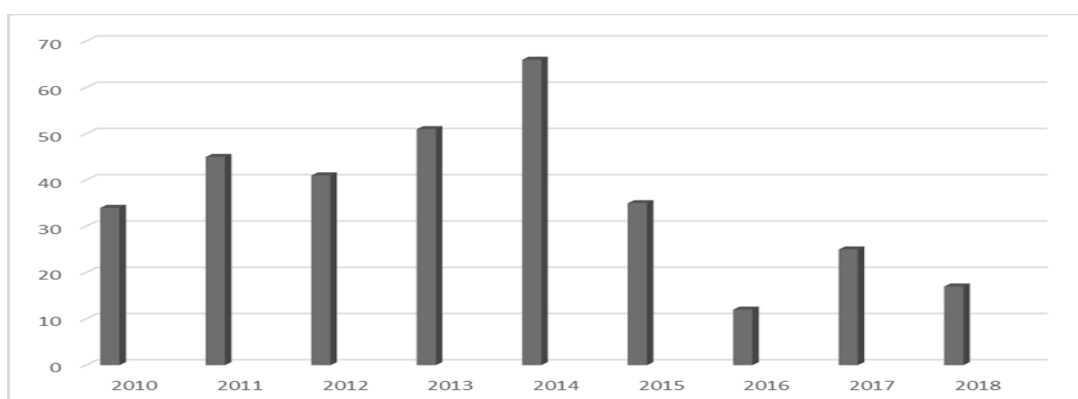
x_{wjk} - world export of goods to the state - j

X_{wk} - worldwide export of goods - k

The index values range from 0 to $+\infty$. The TII indicator, being more than 100, documents that bilateral trade relations between partners are developing more intensively, compared to the world average.

The dynamics of Trade Intensity Index development between Slovakia and Kazakhstan is shown in the following graphs.

Figure 4. Development of TII between Slovakia and Kazakhstan during 2010 - 2018

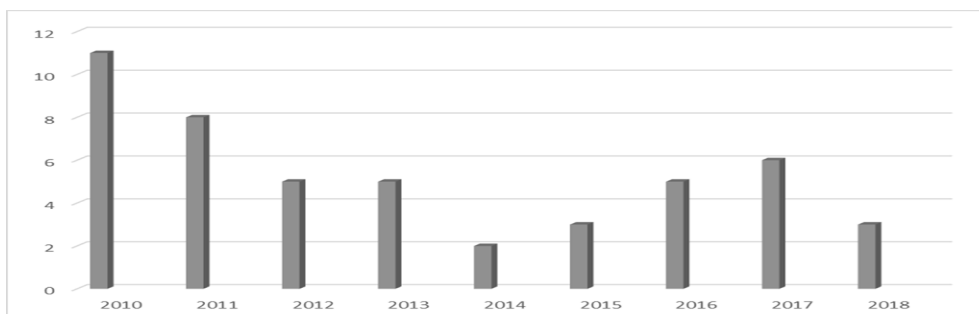


Source: own calculation based on data from the International Trade Center, 2019

As a result of Trade Intensity Index calculated values for the period from 2010 to 2018, reaching the values significantly lower than 100, we can talk about a low level of export intensity of

Slovak goods to Kazakhstan. The development trend of the particular indicator also has a significantly declining value from 2014 to the present.

Figure 5. The development of TII between Kazakhstan and Slovakia, 2010 - 2018



Source: own calculation based on data from the International Trade Center, 2019

The trade intensity index of Kazakhstan with Slovakia has reached its figures significantly lower than the set indicator in 100% during the observed period. From 2010 to 2018, the TII between countries reached a maximum of 11% at the beginning of the period under review. The development of the particular indicator indicates that the export intensity of Kazakhstan towards Slovakia is very low and Kazakhstan is making business much more actively with other countries.

Conclusion

The Slovak Republic, as a member state of European Union, and Kazakhstan, which is the founding state of the Eurasian Economic Union, are united by long-standing political and diplomatic relations. The question is whether such geographically distant and economically different states can also unite trade relations? And if so, how intensively they trade with each other and with what kinds of goods. We tried to answer these questions on the basis of examining the development and intensity of mutual foreign trade relations between Slovakia and the Republic of Kazakhstan over the last ten years.

The results of our research can be summarized in several main points:

- 1) Although Kazakhstan has been a member of the Eurasian Economic Union since 2015, its main trading partner in 2018 is the European Union. Mutual trade is estimated at 31.927 million EUR, which represents 40% of foreign trade turnover. As a result, we can talk about the weakening economic position of Russian Federation within the foreign trade issue of Kazakhstan on one hand and the current successful diversification of its trading partners on the other hand.
- 2) Foreign trade between Slovakia and Kazakhstan had a declining trend during the period under review, and in 2018 and 2019 Slovakia recorded a trade deficit of 36.2 million EUR in 2018 and 25.5 million EUR in 2019.
- 3) The commodity structure of exports from the Republic of Kazakhstan to Slovakia is homogeneous and represented by goods from the primary sector of the economy - petroleum oils. Nevertheless, we see the possibilities and prospects for diversifying the commodity

structure of the Republic of Kazakhstan's exports in the future from other economic sectors as well.

4) The potential of Slovak exports to Kazakhstan is also not sufficiently used. The main goods items of exports are passenger cars and their parts. However, we are convinced that many Slovak companies have sufficient capacity and know-how to put their goods on the large sales market of Kazakhstan.

5) The main sectors that have a great potential in trade relations between Kazakhstan and Slovakia are: agriculture, waste treatment technologies, energy and food industry.

6) Economic cooperation between countries at the level of foreign direct investment is at an early stage of development, but with the active support of political representatives and business representatives of both countries, who meet regularly in bilateral negotiations, we see great prospects in the future.

Foreign trade between states located in two different economic blocs, such as Slovakia and Kazakhstan, despite their distance, can find the intersection of their economic interests for mutual prosperity and economic growth.

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