

¹Abaganov A., ²Dayuen D.B.

¹Master of Eastern studies, ²PhD, Associate Professor, Al-Farabi Kazakh national university, Oriental Studies Department, Kazakhstan, Almaty, e-mail: swifty1987@mail.ru, dinara_dauen@mail.ru

THE ROLE OF CHINESE ENTREPRENEURS IN THE ECONOMY OF KAZAKHSTAN

This article is devoted to the role of Chinese entrepreneurs in the economy of Republic of Kazakhstan and this topic has a great interest in these days for businessmen of our country. Economic cooperation between China and Kazakhstan plays an important role in the development of entire Central Asia region. This article makes an economic review of two countries and examines problems and prospects of trade and economic cooperation between these two countries. Particularly, I've tried to determine the role of foreign investment in the economy of Kazakhstan and Chinese entrepreneurs, which could simulate trade turnover and the dynamic development of financial relations in the country.

Key words: development, Chinese entrepreneurship, Kazakhstan.

¹Абаганов А., ²Дәуен Д.Б.

¹магистрант, ²PhD, доцент, әл-Фараби атындағы Қазақ ұлттық университеті, Қазақстан, Алматы қ., e-mail: swifty1987@mail.ru, dinara_dauen@mail.ru

Қазақстан экономикасындағы қытай кәсіпкерлерінің рөлі

Бұл мақалада Қазақстан экономикасындағы қытай кәсіпкерлерінің қазіргі таңдағы рөлі жөнінде айтылған. Қазақстан мен Қытайдың өзара ынтамақтастығы тек екі ел арасындағы емес, Орта Азия елдерінің дамуына да өз үлесін қосып отырғандығы тақырыптың өзектілігін айқындайды. Қазақстан экономикасындағы шетелдік инвестициялардың рөлін анықтап, атап айтқанда, тауар айналымын ынталандыратын қытайлық кәсіпкерлер мен елдегі қаржы қатынастарының қарқынды дамуы жөнінде зерттеу көзделген.

Түйін сөздер: Қазақстан, қытайлық кәсіпкерлік, дамыту.

¹Абаганов А., ²Дәуен Д.Б.

¹магистрант, ²PhD, доцент, Казахский национальный университет имени аль-Фараби, Казахстан, г. Алматы, e-mail: swifty1987@mail.ru, dinara_dauen@mail.ru

Роль китайских предпринимателей в экономике Казахстана

Данная статья посвящена роли китайских предпринимателей в экономике Казахстана. Данная тема вызывает большой интерес в наши дни. Экономическое взаимодействие Китая и Казахстана играет важную роль в развитии всего среднеазиатского региона. В данной статье делается экономический обзор двух стран и рассматриваются проблемы и перспективы торгово-экономического сотрудничества РК и КНР, определяется роль иностранных инвестиций в экономике Казахстана, в частности, китайских предпринимателей, стимулирующих товарооборот и динамичное развитие финансовых отношений в стране.

Ключевые слова: развитие, китайское предпринимательство, Казахстан.

Introduction

Urgency of the research is determined primarily by new geopolitical situation of the Republic of Kazakhstan. On example of relationship between Kazakhstan and China, it is proved that, due to objective development of modern civilization, the

world economy, engineering and technologies, all countries, regardless of their position and place in the world community, are involved in a global system of interrelations. Qualitatively new character of partnership between Kazakhstan and China and its importance for improving and ensuring the stability

of the entire international situation is substantiated.

The purpose of my research is to determine the role of foreign investment in the economy of Kazakhstan, in particular, Chinese entrepreneurs, which stimulate trade turnover and dynamic development of financial relations in the country.

The scientific and practical importance of the work is conditioned by possibility of evaluating investment projects implemented at the present stage in conjunction with Chinese entrepreneurs, and perspective development of relevant sectors of the economy.

The practical value of the study is that it is possible to use this material for planning and forecasting future joint projects with Chinese entrepreneurs, highlight the most promising of them, and assess the real increase in gross domestic product from commodity turnover with China.

Development and deepening relations with China, both in bilateral and multilateral formats is an integral part of Kazakhstan's foreign policy strategy. Due to deep historical ties, geographical proximity and common interests in sphere of security and economic cooperation, the political relations between the Republic of Kazakhstan and China were identified as priorities. To date, China is a strategic partner of Kazakhstan after Russia. After declaration of Kazakhstan's independence, both countries were interested in building stable and long-term relations at a new level. As a result, on January 3, 1992, diplomatic relations were established between the Republic of Kazakhstan and the People's Republic of China.

China is one of the largest foreign economic partners of Kazakhstan. Our countries cooperate in such spheres as energy, oil, mining, ferrous and non-ferrous metallurgy, chemical industry, fertilizer production.

The present stage of the Kazakh-Chinese cooperation begins in January 1992, when Kazakhstan, having declared independence, established official diplomatic relations with the People's Republic of China. The establishment and development of bilateral good-neighborly relations between the Republic of Kazakhstan and the People's Republic of China is an important part of foreign-policy international activity of sovereign Kazakhstan during the period of rapid economic growth and new geopolitical position of the countries of Europe and Asia (Syroezhkin, 115).

The process of establishing bilateral relations between states itself, being the standard of international practice, the specific result of certain political processes, not only draws attention of the

world public, but also sufficiently make impact on development of political relations in the world community.

Methods

This article has been written according to structural method of study. Structural method widely used in a sphere of humanity science. This method based on identifying of sustainable connections within the system and it helps to ensure primary properties of the article.

Main body

At present, geopolitical situation of both countries deserves special attention from both political scientists and scientists from other branches of knowledge. If we consider Kazakhstan in spectrum of its geopolitical position, we can distinguish the following: the vastness of territory, convenient location in the center of the continent at junction of three civilizations, abundance of natural resources, internal political stability and the resulting tolerance, the rapid pace of economic, legal, political and cultural development, etc. The geopolitical position of China also deserves special attention: the vastness of territory, huge human resources, access to the open sea and, consequently, highly developed transport communications, rapid economic growth, developed infrastructure, rapidly developing military and industrial sectors of the economy, an established network export supplies of goods to many countries of the world, and so on.

In general, we can identify two main points in the history of Kazakh-Chinese relations over a 15-year period. First, successful development of Kazakh-Chinese relations has become an important factor in ensuring stability in the region. After gaining independence, Kazakhstan bravely followed the path of reforms and, using, among other things, rich energy resources, gradually turned into a regional power with sufficient influence and authority in the space of Eurasia. Therefore, China always takes into account the position of the Kazakh side on ensuring security and stability in Central Asia and believes that the relations of friendship and good-neighborliness between the Republic of Kazakhstan and the PRC have a positive impact on the political and economic situation in the region.

Secondly, Kazakhstan's initiatives on development of international transport corridors are very interesting. Kazakhstan through the territory of China gets access to East Asia, and China can establish transport links with the countries of Europe through Kazakhstan territory. It should be noted that

such joint projects are of interest to both countries and are necessary for economic development of Kazakhstan and China (Nysanbaev, 65).

Thus, the development of multilateral and long-term cooperation is the core of relations between the Republic of Kazakhstan and the PRC. Today, along with successful political and socio-economic relations, cultural ties are developing fruitfully. In the security sphere there is a wide consensus and interaction between Kazakhstan and China, both countries have made a significant contribution to maintenance of peace and stability in the Central Asian region.

China has become Kazakhstan's main partner in the economy in terms of foreign direct investment, loans and joint ventures. In Kazakhstan, there are about 985 enterprises with the participation of Chinese capital.

According to information of the Ministry of Energy, the governments of Kazakhstan and China reached an agreement on establishment of enterprises in the following sectors: chemical industry – 14 projects, mining and metallurgical complex – 10, machine building – 6, infrastructure – 6, electric power and renewable energy sources – 6, agro-industrial complex – 5, light industry – 1, oil refining and oil and gas industry – 2, production of building materials – 1.

The total amount of investments will be about \$ 27.9 billion. According to data of the Ministry of Energy, as a result of the projects, about 20,000 new jobs will be created.

At present, according to data of the Ministry of Energy, 3 projects for the total amount of \$ 46 million have been realized as part of the Capacity Transfer Program from China to Kazakhstan:

1. In Pavlodar region in 2015 production of powder polypropylene (LLP "Company Neftekhim LTD", XinjiangSanbao, the amount of investments was 12 million USD) was opened.

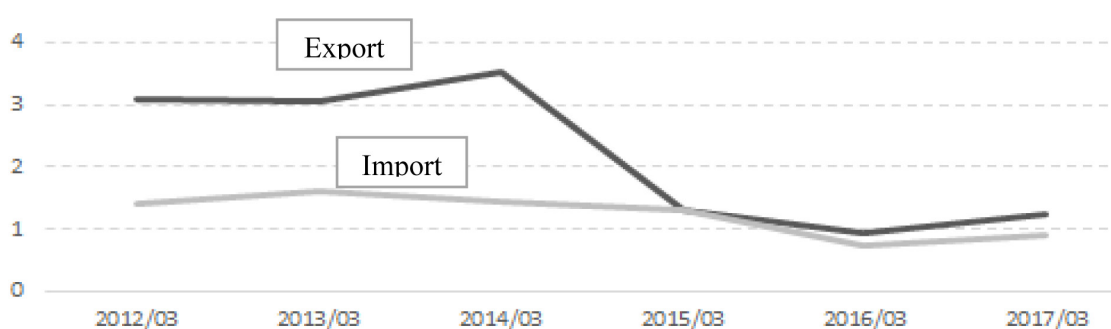
2. In Kostanai region, the first stage of the project for the production of JAC cars was implemented in 2015 by method of a large-scale assembly DKD (SaryarkaAvtoProm LLP, JAC Motors, CMC, the amount of investments is \$ 15 million).

3. In the North-Kazakhstan region in 2016, production of rapeseed oil was opened (Tayinsha Mai LLP, Xi'An Aiju Oil and Grain Co.Ltd., The amount of investments is \$ 19 million).

The implemented projects testify that it will be very difficult for Kazakhstan to realize its industrial potential without foreign direct investments. Chinese investments will help accelerate the process of industrialization of Kazakh economy (China Daily, 3).

Turnover with China for the first quarter of 2017 increased by 29% compared to the same period of last year. Including exports increased by 33% and amounted to \$ 1.2 billion. Imports increased by 24% to \$ 901 million.

In the total volume of international trade, the share of trade with China increased from 15% to 16%. Including the share of exports from 12% to 13%, the share of imports from 21% to 26%.



Goods turnover of Kazakhstan with China, (\$ billion)

The main exported product is metal products. In the first quarter, metallurgical products were exported to China for \$ 624.7 million, which is 46% more than in the same period of last year. Including refined copper was sold for \$ 277 million (+ 30%)

and ferroalloys for \$ 254.8 million (+ 76%). Oil and oil products – \$ 155.4 million (not exported in the first quarter of 2016) and radioactive chemical elements – \$ 137.5 million (+ 34%) fell on the list of the most actively exported goods.

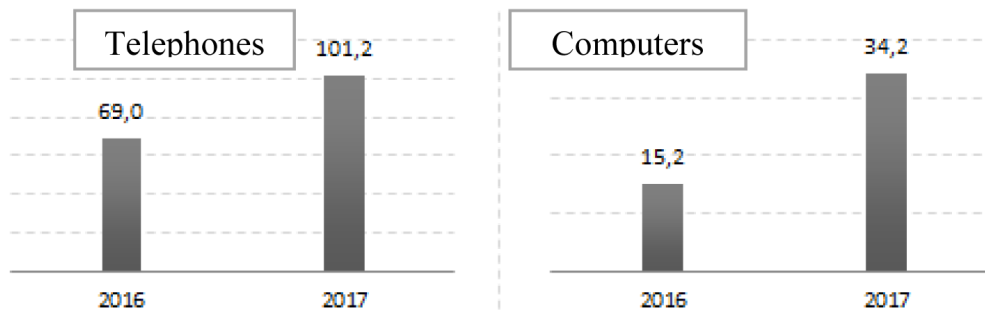
	2016/03	2017/03	Growth for a year, %
Metal goods	429,3	624,7	45,5
Mineral products	321,4	372,6	15,9
Chemical products	106,6	143,7	34,7
Foods	40,7	47,8	17,6
Clothes	1,2	35,3	2946,5

Export of certain categories of goods from Republic of Kazakhstan to China (\$mln)

The main imported goods from China are telephone sets and computers. Thus, for the first quarter of 2017, the import of telephones increased by 47% and amounted to \$ 101.2 million. Imports of

computers and other computer equipment increased 2.3 times to \$ 34.2 million.

Also, as humanitarian aid, import deliveries of machinery and equipment to the Republic of Kazakhstan from China were made in the amount of \$ 85.5 thousand.



Import of electronic equipment from China (\$mln)

The President of Kazakhstan noted that the Kazakh-Chinese cooperation is different, firstly, by constant expansion of spheres of interaction that already cover all the key financial and economic areas. From implementation of individual joint projects, both countries have already moved to a systematic partnership in the economy, which allows for to increase effectiveness of interaction massively more, to build its strategy. Secondly, another trend is a gradual shift in emphasis in joint work on promising high-tech industries, focused on high added value. This allows us to take into account and organically combine the goals and objectives of two countries, ensuring a stable dynamics of cooperation.

Kazakhstan is working to strengthen trade and economic cooperation with China, which is one of the largest economies in the world, for a whole range of directions. Kazakhstan supported the initiative of China to create the economic belt of the Silk Road, aimed at close cooperation in such areas as economy, trade, transport, investment, finance and culture. China has three main routes, two of which complement “Nurly Zhol” Kazakhstan’s

infrastructure program: from China through Central Asia, Russia to Europe / to the Baltic Sea / and from China through Central Asia, West Asia to the Persian Gulf and the Mediterranean, stated the head of Kazakhstan (Yermukhanov, 2).

In his words, in addition to transport, the priority of cooperation between two countries is the industrial sphere. The governments of two countries have formed a program for transferring production capacities from China to Kazakhstan. It is based on a list of projects of Kazakh-Chinese cooperation in the field of industrialization and innovation. To date, this list includes 51 projects for a total of over \$ 26.2 billion in the chemical industry, mining and metallurgy, engineering, infrastructure, energy, agro-industrial complex, light industry, oil refining, construction materials and information technology. Of these, two projects have already been launched – modernization of plant for production of powdered polypropylene and production of passenger cars.

In September 2013, China’s President Xi Jinping presented China’s vision of involving the world in reconstruction of the historic Silk Road during his

speech at the Nazarbayev University. This program is also known as “One Belt – One Way” (OBOW) or “The Belt and the Way” Initiative. Its goal is to develop closer economic ties, deepen cooperation and expand development points in the Eurasian region. This speech and subsequent statements formally set the preconditions for creating an expanding network of railways, highways, gas pipelines and oil pipelines, ports and cities, as well as for investing in modern infrastructure to recreate successful ancient Silk Road routes, but in accordance with the 21st century strategy (<http://kz.mofcom.gov.cn>).

The “One Belt – One Way” initiative investments are aimed at developing the infrastructure of transcontinental trade in Eurasia. In the long term, a significant proportion of trade between China and Europe can go through this route, almost twice as fast as along the sea. For business in Central Asia, this means countless opportunities for capitalizing new trade routes.

Investments in infrastructure and subsequent benefits have become key growth drivers for both transcontinental trade and the economy of Kazakhstan. In Kazakhstan, significant investments were made in strengthening its position as a transit corridor. Including more than \$ 3.5 billion in the “Khorgos – Eastern Gate”, a dry port on the eastern border with China (Гао Хунье, 15).

Other significant investments include the Shalkar-Beineu railway, the Zhezkazgan-Saksaul railroad and the Kuryksky port. As a result, increasing corridors and capacity will strengthen Kazakhstan’s role as a transit region. According to Samruk-Kazyna, investments in infrastructure will contribute annually to economic development of Kazakhstan at the level of 0.1% -0.2% over the next decade.

Modern market and geopolitical tendencies promise to revive the ancient arteries. This is the greatest opportunity for growth, which fell to Kazakhstan after gaining independence. The largest concerned parties in the country are national companies, which in the coming years need to ensure their readiness to support huge volumes of transit through the country (Пол Р. Кругман и Морис Обстфельд, 42).

Chinese companies are interested in creating joint ventures in Kazakhstan for processing agricultural products (factories for processing meat, oilseeds and crops, tomatoes) and creating feeding grounds with further promotion of Kazakhstani products for export.

The Ministry of Agriculture of Kazakhstan is working to attract Chinese companies: Rifa Holding Group, Aiji, CITIC and COFCO, as strategic in-

vestors for development of processing agricultural productions in accordance with “the 100 Specific Steps” Nation’s Plan.

So, in the implementation of the 61st step of the Plan between “Eurasia agroholding” company and “Rifa Holding Group” Chinese multinational company a memorandum on the creation of a meat cluster was signed (<http://www.stat.kz>).

One of the leading investment corporations of China “CITIC” intends to invest in sector of animal husbandry in Kazakhstan. CITIC Corporation is specialized mainly in the field of investment and trade and actively cooperates with Kazakhstani companies in industrial sector.

At present, an agreement has been signed with the Baiterek Holding to implement investment projects in agriculture. The corporation intends to invest in construction of feed yards on industrial basis and poultry factories of the broiler purpose.

The Chinese industrial group «AIJIU» together with «Total Impex» LLP in North Kazakhstan region realizes the investment project for deep processing of oilseeds and grain crops for amount of 58 million dollars. The plant’s annual capacity is 80,000 tons of vegetable oil, 200,000 tons of flour, and 200,000 tons of feedstuff.

AIJIU is the leading state-owned enterprise in the agricultural industry in China and is specialized in production and processing of oilseeds and cereals. Has its own trade and logistics network with more than 1,5 thousand outlets (Казakhstan и мировое сообщество, 83).

Production and processing of tomatoes in Kazakhstan has become a priority for cooperation with COFCO Chinese company. The company intends jointly with Eurasia Agroholding to invest in projects to create a cluster for growing tomatoes and producing tomato paste in Kzyl-Orda, East Kazakhstan and West Kazakhstan oblasts of projects with more than \$ 80 million with tomato growing and tomato production areas. Due to joint implementation of projects it is planned to increase production of tomatoes by 120 thousand tons.

COFCO company is one of the largest food companies specializing in production of cereals, oilseeds and tomatoes. The company has 336 branches and representative offices in 140 countries of the world. The annual turnover of the company exceeds 120 billion dollars a year.

The financial group from Hong Kong Oriental Patron in conjunction with the partner of CPM intends to invest in development of Kazakhstan’s Kazexportastyk company to work together to develop deep processing of agricultural products in Kazakh-

stan for further promotion to Chinese market. The total investment amount will be about \$ 500 million.

The Ministry of Agriculture of the Republic of Kazakhstan signed plans for joint actions with Chinese companies Rifa Holding Group, AIJU, Eurasia Agroholding jointly with COFCO, Kazexportastyk jointly with Oriental Patron for implementation of joint projects on production and processing agricultural products with further promotion of it to China's export markets.

Oriental Patron financial group has invested more than \$ 70 million in projects in Kazakhstan for deep processing of agricultural products in recent years (Новости международного рынка, 12-14).

According to official data, more than 3 thousand companies with Chinese participation are registered in Kazakhstan. Most of them are engaged in the oil and gas sector. But out of 20 companies of oil and gas companies represented in our republic, only three are large – CNPC, Sinopec and CITIC. All the rest – either “subsidiaries” of these corporations, or very small enterprises.

25 years ago, China officially established diplomatic relations with Kazakhstan. From that moment a new page of friendly relations between the peoples of the two countries opened. Over the past quarter of a century, China and Kazakhstan have gone a brilliant path of development, have achieved great success, the fruits of our cooperation attract the attention of the whole world.

The interaction of our countries is an eloquent example of genuine good neighborhood. Among its northwestern neighbors, China was the first who resolved the border issue with Kazakhstan – completely and finally. As a historical heritage the countries signed an agreement on good-neighborliness, friendship and cooperation. This laid a strong political basis for the further development of bilateral ties.

China-Kazakh relations for a short time made a huge leap forward, moving from a friendly format in establishing diplomatic ties at the dawn of Kazakhstan's independence to current all-round strategic partnership. Political mutual trust and mutually beneficial cooperation between two countries reached an unprecedented high level. I would like to especially note that good working relations and deep personal friendship between the leaders of two countries have been established. Chairman Xi Jinping and President Nursultan Nazarbayev held 14 bilateral meetings. The Head of Kazakhstan made 22 visits to China to date. Nursultan Abishevich is the most recognizable and respected friend of the Chinese people (Исследование рынка Центральной Азии и Восточной Европы, 4-17)

Conclusion

China and Kazakhstan are building relations in line with mutually beneficial cooperation. Compared to the moment of establishment of diplomatic relations, our bilateral trade increased almost 40-fold, the total amount of China's investments into Kazakhstan exceeded \$ 33.4 billion. Kazakhstan has become China's largest trading partner in Central Asia and the largest investor in the Eurasian region. Two countries have opened five border checkpoints, five cross-border oil and gas pipelines, two cross-border railway lines, “Khorghos” international cross-border cooperation center. Chinese companies built the first Kazakhstan plant for electrolytic aluminum production technology, the first large hydroelectric power plant. Lianyungang Chinese-Kazakhstan logistics terminal allowed Kazakhstan to get sea access to Asia-Pacific region. Kazakhstani railways give China an opportunity to join Eurasian transcontinental corridor.

At present, the international situation is rapidly changing. The process of restoring the world economy begins. Regional security faces new threats and challenges. However, we are sure that, despite any difficulties and obstacles on the way ahead, the vector of development of China-Kazakhstan relations will remain unchanged – it is our common goal of mutual benefit and win, common development, the common concept of centuries-old friendship, good-neighborliness and peace. The stable, healthy and stable relations between Kazakhstan and China deliver benefits not only our two peoples, but the entire region, the whole world (Бюллетень Министерства науки и науки Республики Казахстан, 23-31).

In connection with territorial proximity of our states and current state of relations between China and Kazakhstan the following conclusion can be made:

- the need for cooperation is dictated by geographical position and some dependence of our economies;

- in connection with the fact that earlier both states were within the framework of a planned economy, and now we are moving to a market economy, cooperation is necessary for effective development of our states.

Reorganization, openness and social development are mutually reinforcing. 20 years of political reorganizations and expansion of external relations have become a period of the most rapid development of economy and accelerated growth of China's aggregate potential. This was reflected in rapid development of productive forces and

comprehensive progress of social life. The same experience should be used by our state, but only taking national traditions into account.

So, one can testify that the current dynamics of development of mutual cooperation in trade, economic, investment, energy, transport and many other spheres allows us to optimistically assess the prospects for further enhancing the interaction between Kazakhstan and China in these areas. Confidence in this is complemented by the fact that progressive consolidation of this positive trend corresponds to interests of the peoples of two neighboring and friendly countries.

Kazakhstan's trade and economic ties with China have a good long-term perspective. There is no doubt that China's rapidly developing economy will demand more and more oil. Therefore, China will consider Kazakhstan as one of the most preferred suppliers of energy raw materials for it. In its turn, Kazakhstan will need a broad Chinese market.

Thus, the real figures of Kazakhstan's economic indicators growth prove the important role of foreign direct investment by Chinese entrepreneurs, which stimulate trade and mutually beneficial cooperation in implementation of industrial and transnational infrastructure projects.

Литература

- 1 Сыроежкин К.Л. Казахстан-Китай: От приграничной торговли к стратегическому партнерству: 1 том. – Алматы: Киси при президенте РК, 2010. – 336 p
- 2 Нысанбаев, Д.С. Специфика Китая и особенности выхода на его рынки/ КазНУ им. аль-Фараби. – Алматы: Қазақ ун-ті, 2006. – 123, [3] с.
- 3 «Краткое введение об отношениях между Китаем и Казахстаном». China Daily. 2003-05-27. Retrieved 2008-10-10.
- 4 Марат Ермуханов (2004-07-09). “С какой целью улучшаются отношения между Китаем и Казахстаном?”. Retrieved 2008-10-10.
- 5 Управление экономического и коммерческого советника Посольства Китайской Народной Республики в Республике Казахстан, [онлайн].
- 6 Гао Хунье, 2007, Западная экономика (Макроэкономика). – (Четвертое издание). – Китайская университетская пресса.
- 7 Пол Р. Кругман и Морис Обстфельд, 2006, переведенный Хай Вэнь, и др. Международная экономика. – Китайская университетская пресса Жэньминь.
- 8 Статистический данные Казахстана, 1991-2012 годы. Сайт казахстанской статистической базы <http://www.stat.kz>
- 9 Наш сосед – Китай // Научно-аналитический журнал «Казахстан и мировое сообщество». – N3 (4). – 1995. – Рр.83-95.
- 10 Сотрудничество обогащает реформы // Журнал на китайском языке. «Новости международного рынка». N12. – 1995. – С. 12-14.
- 11 Вместе на пути прогресса // Журнал на китайском языке. «Исследование рынка Центральной Азии и Восточной Европы». N1. – 1996. – С.14-17.
- 12 Казахстанско-китайские отношения в новой истории // «Бюллетень Министерства науки и науки Республики Казахстан». – N4. – 1996. – С. 23-31.

References

- 1 Syroezhkin K. Kazakhstan-China: from frontier trade to strategic partnership. Book 1. Almaty, 2010. – 336 p
- 2 Nysanbaev, D.S. Specificity of China and peculiarities of entering its markets / Daniyar Sultanovich Nysanbayev; KazNU named after Al-Farabi 2006. – 123, [3] p.
- 3 “Brief introduction to relations between China and Kazakhstan”. China Daily. 2003-05-27. Retrieved 2008-10-10.
- 4 Marat Yermukhanov (2004-07-09). “China's relations with Kazakhstan are warming, but to what end?”. Association for Asian Research, Jamestown Foundation. Retrieved 2008-10-10.
- 5 Economic and Commercial Counsellor's Office of the Embassy of the People's Republic of China in the Republic of Kazakhstan, [online]. Available from: <http://kz.mofcom.gov.cn>.
- 6 Gao Hongye, 2007, Western Economics (Macroeconomics) (Fourth Edition), China Renmin University Press.
- 7 Paul R. Krugman and Maurice Obstfeld, 2006, translated by Hai Wen, et al., International Economics, China Renmin University Press.
- 8 Statistical Yearbook of Kazakhstan, 1991-2012. 5 The site of Kazakhstan's statistical bureau. <http://www.stat.kz>
- 9 Our neighbor is China. Scientific and analytical magazine “Kazakhstan and the world community”, N3 (4), 1995. pp.83-95.
- 10 Cooperation enriches reforms. Journal in Chinese. “International Market News.” N12, 1995. pp. 12-14.
- 11 Together along the path of progress. Journal in Chinese. “Market research of Central Asia and Eastern Europe”. N1, 1996. p.14-17.
- 12 Kazakh-Chinese relations in the new history. «Bulletin of the Ministry of Science and Science of the Republic of Kazakhstan», N4, 1996. pages 23-31.