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## Economic rationale for the investment attractiveness of China at present

**Abstract.** The authors consider the current economic potential of China, which is one of the largest recipients of foreign direct investments in the world and plays a leading role in the world trade. China is among the largest recipient as well as exporters of foreign direct investments in the world. In 2015-2016, there was a further increase in the number of foreign investment projects being implemented in China, although overall growth in FDI has been declining since 2011. It should be noted that starting from 2010, the tendency of exceeding the volumes of Chinese investments in the EU over EU's investments in China remains. Factors of China's investment attractiveness have been singled out and analysed, namely: weakening of the Yuan; stimulation of domestic consumption and investment; preservation of a relatively low level of domestic prices in relation to prices in the USA and among the leading Asian exporters of industrial products; harmonization of the country's legislation with WTO requirements. The results of the analysis of GDP growth rates of China, USA and Kazakhstan for 2011-2015 show that China's GDP growth rates are almost five times higher than Kazakhstan's ones, and three times higher than USA's ones. It is advisable to agree with the forecasts concerning the preservation of the growth rates of the Chinese economy by 6-7% annually until 2030 if the current trends of the world economic development remain.

**Keywords:** Investments; Import; Export; Workforce; Trade; China; The European Union; USA; Kazakhstan

**JEL Classification:** F14; L51; M30; N15; Q10

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### Економічне обґрунтування інвестиційної привабливості Китаю на сучасному етапі

**Анотація.** Автори розглядають сучасний економічний потенціал Китаю, який є одним із найбільших реципієнтів та експортерів прямих іноземних інвестицій у світі й відіграє провідну роль у світовій торгівлі. У 2015–2016 роках спостерігається подальше збільшення числа реалізованих у Китаї зарубіжних інвестиційних проектів, хоча в цілому темпи приросту прямих іноземних інвестицій знижуються, починаючи з 2011 року. Слід зазначити, що з 2010 р. зберігається тенденція перевищення обсягів китайських інвестицій до ЄС над інвестиціями Євросоюзу до Китаю. Важливими чинниками інвестиційної привабливості Китаю є: ослаблення юаня; стимулювання внутрішнього споживання й інвестування; збереження відносно низького рівня внутрішніх цін порівняно із цінами в США й серед провідних азійських експортерів промислової продукції; гармонізація законодавства країни до вимог СОТ.

Результати аналізу темпів зростання ВВП Китаю, США й Республіки Казахстан за період 2011–2015 рр. показують, що темпи зростання ВВП Китаю практично в п'ять разів перевищують темпи зростання ВВП Казахстану, і в три рази – США. Доцільно погодитися з прогнозами щодо збереження темпів зростання китайської економіки на 6-7% щорічно до 2030 року в разі збереження нинішніх тенденцій світового економічного розвитку.

**Ключові слова:** інвестиції; імпорт; експорт; робоча сила; торгівля, Китай; Євросоюз; США; Казахстан.

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**Экономическое обоснование инвестиционной привлекательности Китая на современном этапе**

**Аннотация.** Авторы рассматривают современный экономический потенциал Китая, который является одним из крупнейших реципиентов и экспортеров прямых иностранных инвестиций в мире и играет ведущую роль в мировой торговле. В 2015–2016 гг. наблюдается дальнейшее увеличение числа реализуемых в Китае зарубежных инвестиционных проектов, хотя в целом темпы прироста ПИИ снижаются, начиная с 2011 г. Следует отметить, что, начиная с 2010 г., сохраняется тенденция превышения объемов китайских инвестиций в ЕС над инвестициями Евросоюза в Китай.

Важными факторами инвестиционной привлекательности Китая являются: ослабление юаня; стимулирование внутреннего потребления и инвестирования; сохранение относительно низкого уровня внутренних цен по отношению к ценам в США и среди ведущих азиатских экспортеров промышленной продукции; гармонизация законодательства страны с требованиями ВТО.

Результаты анализа темпов роста ВВП Китая, США и Республики Казахстан за период 2011–2015 гг. показывают, что темпы роста ВВП Китая практически в пять раз превышают темпы роста ВВП Казахстана, и в три раза – США. Целесообразно согласиться с прогнозами относительно сохранения темпов роста китайской экономики на 6–7% ежегодно до 2030 года в случае сохранения нынешних тенденций мирового экономического развития.

**Ключевые слова:** инвестиции; импорт; экспорт; рабочая сила; торговля; Китай; Евросоюз; США; Казахстан.

**1. Topicality**

Since the China's economy became open after the country's accession to the World Trade Organisation in 2001, this state has taken the lead in trade and foreign direct investment in the global economy. China has signed cooperation agreements in terms of production facilities with more than 20 countries in the framework of implementing the Belt and Road Initiative. As Ning Jizhe, Deputy Head of the National Development and Reform Commission, Head of the National Bureau of Statistics of China, reported, the People's Republic of China had signed similar agreements with Kazakhstan, Ethiopia, Brazil and other countries<sup>1</sup>.

In the process of its huge expansion in world trade and investment activity since the turn of the 20<sup>th</sup> century, China has significantly expanded its economic and financial ties with the CIS countries. These China's initiatives are part of a more general «going out» strategy to establish trade and financial relationships with a number of developing regions of Southern Africa, and Central and Southeast Asia, as well as developing regions of Kazakhstan (Yang Zhao, 2010).

The importance of such evolving relationships for both China and the CIS countries clearly manifested itself in 2014, when new lending incentives for developing countries in respect of the BRICS states (Brazil, Russia, India, China and South Africa) were formalised in the municipality of Fortaleza, Brazil.

In 2015, the volume of Chinese investments in the countries involved in the implementation of the «One Belt, One Road» strategy increased by 10% to USD 14.8 billion<sup>2</sup>. Today, China has developed strong economic cooperation with countries such as Russia, Singapore, Indonesia, South Africa, Kenya, Egypt and Turkey, as well as with the members of the Shanghai Cooperation Organisation. According to statistical data provided by the Shanghai Municipal Commission of Commerce, in the first five months of 2016 the City of Shanghai attracted 2,260 foreign investment projects; the aggregate contractual amount of foreign investment was USD 29,902 million with an increase of 0.7% compared with the same period in 2015. In particular, the actual volume of implemented investments was USD 98 million with an increase of 1.9%, amounting to 12.9% of the total volume of foreign investment attracted by China<sup>3</sup>.

<sup>1</sup>[http://www.crc.mofcom.gov.cn/crweb/rcc/info/Article.jsp?a\\_no=391790&col\\_no=26](http://www.crc.mofcom.gov.cn/crweb/rcc/info/Article.jsp?a_no=391790&col_no=26)

<sup>2</sup>[http://www.crc.mofcom.gov.cn/crweb/rcc/info/Article.jsp?a\\_no=391559&col\\_no=26](http://www.crc.mofcom.gov.cn/crweb/rcc/info/Article.jsp?a_no=391559&col_no=26)

<sup>3</sup>[http://www.crc.mofcom.gov.cn/crweb/rcc/info/Article.jsp?a\\_no=391881&col\\_no=26](http://www.crc.mofcom.gov.cn/crweb/rcc/info/Article.jsp?a_no=391881&col_no=26)

Reportedly, the country's accession to the World Trade Organisation, the contribution of foreign trade to China's economic growth was approximately 18%, increasing the number of jobs by 180 million. Currently, the development of foreign trade in China is undergoing significant changes in the light of international events and the internal factors affecting the country's development. In 2016, China's foreign policy had difficulties and there occurred serious problems, which means that it is necessary to make considerable effort to enhance external economy activities.

Hence, the main challenges for China include the following (Zhang Xiao Bo, 2009):

1. In China, the population exceeds 1.3 billion; the supply of labour in agriculture is much more than demand; there is hidden unemployment in urban settings; it is very hard to address the issues of employment
2. Imbalances of budget revenues and expenditures cause significant difficulties. Under the conditions of the restructuring of the national economy, the country is constantly faced with instability in its budget revenues, whereas budget expenditures increase. In such a case, the budget deficit is imminent. In recent years, China's annual budget deficit has amounted to CNY 200 billion.
3. The financial system of the People's Republic of China will have to withstand the challenges. It is essential to reduce unsecured assets in the banking system (today, such assets account for approximately 30%). It is necessary to resolve the difficulties in supply and demand of financial incentives, as well as to enhance the competitiveness of the banking system.
4. Growth in the development of the country's regions and economic sectors leads to both economic and social problems.

In November 2002, the 16<sup>th</sup> Congress of the Communist Party of China declared the country's political and economic development course which covered:

- science and technology;
- agricultural enterprises;
- acceleration of the urbanisation process;
- greater openness of the economy;
- economic development of the regions and individual areas;
- higher income levels of the country's population;
- provision of social protection;
- public employment and adequate living standards.

American researchers single out another difficulty in the development of China's economy - a need to draft and adopt a large number of new laws and regulations which

are (Zhao Cen Yu, 2006). Under the conditions of the underdeveloped and highly politicised legal system of the People's Republic of China, it is difficult to expect that new laws compatible with the WTO Agreements will be implemented quickly and effectively.

**2. The novelty** consists in a comprehensive study of China's economic potential and an analysis of the use of such potential in developing competition policies at the global level.

**3. The purpose** is to conduct a comprehensive study of China's economic potential at the current stage, to analyse major development factors and to justify the results of China's economic development at the global level.

**4. Objectives**

The purpose of the research suggests the performance of the following tasks:

- an analysis of the development of China's economy at the current stage;
- identification of constraints and ways to develop China's competitive environment on the world stage;
- an analysis of China's investment framework;
- an analysis of China's resource potential;
- an analysis of international cooperation between China and Kazakhstan, and other countries.

*The theoretical relevance* of the research consists in the fact that its theoretical assumptions can be used while studying the subject of international management with regard to the development of the country's macroeconomy.

*The empirical significance* of the paper is that the obtained results can be used for further research of the Chinese economy and assessment of investment cooperation between China and other countries around the world.

**5. Brief Literature Review**

A great number of scientific works by both Russian and Chinese scientists, among who are V. G. Gelbars (2007), V. A. Meilyantsev (2007), V. Ya. Portyakov (1998), M. A. Potapov (2009), A. I. Salitskiy (2004), Zhou Xincheng (1997; 2011) and others, deal with the essence and the peculiarities of socio-economic development within Chinese society.

**6. Results**

It has been 63 years since the founding of the People's Republic of China. In 1949, the PRC was an underdeveloped, semi-feudal and semi-colonial country with the «dead» economy. Total devastation and absolute poverty were the only attributes of the country's economic development at that time.

If we make an analysis of the contemporary macroeconomic state of the country, we should pay attention to the pace at which GDP grows (Table 1)<sup>4</sup>.

Table 1 shows that China's GDP volume is lower than the GDP volume of the USA by USD 7,081 trillion. Nevertheless, China's GDP is secured by steady growth; over the past 5 years, the growth rate has been approximately 145.0%. This figure is 0.8 times greater than the figure that corresponds to the GDP growth rate of the USA, which confirms the development forecasts for China's economy with regard to its leading positions in the world economy.

The pace at which GDP grows in China according to the World Bank database, compared to the GDP growth rates of the USA and the Republic of Kazakhstan, is shown in Figure 1<sup>5</sup>.

The analysis of China's GDP growth rate in the period of 2011-2015 once again proves the country's effective development. These data also indicate that the GDP growth rate of the USA is 5 times less than China's GDP growth rate.

Previously made forecasts can already be justified by factors, such as (Shelukhin, 2010):

- the current state of stable macroeconomic conditions in the country;

Tab. 1: Dynamics of China's and USA's GDP in the period of 2005-2015 (USD trillion)

Years	2009	2010	2011	2012	2013	2014	2015
Measure of GDP for the PRC	5,059	6,040	7,492	8,462	9,491	10,351	10,866
Measure of GDP for the USA	14,419	14,964	15,518	16,155	16,663	17,348	17,947

Source: Compiled by the authors based on statistical data of the World Bank database

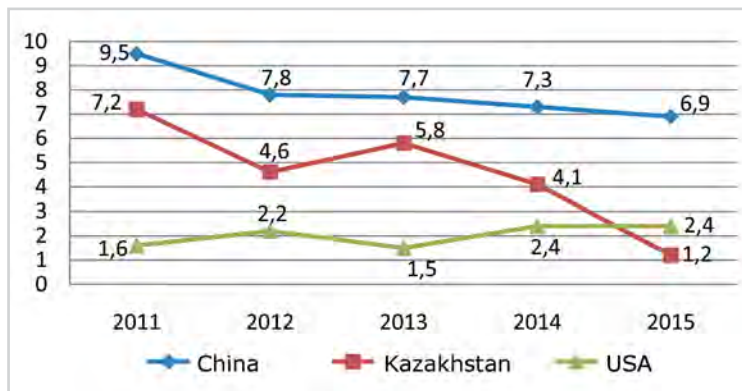


Fig. 1: GDP growth rates of the People's Republic of China, the United States of America and the Republic of Kazakhstan, %

Source: Compiled by the authors based on statistical data of the World Bank database

- the competitiveness of the national economy;
- the favourable investment environment;
- the appropriate economic policy.

We have seen a gradual emergence of an integrated industrial system which makes it possible to successfully undertake a comprehensive mapping of different export enterprises in cooperation with industrialised countries or to execute an independent introduction of technically complex productions by promoting the development of R&D and implementing the results of research and development activities (Lin, 2013). A rise in the value of Chinese export also means a possible rise in the share of raw materials and fuel in the Chinese import, which is in addition to the rising supplies in order to support the consumer revolution (Tomberg, 2012).

Intensive attraction of foreign capital through the creation of enterprises with the participation of foreign companies plays an important role in solving longstanding social and economic problems. According to the statistical data of the Ministry of Commerce of the People's Republic of China relevant to the period from January until October 2012, 20,021 new enterprises with the participation of foreign capital were established in China; the volume of actual foreign investment during the same period amounted to USD 91.736 billion<sup>6</sup>. These two indicators decreased by 10.49% and 3.4% respectively, if compared to the year 2011.

During the period from January to October 2012, 15,852 new enterprises with the participation of capital from 10 Asian countries and regions (the Hong Kong SAR, the Macau SAR, Taiwan Province of China, Japan, the Philippines, Thailand, Malaysia, Singapore and the Republic of Korea) were established in China, which is by 12.21% less than in the year 2011. The volume of actual foreign investment was USD 78.028 billion, a decrease of 4.72%. The number of new enterprises with the participation of the US capital was 1,128, which showed a decrease of 6.39%; the volume of American investment was USD 2.704 billion, an increase of 5.33%.

27 EU member states invested USD 5.236 billion (a decrease of 4.95%) in the creation of 1,418 new enterprises (an increase of 2.75%).

During the period from January to October 2012, the following 10 countries were leading in terms of the amount of investment made in China:

- Hong Kong SAR (USD 57,434 billion);
- Japan (USD 6.08 billion);

<sup>4</sup><http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>

<sup>5</sup><http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

<sup>6</sup><http://russia.mofcom.gov.cn/article/statistic/foreigninvestment/201212/20121208467266.shtml>



- Singapore (USD 5.604 billion);
- Taiwan Province of China (USD 5.25 billion);
- USA (USD 2.704 billion);
- Republic of Korea (USD 2.515 billion);
- Germany (USD 1.279 billion);
- Netherlands (USD 1.01 billion);
- Great Britain (USD 833 million);
- Switzerland (USD 809 million).

The abovementioned countries accounted for 91.04% of the total volume of foreign investment in China.

This was referred to during the Shanghai Forum «China and Europe - partnership, cooperation and mutual benefit: Chinese enterprises enter Europe». In 2010, Chinese companies invested USD 5.96 billion in EU member states, which exceeded the total volume of the EU investment in China equal to USD 5.57 billion, which indicated a new turn in history<sup>7</sup>. During the period of 2011-2012, under the influence of the international financial crisis and the eurozone debt crisis, the volume of Chinese investment in Europe fluctuated and accounted for USD 7.56 billion and USD 6.12 billion, respectively; meanwhile, EU member states invested only USD 2.29 billion and USD 2.69 billion in China. Predictably, the trend towards the excess of China's investment in the EU over the EU investment in China will persist.

According to the statistical data of the Ministry of Commerce of the People's Republic of China, by the end of 2012 Chinese companies had invested USD 31.5 billion altogether in the European Union economy, creating almost 2,000 enterprises and 42,000 jobs in EU member states.

Chinese companies consistently increase volumes and expand the scope of investment in EU member states, which is appreciated and welcomed in some of the countries in the European Union. Currently, those countries are dealing with the task of creating favourable conditions for investment.

However, according to the latest data of the General Administration of Customs of the People's Republic of China, in 2015 China's foreign trade turnover decreased as compared to the same month of the previous year by 10.8% down to CNY 2.09 trillion (USD 340.95 billion)<sup>8</sup>.

The data provided by the General Administration of Customs show, the volume of exports and imports was CNY 1.23 trillion and CNY 860 billion with a decrease of 3.2% and 19.7%, respectively. As a result, the surplus of the trade balance within one month increased by 87.5% and accounted for CNY 366.9 billion.

The assessment of the General Administration of Customs of the People's Republic of China is that, according to seasonal adjustment, the rates of decrease in the volume of foreign trade turnover, as well as exports and imports, in January 2015 was 7.1%, 1.3% and 14.4%, respectively.

Starting from this year, the State Council of the People's Republic of China has authorised the General Administration of Customs of the People's Republic of China to publish figures related to the country's foreign trade turnover, expressed in Chinese Yuan (CNY).

Following the January of 2015, the EU retained the title of China's largest trading partner: bilateral trade was CNY 323.01 billion with a decrease of 5.3%. The volume of trade turnover with the USA, holding the second position, showed a slight growth by 0.5% up to CNY 300.47 billion. The top five list also includes the ASEAN countries (CNY 257.14 billion, a decrease of 0.6%), the Hong Kong Special Administrative Region (CNY 147.97 billion, a decrease of 11.2%) and Japan (CNY 140.53 billion, a decrease of 17.3%).

During the reporting period, the exports of engineering products and electronics, on the one hand, and traditional commodities, on the other hand, declined. The exports of the commodities of first product group decreased by 1.3% down to

CNY 681.05 billion, whereas the exports of the commodities representing the other product group reduced by 8.4% down to CNY 270.08 billion.

The imports of ferrous sand (by 9.4% to 78.57 million tons), crude oil (0.6% to 27.98 million tons), coal (53.2% to 16.78 million tons) and petroleum products (37.6% to 2.35 million tons) also decreased. At the same time, the imports of soya beans increased significantly - by 16.2% to 6.88 million tons.

Import prices of all the abovementioned commodities dropped with a decrease ranging from 14% to 45%.

A new investment treaty should help Chinese enterprises to obtain unified investment standards and monitoring conditions in all the EU member states. The issues of identification and assessment of factors determining the effect of China's foreign direct investment were studied by Petinenko, Redchikova, Soboleva, and Chikov (2014). They proposed an analysis based on the performance of 11 indicators. The analysis was carried out in two stages. The first stage was to show a statistically significant differentiation of China's foreign direct investment in various clusters. The second stage was to reflect the statistical significance of the outflow of FDI, in the case of one cluster only (Petinenko, Redchikova, Soboleva, & Chikov, 2014).

Based on the experience of the past decade, we can observe another important process: adjustment of the level of relative domestic prices set by the leading Asian exporters of industrial products (Table 2).

Tab. 2: Level of domestic prices compared to prices in the USA, %

Countries	2000	2005	2006	2007	2008	2009	2010
China	40.3	42.1	43.4	47.6	54.7	54.0	58.1
India	30.3	33.3	32.9	36.9	36.4	33.6	41.2
Indonesia	33.3	40.5	47.5	51.6	56.3	56.3	68.4
Thailand	40.0	39.6	42.9	47.5	50.0	49.0	54.2
Philippines	42.7	39.5	43.2	48.2	52.8	49.6	54.1
Republic of Korea	65.9	77.0	79.9	81.5	69.1	63.0	71.6
Malaysia	44.4	45.8	47.6	51.6	56.3	56.3	57.0
Taiwan	72.5	60.1	56.8	54.6	54.6	51.7	52.3
Singapore	69.5	64.8	66.7	72.3	76.2	72.2	77.5
Vietnam	28.4	29.7	30.6	32.1	37.7	37.7	38.3
Japan	143.6	117.5	106.9	101.9	112.7	121.8	127.6

Source: Compiled by the authors based on statistical data of the World Bank database

In the new century, the growth rates of world exports exceeded economic growth almost in every part of the world. The ratio of exports to GDP increased in China as well. Nevertheless, the country withstood the 2009 global crisis in world trade relatively easily. It should be reminded that in 1997 the ratio of China's foreign trade to the country's GDP was 42% (converted at foreign exchange) and slightly decreased in the next two years. In 2008, the same indicator was 57%, while the export quota was equal to almost 30%.

It can be concluded that China's economy is even less dependent on foreign trade than it was observed in the years of the Asian financial crisis. Obviously, this is attributable to a new dimension of the economy: investment and consumer demand inside the country is gradually becoming the main driving force of development, including as a result of the adequate anti-crisis measures. Thus, the so called «export quota» appeared to be misleading (insufficient) (Wenlang He, 2010).

The development of China's trade policy in terms of the constructive «Protection for Sale» model by Grossman and Helpman (1994).

Table 3 reflects in brief the major events related to the history of the tariff setting procedure in China (Chang Hong, 2013).

In 1951, China initiated its first customs import and export of goods at tariffs relevant to 939 paragraphs which covered categories and 89 groups. The arithmetic mean of the tariff rate was higher than 52.9%: approximately 92.3% for agricultural products and 47.7% for manufactured goods.

The second table of customs import and export tariffs was introduced in 1985, more than 30 years later. The tariff

<sup>7</sup>[http://russia.mofcom.gov.cn/article/statistic/foreigntradecooperation/201312/2013120041\\_4981.shtml](http://russia.mofcom.gov.cn/article/statistic/foreigntradecooperation/201312/2013120041_4981.shtml)

<sup>8</sup>[http://www.crc.mofcom.gov.cn/crweb/rcc/info/Article.jsp?col\\_no=31&a\\_no=367109](http://www.crc.mofcom.gov.cn/crweb/rcc/info/Article.jsp?col_no=31&a_no=367109)

structure was made more adjustable to the country's economic development. According to the adjusted structure, the tariff rates were 27.2% for intermediate goods, 31.2% for capital goods and 62.6% for consumer goods. The average tariff rate was lowered to 38%, including a rate of 43.6% for agricultural goods and a rate of 36.9% for manufactured goods (Woo, Thye, Ren, 2001).

In 1986, China submitted an application to renew its membership of GATT at the beginning of the Uruguayan round of negotiations. During the 1985-1992 period, the tariff rates were regularly adjusted, however on a small scale: approximately 83 items had reduced tariff rates, whereas 140 paragraphs indicated an increase. In 1992, China adopted a harmonised commodity description and coding system (HS) and introduced the Third table of customs import and export tariffs. There happened to be large-scale changes in commodity categories, however with slight changes in the tariff rates. The average tariff rate remained high, 42.5%.

In 2013, the foreign trade balance of the Republic of Kazakhstan was USD 131.4 billion, which is by 1% less if compared with the previous year<sup>9</sup>. Meanwhile, the exports from the Republic of Kazakhstan decreased by 4.6% and accounted for USD 82.5 billion, whereas the country's imports increased by 5.4% and amounted to USD 48.9 billion. In 2013, energy prices dropped, which is attributed to a decrease in crude oil prices by 2%. The notional price of one ton of crude oil exported from Kazakhstan dropped, if compared to the previous year, by 2% and was USD 810 per ton.

The volume of processed exports in 2013, when compared to 2012, decreased by 9%, or USD 1.8 billion. Such a reduction was due to a decrease in exports of:

- gold - by 48% (from USD 861.5 to USD 445.8 million),
- silver - by 35% (from USD 987 to USD 643 million),
- hard coal - by 24% (from USD 752.3 to USD 571 million),
- wheat - by 22% (from USD 1.6 to USD 1.2 billion),
- zinc - by 15% (from USD 535.2 to USD 455.6 million),
- flat-rolled iron products - by 9% (from USD 1.3 to USD 1.2 billion),
- ferroalloys - by 9% (from USD 1.9 to USD 1.7 billion),
- wheat flour - by 4% (from USD 600.6 to USD 575 million),
- iron ore and concentrate - by 3% (from USD 1,612.6 to USD 1,561.5 million).

Traditionally, intermediate products make up a significant share in the volumes of processed exports. The geographical structure of processed exports did not undergo any considerable changes. The major share of processed exports of the Republic of Kazakhstan (68%) falls on the EU, China and the Customs Union countries.

If we consider economic cooperation between Kazakhstan and China, we can see both the growth in bilateral trade and the presence of Chinese manufacturers in a number of sectors of Kazakhstan's economy. Of course, China is not the only partner of Kazakhstan on the external economic arena. According to data provided by the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan, the share of goods imported from China in the market of Kazakhstan in 2013 was USD 8,192.7 million, or 17% of total imports. The amount of imports in Kazakhstan is shown in Table 4.

The major goods for import were electronics, railway cars, telephone sets, auto parts, clothing, ferrous metal products, footwear, furniture, etc.

In 2013, Kazakhstan's processed export to China was USD 4.2 billion, an increase of 0.5%, if compared with 2012. Refined copper and copper alloys account for much of the country's exports (37%). In addition, the export of uranium increased by 31%, if compared with 2012, and was USD 1.3 million. The delivery of zinc increased by 2%.

<sup>9</sup><http://expport.gov.kz/storage/4c/4c8f70c981192973cad5069c1284ab18.pdf>

Tab. 3: Tariff reform process in China

Year	Tariff reform in China	Arithmetic mean of tariff rate (%)
1951	First table of customs import and export tariffs	52.9
1985	Second table of customs import and export tariffs	38
1986	China submits an application for renewal of full membership of GATT	
1992	Third table of customs import and export tariffs	42.5
1996	Largest unilateral lowering of tariff rates since the founding of the PRC; the Minister of Trade of the People's Republic of China sets a limit cutting the maximum level down below 15%	23
2001	China becomes a member of the WTO	13.66
2010	End of tariff transitional period in the WTO	9.87

Source: Chang Hong, 2013

Tab. 4: Amount of Kazakhstan's imports from China in the period of 2010-2013 (USD million)

Country	2010	2011	2012	2013	Share
Altogether	30,835.5	37,055.8	46,358.7	48,872.5	100
China	3,964.5	5,021.1	7,444.8	8,192.7	17

Source: Compiled by the author based on data provided by the Customs Control Committee of the Ministry of Finance of the Republic of Kazakhstan

Table 5 shows that Kazakhstan's exports to China increased by 0.31% in 2013, which ensures a steady state of economic relations during the period under review.

The analysis of the structure of both Kazakhstan's and China's exports and imports highlights the level of implementation of the potential of the mutual exchange between the countries. Thus, the conducted study of economic cooperation between Kazakhstan and China indicates the growth in bilateral trade and the presence of Chinese manufacturers in a number of sectors of Kazakhstan's economy. Of course, China is not the only partner of Kazakhstan on the external economic arena. According to data provided by the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan, the share of goods imported from China in the market of Kazakhstan in 2013 was USD 8,192.7 million, or 17% of total imports. In 2013, Kazakhstan's processed export to China was USD 4.2 billion, an increase of 0.5%, if compared with 2012. Refined copper and copper alloys account for much of the country's exports (37%). In addition, the export of uranium increased by 31%, if compared with 2012, and was USD 1.3 million. The delivery of zinc increased by 2%.

Kazakhstan's exports to China increased by 0.31% in 2013, which ensures a steady state of economic relations during the period under review.

Thus, based on the conducted analysis of import and export relations between Kazakhstan and China, we can draw an unambiguous conclusion on the stability of economic growth in both countries and their stable policies of support to bilateral trade relations.

**7. Conclusions**

Today, quite a number of analysts and researchers reasonably argue that in the near future China may occupy the leading position on the world stage and surpass the USA in terms of economic growth. Nowadays, China is able to compete in virtually all sectors of the economy. Let us take

Tab. 5: Structure of Kazakhstan's processed export to China (USD million)

	2012	2013	Surplus
Refined copper	1,389.6	1,567.3	11.33797
Uranium	1,336.6	1,327.8	-0.66275
Ferroalloys	482.9	474.7	-1.72741
Zinc	276.5	283.0	2.29682
Petroleum products	323.3	177.5	-82.1408
Other	387.5	384.9	-0.6755
Altogether	6208.4	6228.2	0.317909

Source: Compiled by the author based on data provided by the Customs Control Committee of the Ministry of Finance of the Republic of Kazakhstan

the example of automobile industry: «in 2009, China surpassed Japan in terms of car production, and a year later it produced twice as much as its neighbour» (Petinenko, Redchikova, Chikov, Soboleva, 2014). T. Fishman (Fishman, 2007) also notes this very peculiarity of the development of automobile industry.

It should also be noted that in terms of the most profitable industry, which is tourism, China is considered to have unlimited potential. The tourism potential of China is formed by the country's cultural and heritage resources, which were created by different peoples living across the vast territory of the Eurasian mainland, as well as by other sights created by nature over many years, including cities of great importance in tourism (Moldazhanov, 2014).

If to mention the strategy of industrial development in China alone, it must be said that, while conducting structural reforms in the industrial sector in the framework of the approved model of the high-tech development, the Chinese Government most often uses the following tool groups (Kalashnikova, Lee, 2013).

A lot more could be said about China's potential. Today, China is no longer attributed to mass consumption goods; it is

associated with the production in response to the market demand, adoption of new technologies at affordable prices. The appropriate external economic policy has determined the development of China on the world stage as of a market with the most rapidly developing elements of both stability and competition (Berger, 2009).

The major parameters of the country's development until 2050 remain quite favourable. According to the official forecast by the National Bureau of Statistics of the People's Republic of China made in agreement with researchers from the Institute of Economics of Peking University, the country's economic growth until 2030 is projected at a level of 7.2% annually in the absence of force majeure both in politics and business (Zhudzhun, Kovalev, Novik, 2008).

Given that China is a continental bridge for Kazakhstan, it is recommended to determine key priorities with regard to the implementation of the mechanism of interaction between Kazakhstan and China in the field of trade and economic relations which determine the need to strengthen economic integration. This integration can contribute to political stability, sustainable development, an increase in flows of investment in Kazakhstan, mutual capital flows to other countries, etc.

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