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DISCUSSIONS ON EURASIAN INTEGRATION

MURAT LAUMULIN

Eurasian integration and the Eurasian Economic Union have attracted numerous views and opinions and ignited heated discussions: a larger part of the political and business community of the CIS countries is aware of the advantages a common economic space that has their best interests at heart will have to offer. On the other hand, the possible loss of national sovereignties and independence has stirred up apprehension that keeps politicians in two minds and slows down economic cooperation.

INTRODUCTION

The Treaty on the Eurasian Economic Union signed in Astana on 29 May, 2014 made it a reality even though the vacillations on whether Eurasian integration (post-Soviet reintegration) was possible and/or necessary are rooted in the more distant past*.

The story goes back to the early 1990s and the attempt to arrive at a new Union Treaty (the so-called Novo-Ogaryovo process); in April 1994, Nursultan Nazarbaev delivered his famous speech at Moscow State University, in which he invited the post-Soviet republics to reunite into a Eurasian Union. The 1990s were dotted by attempts to create regional integration structures—the Central Asian Cooperation (CAC), the EurAsEC, the Customs Union-1, the Common Economic Space (CES of 2004), etc. The

new version of the CU, which appeared in 2010, developed into the CES with the prospect of becoming the Eurasian Economic Union (EEU) in 2015. The idea of Eurasian integration acquired clear international-legal and political-economic outlines.

Seventeen agreements commissioned on 1 January, 2012 form the contractual and legal framework of the Common Economic Space and serve as the foundation of its member countries' relations related to a vast range of problems—from macroeconomic policies and financial markets to technical regulations and protection of intellectual property. The Eurasian Economic Commission (EEC), a supranational structure, was set up to administer the integration processes of three members so far (Russia, Belarus, and Kazakhstan). In October and December 2013, they arrived at a decision to sign an agreement on the Eurasian Economic Union on 1 January, 2015.

It should be said that there are enough supporters and opponents of integration outside the three countries involved, as well as inside each of them. The sides involved can be divided, with a great degree of approximation, into four groups:

(1) supporters and opponents inside the countries belonging to the Customs Union, Common Economic Space, and Eurasian Economic Union;

(2) supporters and opponents in the candidate states (Armenia), potential candidates (Kyrgyzstan) and candidates with reservations (Tajikistan);

* On the pre-history of the subject, see: E.S. Syzdykova, "Evraziyskaia integratsia v otsenkakh nauchno-issledovatel'skogo i ekspertno-analiticheskogo soobshchestva stran TS-EEP," *Kazakhstan-Spektr (KISI)*, No. 3, 2013, pp. 5-29.

(3) observers—the other CIS countries affected by the integration process;

(4) foreign observers (mainly in the West, as well as in other countries).

KAZAKHSTAN

Kazakhstan is actively involved in the integration processes and promotes Eurasian integration within the EEU and the CES.

There is no agreement, however, on the subject in the republic, where discussions have been going on and on for many years. It can be said that the questions related to Eurasian integration have been carefully elaborated at the fundamental academic and analytical level by the republic's best think tanks: the Kazakhstan Institute of Strategic Studies (KISI or KazISS), the Institute of World Economy and Politics at the Foundation of the First President of Kazakhstan (IMEP), the Institute of Political Decisions (IPR), the Agency for Studying Profitability of Investments (AIRI), the Institute of Economics at the Ministry of Education and Science of the Republic of Kazakhstan (MON RK), and several others.

In the last few years, KISI has carried out several fundamental studies of various forms of Eurasian integration^{**}, while its experts have expressed their own opinions about integration and its course^{***}. They agree with the official

position and are convinced that Eurasian integration should proceed slowly but surely from EurAsEC to the Customs Union, then to the Common Economic Space and, finally, to the Eurasian Economic Union. It is extremely important to convince the public that Eurasian integration is an important factor of regional stability and higher competitiveness of the CU countries^{****}.

KISI experts summarized the preliminary results of Kazakhstan's membership in the CU and CES and found them positive. Since 2011, the CU's first year, Kazakhstan has been demonstrating quantitative and qualitative progress in the main macroeconomic indices, including GDP, investment cooperation with the CU countries, inflow of investments into advanced economic branches, smaller deficit in trade with Russia, slower inflation, and greater inflow of taxes.

According to the KISI experts, asynchronous development within the EurAsEC creates two integration spaces: the space formed by the Union State of Russia and Belarus and the space formed by the states of Central Asia (Kazakhstan, Kyrgyzstan, and Tajikistan) or, in other words, the "Euro-pean" and "Asian" parts of the common EurAsEC space. On the other hand, there is a threat of dis-integration of the EurAsEC economic space (withdrawal of its Asian part, in particular) which can be described as a threat to "Eurasianism."

^{**} See: *Tamozhennyi soiuz Belarusi, Kazakhstana i Rossii: sostoianie, problemy, perspektivy*, KISI, Almaty, 2009, 368 pp.; *Tamozhennyi soiuz Belarusi, Kazakhstana i Rossii: realii i perspektivy, Materialy mezhdunarodnoy konferentsii, 25 November, 2009*, ed. by B.K. Sultanov, KISI, Almaty, 2010, 128 pp.; D.Sh. Mukhamedzhanova, *Kazakhstan i mezhdunarodnye integratsionnye protsessy*, KISI, Almaty, 2011, 200 pp.; *Tamozhennyi soiuz i Edinoe ekonomicheskoe prostranstvo: problemy ekonomicheskoy integratsii*, KISI, Almaty, 2013, 176 pp.; *Formirovanie EEP: sostoianie, problemy, perspektivy*, KISI, Almaty, 2012, 200 pp.; A.A. Bashmakov, *Ot prigranichnogo sotrudnichestva k evraziyskoy ekonomicheskoy integratsii: sbornik nauchnykh trudov*, KISI, Almaty, 2013, 216 pp.; K.B. Berentaev, *Ekonomika Kazakhstana i vyzovy XXI veka. Sbornik nauchnykh trudov*, ed. by B.K. Sultanov, KISI, Almaty, 2013, 244 pp.; *Integratsionnye protsessy v evraziyskom prostranstve i sovremenniy mir*, KISI, Almaty, 2013, 234 pp.

^{***} See: L. Muzaparova, "Tamozhennyi soyuz i Edinoe ekonomicheskoe prostranstvo: perspektivy razvitiya i vozmozhnosti dlia stran-uchastnits," *Analytic (KISI)*, No. 4, 2011; idem, "Evraziyskiy ekonomicheskii soiuz: novaia realnost v globalnoy ekonomike," *Analytic*, No. 12, 2012; idem, "Tamozhennyi soiuz i Edinoe ekonomicheskoe prostranstvo: vozmozhnosti i perspektivy," *Rossia i novye gosudarstva Evrazii (MEMO)*, No. III, 2011, pp. 1-7; D.Sh. Mukhamedzhanova, "Novye aspekty ekonomicheskoy politiki v usloviakh Edinogo ekonomicheskogo prostranstva," *Analytic*, No. 6, 2009, pp. 76-89; idem, "Problemy postsovetskogo regionalizma," *Kazakhstan-Spektr*, No. 2, 2011, pp. 63-67; idem, "Stanovlenie edinogo ekonomicheskogo prostranstva: vzgliad iz Almaty," *Rossia i novye gosudarstva Evrazii*, No. I, 2013, pp. 14-23; idem, "Natsionalnaia ekonomicheskaiia strategiiia v usloviakh EEP," *Rossia i novye gosudarstva Evrazii*, No. IV, 2011, pp. 44-56; S. Nugerbekov, "Analiz torgovo-ekonomicheskikh otnoshenii i sostoiania ekonomik RK, RF i RB v usloviakh predstoiashchego vkhozhdeniia v Tamozhennyi soiuz," *Analytic*, No. 3, 2009, pp. 48-57; G. Rakhmatulina, "Tamozhennyi soiuz v ramkakh EvrAzES: perspektivy dlia Kazakhstana," *Mirovaia ekonomika i mezhdunarodnye otnosheniia (MEMO)*, No. 11, 2010, pp. 75-81; idem, "Neftegazovy sektor Kazakhstana v usloviakh EEP," *Rossia i novye gosudarstva Evrazii*, No. I, 2012, pp. 18-31.

^{****} See: *Tamozhennyi soiuz i Edinoe ekonomicheskoe prostranstvo: problemy ekonomicheskoy integratsii*, pp. 11-12.

This means that the political elite of Kazakhstan largely supports integration in the economy, but not in other spheres, and regards President Nazarbaev as one of the leaders and authors of the Eurasian Union idea. Kazakhstan's analysts point out that the integration process has already produced its first fruits. The idea is supported at the grass-roots level; Senator Anatoly Bashmakov is one of the most active supporters of Eurasian integration****.

Positive assessments of integration do not exclude doubts expressed by different political, economic, and public groups. Those who criticize the CU-CES point to the absence of a clear concept of integration and a national idea shared by Kazakhstan and Russia. Some of the experts believe that the idea of bringing together the potential of both countries in order to use their natural resources to organize their territories and upgrade the standard of living may become a consolidating factor.

There are fears in the expert community that supra-national institutions might deprive Kazakhstan of its sovereignty; there is no agreement either in the expert community or public at large about the usefulness of a Eurasian parliament, which is seen as an instrument of Moscow's control over Astana. It seems that this opinion, incessantly broadcast by the media, forced President Nazarbaev to make several outstanding statements. In January 2013, he pointed out: "The country's political sovereignty is not discussed. Any attempt to put pressure on Kazakhstan to threaten our independence will be seen as a reason to leave

the union," and he also said that Kazakhstan needs economic integration.

The critics are concerned about the continued raw-material nature of the country's economy. The arguments are simple: the leaders' hasty decision to join the alliances allegedly meets the interests of the raw-material companies, which will move to the duty-free markets. The future of small and medium businesses unable to compete with more or less competitive Russian business is vague. The rising level of bureaucratization inside the integration alliance and the absence of a common system of technical regulation are seen as weak points.

Russia's excessively protectionist policy at the regional level raises even more objections. Its federative structure allows the local parliaments to issue their own regulations, which erect obstacles to goods from Kazakhstan. The critics point to the fact that Kazakhstan's involvement in the CU-CES inevitably limits its trade with China*****.

There are attempts to assess Eurasian integration at the theoretical level. Director of the Institute of World Economy and Politics Sultan Akimbekov believes that ideological issues were pushed aside by the fierce political and economic discussions and, therefore, out of the political space. Today, ideology is closely connected with the following questions: Is Russia determined to restore its old empire? And what do the other former Soviet states and nations think about this? This has inevitably pushed the issue into the sphere of politics*****.

**** See: A.A. Bashmankov, "Kazakhstan i Rossia—passionarnoe iadro evraziyskoy integratsii," *Rossia i novye gosudarstva Evrazii*, No. IV, 2013, pp. 18-23. On the pre-history of the subject, see: E.S. Syzdykova, "Evraziyskaia integratsia v otsenkakh nauchno-issledovatel'skogo i ekspertno-analiticheskogo soobshchestva stran TS-EOP," *Kazakhstan-Spektr (KISI)*, No. 3, 2013, pp. 5-29.

***** On detailed criticism, see: N. Kassenova, *Kazakhstan and Eurasian Economic Integration: Quick Start, Mixed Results and Uncertain Future*, IFRI, Paris, 2012, 29 pp.; F. Vielmini, "The Challenges of Eurasian Integration for Kazakhstan," *ISPI—Analysis (Rome)*, No. 151, 2013, 7 pp.; Zh. Ibrashev, S. Abdugazieva, "Politicheskii aspekt evraziyskoy integratsii," *Analytic*, No. 4, 2012, pp. 198-110.

***** See: S. Akimbekov, "Evraziiskaia teoria dlia integratsii i Kazakhstana," *Kazakhstan v globalnykh protsessakh (IMEP)*, No. 1, 2013, pp. 6-17.

See: G. Chufirin, *Ocherki evraziyskoy integratsii*, Ves mir Publishers, Moscow, 2013, 128 pp.; idem, "Evraziyskaia integratsia: pervye itogi i novye vyzovy," in: *Dvustoronnie politicheskie i ekonomicheskie otnosheniia Kazakhstana i Rossii*, KISI, Almaty, 2013, pp. 20-131; idem, "Tamozhennyi soiuz Rossii, Belorussii i Kazakhstana," *Rossia i novye gosudarstva Evrazii*, No. II, 2010, pp. 5-14; idem, "Posle SSSR: ot SNG k Evraziyskomu soiuzu," *Kazakhstan-Spektr*, No. 3, 2011, pp. 35-42; idem, "20 let bez SSSR: ot SNG k Evraziyskomu soiuzu," *Rossia i novye gosudarstva Evrazii*, No. IV, 2011, pp. 5-13.

RUSSIA

In Russia, the most active driving force behind integration in various forms, the problem is attracting even more attention. There are many supporters as well as opponents in the academic community and political establishment.

At the intellectual level, it is discussed at the Institute of World Economy and International Relations (IMEMO RAS), the Russian Institute of Strategic Studies (RISI), the Foreign Ministry Moscow State Institute of International Relations (University) (MGIMO-U), the Institute of Economics RAS, and many others. The International Affairs journal, which translates the opinions of the Foreign Ministry of Russia, has been paying a lot of attention to the issue^{*****}. Academician Genadi Chufrin of the IMEMO RAS, the most enthusiastic supporter of Eurasian integration and the author of numerous works on the subject^{*****}, is convinced that Russia should add vigor to its informational and propaganda efforts to demonstrate that economic cooperation within the Customs Union, the Common Economic Space (since 2012), and the future Eurasian Economic Union is the main cooperation trend and will remain so in the foreseeable future. He has pointed out that Russia and its partners are not only determined to move consistently toward mutually advantageous positions in the integration process, but also seek the best possible solutions to make this rapprochement irreversible.

Academician Chufrin is also convinced that the Eurasian Economic Union might develop in the distant future into a confederation (if and

when the necessary preconditions have been created), not only consolidated by economic, domestic and foreign policy, and security interests, but also by shared interests in the humanitarian and cultural spheres^{*****}. He has written elsewhere that structural changes and gradually moving away from the present raw-material development model (responsible for their dependent status in global economy) are impossible without breakthroughs in the above-mentioned directions^{*****}.

There is no agreement in the Russian academic and expert community on the efficiency of the planned association. Some people believe that the project is doomed, while others see it as an already accomplished reality and are living in the pleasant anticipation of huge advantages. There are those who, while accepting the project as well-timed and useful, warn about the strenuous efforts in store for its builders. They mean that these efforts should be harmonized and that the Union's supranational character should be accepted and its members act accordingly. There is another, no less challenging task: the members should modernize their economic and, hence, political systems within a very short period of time^{*****}.

Vladislav Inozemtsev, a well known political scientist, says in so many words that the claims of Russia, Belarus, and Kazakhstan to the role of one of the world's geo-economic centers are unfounded. Prof. Alexey Portanskiy of the Higher School of Economics is, likewise, very skeptical about the prospects of the new integration structure. He believes that the leaders of Russia are driven by foreign policy considerations—they

^{*****} See: "The Architecture of Integration Processes in the Post-Soviet Area: Russia, Ukraine, Belarus," *International Affairs (MID RF)*, No. 1, 2012; "Yalta-2012. The Eurasian Development Vector: Problems and Prospects," *International Affairs*, No. 1, 2013, pp. 112-175.

^{*****} See: G. Chufrin, *Ocherki evraziyskoy integratsii*, Ves mir Publishers, Moscow, 2013, 128 pp.; idem, "Evraziyskaia integratsia: pervye itogi i novye vyzovy," in: *Dvustoronnie politicheskie i ekonomicheskie otnosheniia Kazakhstana i Rossii*, KISI, Almaty, 2013, pp. 20-131; idem, "Tamozhennyi soiuz Rossii, Belorussii i Kazakhstana," *Rossia i novye gosudarstva Evrazii*, No. II, 2010, pp. 5-14; idem, "Posle SSSR: ot SNG k Evraziyskomu soiuzu," *Kazakhstan-Spektr*, No. 3, 2011, pp. 35-42; idem, "20 let bez SSSR: ot SNG k Evraziyskomu soiuzu," *Rossia i novye gosudarstva Evrazii*, No. IV, 2011, pp. 5-13.

^{*****} See: G. Chufrin, "O zadachakh evraziyskoy integratsii," *Rossia i novye gosudarstva Evrazii*, No. I, 2013, pp. 5-13.

^{*****} See: G. Chufrin, "Dostizheniia i problemy evraziyskoy integratsii," *Rossia i novye gosudarstva Evrazii*, No. IV, 2013, pp. 8-17.

^{*****} N. Fedulova, "Perspektivy Evraziyskogo ekonomicheskogo soiuzna," *Rossia i novye gosudarstva Evrazii*, No. III, 2012, pp. 5-20.

want a strong economic and territorial structure to be taken into account to a much greater extent; there is another (and rarely proclaimed) aim to keep the post-Soviet states in Russia's sphere of influence.

S. Chernyshev, Director of the Department of Economic Cooperation with CIS Countries, Ministry of Economic Development, on the other hand, does not question the efficiency of the CU and the CES of the three countries.

Alexander Bykov, Senior Research Associate at the Institute of Economics, RAS, has offered a much more balanced opinion: despite the weak starting positions, "good results are possible if work is organized correctly, if the goals selected are optimal and realistic, and if an efficient mechanism is built." The text, however, betrays that success is not guaranteed.

Russian experts pay a lot of attention to what their colleagues from other countries, Kazakhstan in particular, have to say^{*****}. Nikolay Rabotyzhev of IMEMO has pointed out that closer integration among the post-Soviet states meet the national interests of Russia and its CIS partners and that, not infrequently, the foreign policy of the newly independent states does not correspond to their national interests, which slows down integration. At the same time, writes the author, integration in the post-Soviet space should not be limited to Russia, Belarus, and Kazakhstan^{*****}.

Russian experts write a lot about integration at the global level^{*****}. E. Vinokurov and A.

Libman from St. Petersburg have summarized their conceptual approach to the issue in their fundamental work *Evraziyskaia kontinentalnaia integratsiia* (Eurasian Continental Integration), in which they developed their idea of a new configuration of integration processes on the Eurasian continent. They believe that the integration going on in different parts of the continent is being increasingly complemented by continental integration. It should develop in the form of extensive cooperation among the existing integration associations, forums, and all sorts of other structures based on the shared interests of the states involved. They expect that the present disunited associations will be replaced with the incorporation of all the integration entities into several integration structures^{*****}.

The authors agree that Eurasian integration is potentially important for all the countries on the Eurasian continent and is very important for Russia and Central Asia, which gain a lot from the combination of two Eurasian integrations—the Eurasian post-Soviet and Eurasian continental^{*****}.

Russian academics have been showing immense interest in the civilian dimension of integration^{*****}. A. Portanskiy has pointed out that the obviously unequal distribution of responsibility for the Eurasian integration project between the sides involved should be regarded as its weakness. The state of their economies suggests that each of the sides needs stronger partners with high-tech bases found only outside the borders of the future Eurasian integrated union^{*****}.

^{*****} See: E. Ionova, "Kazakhstan i razvitie ekonomicheskoy integratsii na postsovetском prostranstve," *Rossia i novye gosudarstva Evrazii*, No. III, 2012, pp. 81-86.

^{*****} See: N. Rabotyzhev, "Integratsia na postsovetском prostranstve: novy start," *Rossia i novye gosudarstva Evrazii*, No. IV, 2011, pp. 28-43.

^{*****} See: Budushchee Evrazii: BRIKS ili Evraziyskiy soiuz? *Voprosy ustoychivosti soiuzov*, TsSOP, Moscow, 2012, 28 pp.

^{*****} See: E. Vinokurov, A. Libman, *Evraziyskaia kontinentalnaia integratsia*, Center of Integration Studies, St. Petersburg, 2012, 224 pp.

^{*****} See also: E. Vinokurov, "Pragmatic Eurasianism," *Russia in Global Affairs* (Moscow), No. 2, 2013; E. Vinokurov, A. Libman, "Trendy regionalnoy integratsii na postsovetском prostranstve: rezultaty kolichestvennogo analiza," *Voprosy ekonomiki* (IE RAS), No. 7, 2010, pp. 94-107; idem, "Post-Soviet Integration Breakthrough. Why the Customs Union has More Chances than Its Predecessors," *Russia in Global Affairs*, No. 2, 2012; A. Libman, "Postsovet'skaia integratsia i politicheskie sistemy post-sovet'skikh gosudarstv," *Rossia i novye gosudarstva Evrazii*, No. IV, 2012, pp. 5-20; idem, "Optimalnoe prostranstvo evraziyskoy integratsii," *Rossia i novye gosudarstva Evrazii*, No. IV, 2010, pp. 5-17; E. Vinokurov, A. Libman, "Dve evraziyskie integratsii," *Voprosy ekonomiki*, No. 2, 2013, pp. 47-72.

^{*****} See: T. Guzenkova, "Evraziyskiy ekonomicheskii soiuz: grazhdanskoe izmerenie," *Problemy natsionalnoy strategii* (RISI), No. 6, 2012, pp. 75-89.

^{*****} See: A. Portanskiy, "Poblemy i dilemmy evraziyskogo vybora Rossii," *Rossia i novye gosudarstva Evrazii*, No. 1, 2013, pp. 24-31.

Prof. Xenia Borishpolets doubts Russia's position as the integration leader. It is the leading economic entity of integration, the raw-material, population, and industrial potential of which is greater than the aggregate potential of the two other countries, however the movement along the Eurasian trajectory has not made Russia, by default, an absolute leader*****

Andrey Suzdaltsev (Higher School of Economics) asks whether the Eurasian Economic Union will replace the Union State of Belarus and Russia? By way of answering his own question, he points to the unique place of the Union State among the other post-Soviet integration projects as the only attempt to bring about political integration of the CIS members. In 2010, Belarus joined the Customs Union, which deprived the Russian-Belorussian political integration project, the Union State, of its economic dimension. This means that it will remain a very specific social and two neighbors*****

Stanislav Borisov (IMEMO RAS) has analyzed a novel phenomenon of the post-Soviet period, namely, efforts to promote monetary and financial integration within the Customs Union and the Common Economic Space*****. The author has pointed out that since Eurasian integration has not moved very far yet, it is too early to offer substantiated and objective conclusions about its efficiency, advantages, and shortcomings. He writes that Russia profited from the agreement: it keeps the income produced by the export of crude oil in its budget. It should readjust the payment for energy resources it sells to Belarus: obligatory payments in convertible currencies should be replaced with the possibility to pay in Russian rubles (this has been done in trade in other goods).

Kazakhstan should follow Belarus and issue a law that will make the Russian ruble a convertible and reserve currency in its territory. The author concludes that a single currency in the integrated states will probably appear in the distant future; today this is a subject of theoretical supposition and academic discussion.

BELARUS

The Belarusian leadership talks of itself as the flagman of Eurasian integration and claims a special role for its country. It proceeds from its active involvement in all the integration projects up to and including the Union State of Russia and Belarus. In many respects, the republic is a privileged member of the integration alliances, President Lukashenko being the main (or even the only) supporter of integration with Russia in the republic's political elite*****

Integration with Russia causes apprehension in the political and expert community of Belarus. First, that part of the republic's expert community that supports the government is convinced that the unique Belorussian model of a socially oriented state is incompatible with the Russian political and economic development pattern and that Belarusian sovereignty will be threatened.

Those who oppose integration into a future alliance proceed from the familiar arguments related to the choice "between the East and the West." These people look at integration as gradual acceptance of Russia's conditions and describe it in terms of subordination and absorption rather than integration. Those who regard Eurasian integration as an imposed process also doubt its future.

***** See: K. Borishpolets, "Evraziyskiy ekonomicheskiy soiuz: integratsionny proekt v deystvii," *Rossia i novye gosudarstva Evrazii*, No. II, 2012, pp. 5-15; K. Borishpolets, S. Chernyavsky, "The Common Economic Space of Russia, Belarus, and Kazakhstan: Present and Future," *Central Asia and the Caucasus*, Vol. 13, Issue 1, 2012, pp. 120-129.

***** See: A. Suzdaltsev, "Smenit li Evraziyskiy ekonomicheskiy soiuz Soiuznoe gosudarstvo Belorussii i Rossii?" *Mirovaia ekonomika i mezhdunarodnye otnosheniia*, No. 8, 2013, pp. 71-75 (see also: A. Suzdaltsev, "Politics ahead of the Economy. Risks and Prospects of the EurAsEC Customs Union," *Russia in Global Affairs*, No. 1, 2010, pp. 89-90; idem, "Formirovanie Rossiiskoy politiki v otnoshenii Belorussii (2005-2008)," *Mirovaia ekonomika i mezhdunarodnye otnosheniia*, No. 3, 2009, pp. 64-74).

***** S. Borisov, *Valiutno-finansovye problemy evraziyskoy integratsii*, IMEMO RAS, Moscow, 2014, 92 pp.

***** See: "Evraziyskiy ekonomicheskiy soiuz: otnoshenie k projektu v stranakh SNG," *Problemy natsionalnoy strategii*, No. 1, 2013, pp. 9-14.

Some experts interpret integration in the post-Soviet space as a key to the “doors to China” and its rapidly growing economy. Experts of the Center for European Integration Problems at the Ministry of Information of the Republic of Belarus believe that China as a source of high technologies and investments is an alternative to Europe, while Eurasian integration will give the country the opportunity to become one of the main transit corridors for Chinese goods and will add to Belarus’ geopolitical weight.

On the other hand, the country is actively invited to join the Mezhdumorie, a Polish integration project expected to join Ukraine, Belarus, Latvia, Lithuania, and Poland in an integrated region. With a population of about 100 million, this association, supported by its allied relations with Washington, will be able to control the larger part of Russia’s western contacts, be involved in trans-Eurasian trade routes, and be strong enough to defend its interests in Brussels. The Poles proceed from the (false) supposition that the Belarusian regime is fragile; this explains why their plans are not supported either by the country’s political and expert community, or the ordinary people.

THE CANDIDATE COUNTRIES

The expert community of Kyrgyzstan and its parliament were far from united in their response to the statement made by President Almazbek Atambaev in 2013 that Kyrgyzstan should join the Customs Union and that an interdepartmental commission had been set up to start negotiations on the country’s CU membership. The prospects and possible repercussions were discussed at a series of public meetings; much has been written in specialized publications and much has been said in the media.

In Kyrgyzstan, the nationalist or pro-Western politicians and public figures are forced to support in public (even though with much reservation) the

ideas of Eurasian integration in general and the Eurasian Economic Union in particular. Kyrgyz labor migrants and their far from enviable situation is one of the most painful issues. The business community is very positive about Eurasian integration; the country’s orientation toward re-export is seen as the main problem, while the opening of internal markets and the probability of new jobs breed hopes. It should be said that despite the gradually shrinking of Russia’s cultural position in the region, the ordinary people are still positively disposed toward Russia and Eurasian integration.

Kyrgyz experts point out that the structure of the republic’s trade with the members of the Customs Union shows that the changed trade conditions might have a strong impact on practically all of the economic sectors, the budget, and employment and that a considerable part of the country’s foreign trade relies on re-export*****.

A group of independent experts studied the possible economic effects of the country’s CU membership; the project was funded by USAID. They concluded that its membership would inevitably cut down the volumes of import and re-export together with budget revenues. On the other hand, the WTO rules, which allow its members to join free trade areas and customs unions under certain conditions, make it fairly hard for Kyrgyzstan, which is a WTO member, to join the new Customs Union.

Kyrgyz society is especially worried about Russia’s absolute economic and political domination in the Customs Union; the country’s economy is small and weak to the extent that it can function only as a part of a large economic association. This means that its CU membership will resolve many problems related to the labor migration of Kyrgyz citizens to the CU member states.

The public and expert communities are involved in uncompromising discussions of whether the country should join the Customs

***** See: T. Dyykanbaeva, “Tamozhenny soiuz i Kyrgyzstan,” *Rossia i novye gosudarstva Evrazii*, No. III, 2011, pp. 1-7

Union stirred up by slack or even absent integration within the CIS, contradictions between integration and the desire to preserve national independence, and fragmentation of the integration process. Time has shown, however, that the leaders of Kyrgyzstan are becoming more inclined to join the new integration structure, particularly after President Putin's visit to Kyrgyzstan in 2013 and the signing of large-scale investment agreements with Russia in the energy sphere.

If it joins the CU, the discrepancies between the conditions for CU and WTO membership must be addressed and resolved. Kyrgyzstan will have to double its customs tariffs; Russia's WTO membership and the intention of Kazakhstan and Belarus to join might cause readjustments of the Unified Customs Tariff of the Customs Union.

The public debates on whether or not the country should join the Customs Union are accompanied by alarmist statements that re-export will die and jobs will disappear. The distribution of income revenues might cause even more complications. Kyrgyz experts insist on the following preferences: the national and the CU regimes should coexist for three to five years; the CU countries should extend Kyrgyzstan technical support to modernize production and improve the quality of locally produced goods; support of and assistance to the business community of Kyrgyzstan should be rendered to enable it to adjust to the international security and quality standards*****.

On 19 September, 2013, the Ministry of Economics of Kyrgyzstan and the Eurasian Economic Commission (EEC) approved the final version of the corresponding roadmap. Some of the Kyrgyz experts offered a very unusual opinion: they see the Customs Union, the Common Economic Space, and the Eurasian Economic Union as practical implementation of the liberal theory of a market economy in which goods,

capital, services, and labor circulate with minimum state limitations and add that Russia risks more than the other members*****.

Armenia is already involved in all the integration formats (the CIS and CSTO) and has an observer status in the EurAsEC. At the official level, much is being said about the need to strengthen economic ties in the Eurasian space. In October 2011, Prime Minister T. Sarkisian approved the newly established format of self-organization of states and promised that Armenia would be actively involved in the process. In August 2012, after a meeting of the presidents of Russia and Armenia, the two countries set up a commission to study the opportunities for Erevan's integration efforts within the framework of the CU and the EEC.

It should be said that the main Armenian information resources and progovernment media are very negative about the EEU and Armenia's involvement in it. For a long time, the official circles insisted that the issue could be discussed only when a document outlining the format, instruments, and mechanisms available to the future members of the Eurasian Economic Union had been signed. A country with no common borders with Russia, Kazakhstan, and Belarus cannot be fully involved in the CU and CES formats for obvious geopolitical reasons.

Early in September 2013, Armenia announced that it wanted CU membership and, later, involvement in building the Eurasian Economic Union. Russia and Kazakhstan agreed immediately, while Minsk remained in two minds: the local leaders viewed Armenia within the CU as a rival of Belarus with respect to Russian subsidies.

Seen from Russia, it looked as if Armenia was ready to perform a geopolitical U-turn away from Moscow; in fact, Armenia was acting under the pressure of a blockade that weighed heavily on its economy and was extremely disappointed in

***** See: *Ibidem*, No. IV, 2013, pp. 24-32.

***** See: A.L. Saliev, "Kyrgyzstan i integratsionnye protsessy v Tsentralnoy Azii," in: Integratsionnye protsessy v evraziyskom prostranstve i sovremenny mir, pp. 160-169.

the strategic partnership with the Russian Federation. Most of the industrial enterprises that Russia acquired as payment of Armenia's debt remain idling, while the repeated requests for a \$2 billion loan needed to stabilize Armenia's economy were ignored. It remains to be seen whether Russia will issue a grant to minimize the losses caused by the higher gas prices. There is an even weightier argument: Russia sells weapons to Azerbaijan.

It should be said in all justice, that President S. Sargsian planned to initial the Association Agreement at the Vilnius Summit of the Eastern Partnership Countries in November 2013. The Armenian elite see the country's alliance with Moscow as a temporary measure prompted by the unfavorable geopolitical environment, i.e. Turkey as the closest neighbor and the state of war with Azerbaijan. They, the younger generation in particular, associate the country's future with the EU and NATO, rather than with Russia and the CIS integration structures. Armenia should remain Russia's friend, but not an ally. Russia, in turn, "should not block the road to Europe." When Armenia reached the final stretch of the road to the Association Agreement with the EU, Vladimir Putin made it abundantly clear that economic dividends were no substitute for the national security ensured by Russia.

Some Armenian experts are fairly outspoken about the prospects of Eurasian integration. Alexander Iskandarian, Director of the Caucasus Institute in Erevan, for example, is convinced that the former relations between the former Union republics cannot be restored because cooperation among the post-Soviet states stands on a basis very different from their coexistence within the same country. "In ten to fifteen years from now, the generation of the elites that grew up in the Soviet Union and that shares the same culture codes and the ability to communicate with each other like

people of one country, and not like foreigners, will begin to leave the stage"*****

Since 2005, a wide range of problems caused by Tajikistan's possible CU membership has come to the fore and remains on the republic's sociopolitical agenda. Very much in line with the globalization trends, Tajikistan looks at deeper integration as one of its foreign policy priorities; the public shares this conviction with the country's leaders.

In October 2011, in the wake of Vladimir Putin's program article written as part of his election campaign, all the political parties of Tajikistan approved the idea of integration and the prospect of CU membership for the republic. Later, public discussions of the future of the Eurasian Economic Union were pushed aside by the more urgent prospect of CU membership. On the whole, the idea has been accepted in Tajikistan even though there are fears that at the first stage there might be economic losses. Koqidavlat Koimodov, Ambassador of Tajikistan to Belarus, shares this apprehension. Until the borders of the Customs Union approached Tajikistan, i.e. Kyrgyzstan joined it, Dushanbe preferred bilateral agreements. According to public opinion polls, most of the political forces and ordinary people support the ideas of Eurasian integration*****

OTHER CIS COUNTRIES

The bloodshed in Maidan in February 2014 predated by Viktor Yanukovich's foreign policy somersaults we observed in 2013 and in Vilnius made it next to impossible to assess Ukraine's position on this or any other foreign policy issue. We can talk about trends related to the problem discussed that were more or less obvious in the country's political and expert communities before 2014.

Russian experts have agreed that Ukraine was the weakest European link in the chain of Eurasian

***** A. Iskandarian, "Why are We Drifting Apart? The Dialectics of Integration and Disintegration," *Russia in Global Affairs*, No. 4, 2013.

***** See: R. Zairov, "Problemy vstupleniya Respubliki Tajikistan v Tamozhenny Soyuz," *Central Asia and the Caucasus*, No. 1, 2013, pp. 187-198; M. Olimov, "Konkurentsia globalnykh proektov v prostranstve Evrazii i pozitsia Tajikistana v Azii," in: *Integratsionnye protsessy v evraziyskom prostranstve i sovremenny mir*, pp. 170-175.

integration*****. Ukraine remained outside the integration field and stubbornly refused to join integration projects because there is no more or less influential right-wing political force or public group willing to join Russia's integration projects and ready to defend its position in public.

The financial and political elites are showing no interest in integration, individual politicians and marginal movements being the only exception. According to the public opinion polls conducted in 2009-2012, about 54% of the country's population supports integration within the CIS; isolationist feelings were even less popular than in Russia: 23% and 36%, respectively.

On the whole, before 2014, the nation and the elite could not agree on many points—a situation typical of today's Ukraine. The closely intertwined economic and political elites have their own ideological and business reasons to oppose reunification. Indeed, everything Ukrainian is consistently opposed to everything Russian; there is a lot of talk about the civilizational abyss between the two peoples, which dominates public life and the local media. The integration idea has little chance in a country where pro-Russian views and opinions are banned and where sympathy for Russia is incompatible with Ukrainian patriotism. The structure of business interests of the Ukrainian financial and industrial elite is very important; in fact, the Ukrainian business community is afraid of the Russian "oligarchs" and defense and security structures.

Since 2012, the opinion that Russia's integration proposals are compulsory in nature has been spreading far and wide across the country. The Western lobby in Ukraine stands opposed to the projects of the Eurasian Economic Union and the European Union. Petr Simonenko, First Secretary of the C.C., Communist Party of Ukraine, is the only open supporter of the former. Today, integration of Ukraine and other parts of the post-Soviet space

looks improbable in view of the stormy events of 2014, which led to Ukraine losing Crimea and its waging a de facto war in its eastern regions, etc.

Writing in 2013, that is a year before the Euro-Maidan in the center of the Ukrainian capital, Yuri Andreev, an expert from Russia, predicted that the West, the United States in particular, would try to keep Ukraine away from the Eurasian Union in order to deprive the integration structure of the lion's share of its potential consequences and international weight*****. The stormy events of late 2013 and, especially, of 2014, which removed Yanukovich, himself not an enthusiastic supporter of integration, confirmed what Andreev wrote early in 2013 and buried the weakest of hopes that Kiev would agree to be involved, at least marginally, in Eurasian integration. Prompting from the outside is obvious.

Moldova and Transnistria disagree over the nature and aims of Russia's integration initiatives. The ruling and humanitarian elites of the former, which are looking at Europe and Rumania, describe Russia's initiatives as another bout of its "imperial" policies and suspect Moscow of a desire to "detach Moldova from the Rumanian cultural community and European civilization." In Transnistria, where people regard their republic as part of historical Russia, the motives and aims of Eurasian integration under the aegis of Russia are seen as absolutely justified.

Sociological polls register, very much as in Ukraine in 2009-2012, consistent growth of Euro-skepticism among the popular masses attracted by Russia and its integration initiatives. Politicians and experts of the opposite camp are alarmed by the figures and their impact on Moldova's European integration. Their explanation of the evolution of opinions and preferences are highly one-sided. The local opposition, on the other hand, is exploiting the subject in its own interests. The left-wing par-

***** See: "Evrosiyskiy ekonomicheskiy soiuz: otnoshenie k proektu v stranakh SNG," *Problemy natsionalnoy strategii*, No. 1, 2013, pp. 37-38.

***** See: Yu. V. Andreev, "Kievskoe uravnenie v evraziyskom proekte," *Puti k miru i bezopasnosti* (IMEMO), No. 1, 2013, pp. 120-122.

ties heavily rely on Eurasian rhetoric in an effort to present themselves to the public as consistent supporters of drawing closer to Russia through integration projects.

The South Caucasian countries, each in its own way, are important elements of Eurasian integration, especially in the mid-term and longer perspective. The way Armenia, Azerbaijan, and partly Georgia will relate to the Eurasian subject range will determine the currently developing trends. Abkhazia and South Ossetia, two newly independent states in the region, can be described as an integration factor that cannot and will not be ignored in the future.

Baku is in two minds about the Eurasian Economic Union, which is easily explained by its relations with Russia; relations with Belarus and Kazakhstan (the latter being a member of the Turkic Council, another integration project together with Azerbaijan) are not that important. In Azerbaijan, the ordinary people are, on the whole, inclined to approve integration with Russia for several reasons, including the large (or the largest among the post-Soviet) Azeri diaspora in Russia. On the other hand, there are ethnic minorities in Azerbaijan that pin their hope on Russia as a possible guarantor of their rights.

The country's political elite sides with the country's top leaders: they are seeking a balance between the Western, Russian, and Turkish (pan-Turkic) vectors. Officials have already made it known that their country is not interested in CU membership, territorial integrity being the highest stumbling block. Practically everything that has already been said on the matter is vaguely formulated and can be interpreted as a warning that Azerbaijan's territorial integrity should be respected

The business community of Azerbaijan is divided into those related to the oil and gas sector, its economic cornerstone, and others. The former is a natural rival of the oil and gas sector of Russia, which contradicts the idea of integration. A large

part of other businesses (trade, agriculture, and industry) is closely associated with Russia and the CIS countries; it is aware of the integration advantages and, therefore, sides with the idea.

The specifics of the relations between Russia and South Ossetia and Abkhazia and their unwillingness to create problems for Russia on the international scene prompt both republics (which have not yet gained international recognition and cannot, for formal reasons, join the EEU) not to claim EEU membership.

Compared with most of the Central Asian countries (Kyrgyzstan, Tajikistan, and Kazakhstan), Uzbekistan is marginally involved in the already functioning post-Soviet integration structures. In 2008, Tashkent suspended its membership in the EurAsEC; four years later it left, for the second time, the CSTO. In June 2012, the same people decided to join the CIS Free Trade Area.

In December 2011, in Moscow, President Karimov described the functioning and planned forms of economic integration in the post-Soviet space as logical results of CIS and world development. Tashkent is convinced that disintegration across the post-Soviet space is spreading far and wide; this does not mean that no joint projects can be implemented, especially if they leave the members' sovereignty and independence intact. Today, Tashkent, obviously unwilling to draw closer to Russia, intends to keep away from the developed forms of Eurasian integration (the Customs Union, Common Economic Space, and the Eurasian Economic Union).

Turkmenistan, sticking to its policy of neutrality (an official term for international isolationism), gives no reason to count it among the potential members of the Eurasian Union (at least in the short-term perspective). On the other hand, one should not ignore any interest of Ashgabad in economic cooperation with Russia and its Central Asian and Caspian neighbors. At the official level, however, the country's leaders decline all invitations to engage in closer integration.

***** See: "Evraziyskiy ekonomicheskiy soiuz: otnoshenie k proektu v stranakh CNG," pp. 14-20.

EXTERNAL ASSESSMENTS

I have already written that everything related to Eurasian integration is scrutinized from different points of view, up to and including foreign experience. Anna Lavut from the Institute of Latin America, RAS has concluded that the Latin American alliances, set up at different periods, invariably accumulated disagreements after the first five to seven years of mutual trade, which caused conflicts or even provoked political clashes and, not infrequently, slowed down integration

Renato Marques, Brazilian Ambassador to Belarus, a diplomat and outstanding scholar with vast experience of working in MERCOSUR and the EU, agrees with the above. He has drawn parallels between the pairs of members involved in two integration processes, Russia and Kazakhstan vs. Brazil and Paraguay, to say that the bigger economies (Russian and Brazilian) will inevitably suck the weaker economic entities into their orbits.

George Washington University in the United States instituted a research program to study Eurasian integration. Foreign experts have agreed that the project of Eurasian integration in the post-Soviet space rests on Moscow's desire to become one of the power centers that opposes the United States. Moscow's intention to keep the CIS republics within its orbit and prevent their drifting away from Russia toward other countries is described as "reunification of the post-Soviet states." From this it follows that political and strategic goals are seen as more important than economic development proper.

Center for Integration Studies at the Eurasian Development Bank is an unquestionable leader in Eurasian research. In 2013, it implemented over ten projects related to Eurasian integration.

The Western think tanks concentrated on the geopolitical aspects of the Eurasian integration processes

The Heritage Foundation, a conservative American fund, likewise, has concentrated on the geopolitical dimension of the Eurasian project. The Foreign Policy Center (U.K.) describes the Eurasian Union as an instrument of Russia's neo-imperialist domination in the near abroad realized through structural economic dependence.

In its analytical report, the Royal Institute of International Affairs (Chatham House) (U.K.) concluded that until recently regional integration in the post-Soviet space had been mainly declarative, while the Eurasian Union, which offered more promising and much more advanced forms of economic integration, would strongly affect the relations between the EU and Russia as a whole and the EU strategy in the post-Soviet space in particular. This turned Ukraine into a field of normative battles with Russia. This problem forces the EU to revise its approaches to "external management" of its Eastern neighbors from the point of view of short- and long-term potentials and problems.

The Round Table Eurasian Economic Integration: Rhetoric and Reality organized by the same institute has pointed out among other things that "the Customs Union faces serious challenges, both transitional and structural in nature. It retains grey areas on complicated legal issues. In addition, each member state has different motives and priorities for economic integration." It also has pointed out that Russia's role in economic integration creates certain problems. Public opinion polls and a wave of anti-migrant protests in Moscow have revealed a gap between Russia's foreign policy geared at the Eurasian Union and the public opinion in Russia, which prefers to keep the former imperial territories outside

***** See: A. Lavut, "Tamozhennyi soiuz Rossii, Belorussii i Kazakhstana v svete latinoamerikanskogo opyta regionalnoy integratsii," *Latinskaia Amerika (ILA RAS)*, No. 8, 2013, pp. 97-103.

***** See: A. Libman, D. Ushkalova, "Foreign Trade Effects of the Customs Union between Belarus, Kazakhstan, and Russia," *Central Asia Economic Paper*, No. 8, May 2013, The George Washington University, 6 pp.

***** See: J. Mankoff, "Eurasian Integration: The Next Stage," *Central Asia Policy Brief*, No. 13, December 2013, The George Washington University, 8 pp.

***** See: A. Sivitskiy, *Evraziyskaia integratsia v issledovaniakh inostrannykh "fabrik mysli" za 2013 god*, Minsk, TsSVI, 2014, 10 pp.

the country's borders and outside its sphere of influence.

The Peterson Institute for International Economics (the U.S.) published an analytical paper called "Ukraine's Choice: European Association Agreement or Eurasian Union?", which said that Ukraine would profit from the Association Agreement, while "conversely, the Customs Union market is smaller, technologically backward, less competitive, and does not offer Ukraine significant institutional benefits." The authors wrote that Russia should finally admit that in view of its national interests it should not force other countries join the Customs Union, and further: "The United States and the European Union should defend Ukraine against Russian economic aggression in the WTO and through vocal and economic support."

The Carnegie Endowment has made its own contribution to the discussion. Its experts have pointed out that it is Russia's first post-Soviet geopolitical alternative to other projects. There are clear economic, strategic, and humanitarian interests that call for serious integration efforts from Russia's post-Soviet neighbors. This is a real and useful project even if of very modest dimensions so far.

To become a power center it should accumulate a critical mass, yet its possible extension into Kyrgyzstan, Tajikistan, and Armenia will not make it a strong power center in Eurasia. To become this, it needs Ukraine with its 46-million strong population and Uzbekistan with its 30 million citizens. Today, Ukraine is obviously more important: its economic, demographic, and cultural potential could have added weight to the Eurasian Union.

The Brookings Institute (the U.S.) held a Round Table called The Future Course of the U.S.-Russia Relationship, which concentrated on the Eurasian Union, a Russian initiative. The participants concluded that the project stemmed from the idea of establishing a vast market, similar to the Soviet one. So far, the market is too small, while the project itself is senseless without Ukraine.

The International Institute for Strategic Studies (IISS) in London looks at a different (security) aspect of the same project. Russia is actively working toward disrupting the EU policy and squashing the European dreams of the region's population. What is said about Moscow's intention to draw its neighbors into its sphere of influence and restore its Soviet-type domination is wrong. In fact, Russia is defending itself and merely responding to the moves of others; this means that a mutually acceptable compromise between Moscow and Brussels is impossible.

China is also interested in Eurasian integration. Recently, the RISI published a research paper by Wang Shuchun, Director of the Law School, Guangdong University of Foreign Studies (written in co-authorship with Wang Qingsong) about possible repercussions for the People's Republic of China. The authors asked several questions: Why did Putin offer the project of European Integration? What are his real aims? What are the project's prospects? How should China respond to Putin's initiative? How will integration efforts in the post-Soviet space coordinate with China's policies, its economic dimension in particular? What are its advantages and disadvantages as seen from China? The Chinese experts showed no enthusiasm; however they admitted that the EEU will force China to take the new geo-economic and geopolitical reality in Eurasia into account

It should be said that according to the experts from Kazakhstan, China received, through the CSO, a legitimate opportunity, approved by Russia and the Central Asian states, to operate in the post-Soviet space according to the rules not officially registered but accepted in the CIS. In other words, it can play on the contradictions among the Eurasian countries and influence the integration process

The Valdai International Discussion Club, along with the Center for Russian Studies at the East Chi-

***** See: Wang Shuchun, Wan Qingsong, "Perspektivy evraziyskogo integratsionnogo proekta i ego postedsivta dlta Kitaita," *Problemy natsionalnoy strategii*, No. 3, 2013, pp. 84-101.

***** See: K. Syroezhkin, "Evraziyskoe prostranstvo i kitaysky faktor," in: *Integratsionnye protsessy v evraziyskom prostranstve i sovremenny mir*, pp. 156-165.

na Normal University in Shanghai, analyzed four dimensions of Eurasian integration — economic, political, social, and security—from the viewpoints of Russia, Central Asia, China, and the EU/U.S. There is an opinion that Eurasian integration is the first step toward a polycentric world order. Eurasia, which remained on the margins of international relations after the latter half of the 20th century, is moving to the fore. The process of Eurasian integration created two big problems for Russia:

- first, it must learn how to deal with economically and politically smaller and weaker countries as equals;

- second, by drawing China and South Korea into integration, Russia might lose its leader status.

The Eurasian countries, potentially involved in integration, have their own fears: they are afraid of losing their sovereignty. China is treading cautiously in Central Asia lest it tramples on Russia's interests there.

Some of the Turkish think tanks are also interested in the Eurasian integration processes; the Turkish Academy of International Politics (Uluslararası Politika Akademisi) points out in an article called “The Eurasian Union: Russian Hegemony Built Up in the Shadow Economic Integration” that Russia insists on a multipolar world and, together with China, is the main supporter of this idea, which will cast doubt on Euro-Atlantic hegemony. Each of the potential members of the Eurasian Union knows that it is joining an umbrella organization headed by Russia; this speaks volumes about its regional hegemony. The Eurasian Union is best described as an attempt to set up regional hegemony in the post-Soviet space in line with Russia's global interests.

Turkish nationalists from the National Security Council of Turkey (Milli Güvenlik Kurulu) plan a Eurasian Union as an alliance with Russia and Iran. The Union's future is doubtful; it is regarded as an attempt at integration that contradicts the global and regional interests of the EU and the United States in Eastern Europe and the Black Sea basin, as well as of China in Central Asia. Certain groups would like to see Turkey a member of the Eurasian Union, which is hardly feasible: it will cost Turkey its EU membership prospects, as well as its involvement in

the common EU market and in NATO. Its foreign policy trends will be changed, while the country will find itself in the Russian hegemony zone.

CONCLUSION

In the post-Soviet space, Eurasian integration is opposed by several very different groups: political groups in power demonstrating their loyalty to the so-called European values; new social groups, the product of the market economy; certain groups in the ruling elite, the product of their countries' newly acquired independence; and Russia's geopolitical rivals led by the United States (the latest events in Ukraine graphically show this).

So far, there is no critical mass of supporters of the Eurasian Economic Union in the post-Soviet states. Our colleagues from the RISI have justly pointed out that, strange as it may seem, the ruling bodies of the new integration structure are partly responsible: the EEC is not transparent enough, while its decisions taken without adequate public discussion remain unexplained and unknown to the public, which makes them hardly legitimate in the eyes of the ordinary people.

The Customs Union, which is already functioning, and the Eurasian Economic Union, which is taking shape, can be described as a new type of regional integration that presupposes much stricter financial and executive discipline, transfer of part of economic sovereignty to supranational managing structures, and adherence to common standards and regulations.

This means that several of the CIS countries confronted with the need to make a very important choice are gripped by doubts and the need to weigh all the “pros” and “cons.” It should be said that not all the post-Soviet political elites have adequate ideas about the future—not a group or corporate future—but very specific prospects for their countries and nations. Indeed, the ruling circles of certain CIS countries drawn into the rivalry between the European and Eurasian integration projects are behaving like objects of global policy rather than independent actors.

RENEWABLE ENERGY: LONG-TERM OBJECTIVE FOR DIVERSIFICATION OF KAZAKHSTAN'S FUEL AND ENERGY COMPLEX

KAMBAR MUSSABEKOV

The energy industry is one of the key sectors of the economy of any country, and by its level of development and potential we can judge the country's economic power. In the coming decades, the energy sector will remain the most important foundation of the development of the global economy, despite a significant reduction in energy consumption due to the global crisis of 2008-2009. The global economy as a whole spends about 20-24% of total GDP on accumulation, while only 1-1.2% is spent on developing the energy sector (4-5% in Russia). Energy consumption per capita increased by 400% in the second half of the 20th century, whereas the population grew by 150%. Increasingly more energy is being produced in the world mainly by burning fossil fuel. At the same time, over 80% of the energy trapped in it is uselessly emitted into the atmosphere as heat and industrial gas.

Meeting global energy needs in this and the coming centuries will hinge on a strategy that is chosen by global economic politics. Today we are dealing with unprecedented high demand for energy resources. According to the IAEA, the modern international community uses en-

ergy on a large scale and energy consumption is growing at a breathtaking speed. In the past quarter-century, humankind consumed two times more energy than it had previously consumed in its entire history.

According to the International Energy Agency, in the past three years alone China's energy consumption equaled the annual energy consumption of Japan. Should energy consumption increase at the current pace, global energy demand will be 50% more than the current level by 2030, with China and India accounting for 45% of the total. By 2020 the share of coal in the global energy balance is expected to increase to 25% with China and India accounting for 80% of total coal consumption (these two countries currently account for 45% of global coal consumption). Japan imports 16% less oil now than it did 30 years ago, even though Japan's GDP doubled during this period.

In a wider sense the energy sector covers the entire national economy and is integrated into the global system. The global energy crisis of the 1970s when humankind faced the threat of significant depletion of fossil fuel deposits encouraged the search for alternative sources of

energy. International experts anticipate a genuine energy revolution to take place in the second quarter of the new century, and that it will be characterized by cardinal changes in the structure and primary sources of energy. Truly renewable sources will significantly cut the share of oil and other fossil fuels. Moreover, the revolution will also impact the consumption of energy products when demand for these resources starts falling.

A decrease in the consumption of fossil fuel would make it possible to stabilize the total emission of carbon dioxide into the atmosphere from 2020 and gradually reduce air pollution from 2050.

That is why everything is leading to the realization of the concept of an outstripping growth in the energy sector even earlier than in other sectors of the global economy. This is helped by a significant increase in global prices for oil and volatility on the global oil and gas market, and, as a result, the accelerated adoption of energy-saving technologies by developed countries.

In the second half of the century the global energy balance is expected to acquire a fundamentally new structure, with the rapidly increasing prices of hydrocarbons resulting in super profits. Wishing to maximize this and to use favorable, long-term market conditions, countries are increasing their fuel production and exports. Against the backdrop of this race, deposits are becoming depleted, oil debits are falling, while environmental pollution in oil-producing areas is increasing rapidly. Some forecasts suggest that in 20 years global oil consumption will be 40% higher than the current level. At the same time, the intensity of oil and gas extraction in the world's major fields is reaching maximum capacity.

New deposits of energy sources are being discovered mostly in regions with complex natural, economic and, often, political conditions that ultimately complicate oil and gas extraction. Insufficient supply in a situation of growing demand is leading to fierce competition for existing resources.

It is possible that the crisis will only be solved if profit-taking were to cease, the pace of the development of fuel deposits were to slow and mea-

asures were to be taken to diversify the economy and boost its competitiveness through developing energy saving technologies. A country's national security is linked to its sustainable development, the basis of which is reliable energy supply. That is why scientists all over the world are working hard on various energy projects and are studying potential energy sources comparing them to oil, natural gas and coal, i.e. finite resources. Alternative sources cater for only about 2% of the global demand for primary energy resources at the moment, whereas the non-traditional energy sector, according to forecasts, could meet up to 20% of demand by 2020. High oil prices, the potential energy scarcity in the world and the environmental burden caused by the development of hydrocarbons, especially coal, have forced many countries to intensify their search for non-traditional renewable sources of energy. Forecasts for the development of the global energy sector suggest the share of renewable sources will be growing in the future. These include wind, solar power, biomass, geothermal waters and ocean and sea tides. The share of renewable energy sources, where solar power plays a basic role, is expected to grow steadily and some forecasts suggest it may exceed 65% by the end of the 21st century. In developed countries the growth rates of the renewable energy sectors are very high and reach as high as 63% per year. The attractiveness of alternative energy is based on several rationales. It is accessible across the planet and its use makes sense in every country because it can meet their energy independence needs. An environmentally clean source of energy may be used at an ever-growing scale without a negative impact on the environment: a practically infinite source of energy, available all the time.

The use of renewable sources of energy (RSE) as an alternative to traditional energy sources is becoming increasingly more topical and is a strategic objective nationally and regionally. The unquestionable advantage of using renewable sources – their inexhaustibility and environmental cleanness as well as meeting the need to ensure a country's energy security by diversifying its fuel and energy sector, reducing hazardous emissions and preserving energy resources for

future generations – has led to the rapid development of renewable power generation as a very competitive sector of the economy. However, for the use of renewable energy to reach a sufficient level it is necessary to usher in a revolution in our understanding of these sources and to create the conditions in society for the wide use of renewable resources.

The energy sector is one of the strategic spheres of Kazakhstan's economy. The country is rich in reserves of fossil fuel, which account for about 4% of the global reserves. In 2005 the total production of primary energy resources stood at about 1.05 billion metric tons of oil equivalent (TOE) in Kazakhstan, of which exports were about 550 million TOE. Coal accounts for about 67% of domestic energy consumption, oil about 21% and gas about 12%. Kazakhstan has significant resources of renewable energy in form of hydro, solar and wind power. The country's hydropower potential is estimated at 170 billion kWh per year and wind power at 1,820 billion kWh per year. Despite this, with the exception of a tiny amount of hydropower in the country's fuel and energy balance (about 8 billion kWh per year, or 13%), these resources have not yet been widely tapped.

The main consumer of fuel in Kazakhstan is the production of electricity and heating. This sector consumes about 25 million TOE per year. The fuel balance of power stations is made up of coal for 75%, gas 23% and fuel oil 2%.

Kazakhstan cannot stay out of the global race for the quick adoption of renewables. Renewables will provide endless sources of cheap and safe energy that in turn ensures a switch to a qualitatively new level of economy.

For a long time Kazakhstan has not been investing sufficiently in power generation. Estimates indicate that the modernization of the existing power generation facilities and the construction of new ones will require 2,800 billion tenge by 2015. It is obvious that it is impossible to achieve this funding from tariffs alone. Another important issue is the shortage of loans. We should note that the sluggishness of the development of the energy sector is linked to the lengthy construction timespan and long lead-time for cost recovery.

The legislation in effect in the power generation sphere does not take the reality into account because it was drafted for a period of power shortages relating to the dynamic growth of the economy and increase in consumption by the population. The current situation is defined by a decrease in power consumption and production, while the capacity of power stations remains underused and both the wholesale prices and (as a result) the investment attractiveness of the sector are falling. The issue of restoring the power generation sector is one of national security and the level of development of power generation and infrastructure will have an impact on the country's future. Most importantly, resolving this will mean that a long-term problem of the country's competitiveness is solved, investment is placed within the country and jobs are created.

Economic policy that aims at the sustainable development of Kazakhstan envisages diversifying the economy and developing the non-extractive sectors, in particular, hi-tech, industries and services sector. This does reflect other countries' experience, whereby a strategy of non-material flows is becoming increasingly significant and valuable. This means the development of technology and financial, legal, managerial and other services. The mining sector is also diversifying and its main goal is increasingly about exporting finished products, not raw material. Finished products cost much more than raw oil, making it possible to reap greater profits without increasing extraction. The coefficient of resource-use is to increase gradually by 37% by 2012, 43% by 2018 and 53% by 2024. Kazakhstan should also develop a strategy for sustainable energy generation from renewable sources for the next 50 years similar to those of major energy-consuming developed countries

The Kazakhstan-2030 Strategy defines the use of energy resources as a long-term priority for sustainable development. Moreover, despite the country's vast reserves of energy resources, it has not been able to meet domestic demand for power in a number of regions over the past years. In any developed country power generation grows not on a par with the economy but at an outstripping pace in order to serve as a foun-

dation for developing the entire economy. Power consumption grows no more than 3.6% per year in Kazakhstan (4.8% in 2008), significantly lagging behind economic growth (8-10%). Economic growth has caused power generation to reach 76 billion kWh in recent years, of which the population consumed only 12%. In 2008 Kazakhstan generated 80 billion kWh, a 4.8% year-on-year growth. The country will soon reach the power consumption levels last seen in 1990 when Kazakhstan consumed over 107 billion kWh of electricity.

Kazakhstan's power generation has its own peculiarity; the uneven concentration of energy sources, divided transportation and distribution over a huge territory. A rise in electricity charges decreases the consumption but increases the price of products and worsens the social wellbeing of vulnerable groups of population. However, for a number of objective reasons the charges will continue to rise further. Simultaneous increase in the price of fuel for the power stations and electricity charges is possible given the fact that 85% of energy is generated by thermal power plants in Kazakhstan.

The development of the non-traditional energy sphere makes it possible to solve the problems of economic efficiency and attract small and medium-sized businesses to invest in the energy sector, offset negative impact on the environment and reduce excessive centralization of the power generation and distribution system as well as dependence on exhaustible hydrocarbons. Kazakhstan has prospects for developing renewable energy resources that are not inferior to those in densely-populated Europe. Studies conducted in many countries show that wind turbines may be efficiently used in the areas where the average annual wind speed exceeds 3-5 m/s, which is similar to most of Kazakhstan's climate conditions.

All sectors of the economy have an interest in reducing the cost of energy, quite apart from the power generation sector itself, which has to increase the operational reliability of its equipment and ensure quantitative and qualitative indicators of power supplied. This requires

vast investment both in the renovation of obsolete equipment and efficient environmental protection measures as well as the development of new generation capacity.

As a result of the steady growth of the economy, sufficient conditions are being created for the development of alternative energy sources. Facilities operating on renewable energy sources are affordable for small and medium-sized businesses and they may be built very quickly and independently from one another; they make use of inexhaustible energy resources of mountainous rivers and winds that are not exposed to price increases. The production costs of the power they generate do not include the purchase of fuel that grows in price, unlike the impact of fuel in the production costs of power generated by thermal plants that is more than 50% of the production cost.

Kazakhstan is a major emitter of greenhouse gases into the atmosphere in Central Asia. Its emissions were estimated to total 320 million tons of CO₂ equivalent in 1990. According to the International Energy Agency data for 2004, the CO₂ emissions to GDP ratio stood at 6 kg of CO₂ per USD. The energy sector accounts for 80% of the total CO₂ emissions, of which 45% come from the power and heating generation sphere. The reliance on coal inflicts sizeable damage on the environment and human health. Emissions of hazardous substances into the atmosphere by power plants is in excess of 1 million metric tons per year while the total amount of pollutants released into the environment exceeds 11 million tons. Power plants are a major source of greenhouse gas emissions in Kazakhstan. They account for about 43% of total emissions. The energy sector's emissions were expected to exceed the 1990 level in 2010 as a result of increased power generation. As a signatory to the UN Framework Convention on Climate Change, Kazakhstan has assumed certain obligations to carry out measures and programs to reduce its negative impact on atmosphere. According to experts, the cost of damage Kazakhstan's coal power generation inflicts on the environment is estimated at 7.7 tenge per kWh of electricity generated and is

several times higher than the cost of electricity itself. Taking into account the volume of electricity generated by coal power plants, the cost of damage may be as high as \$4.3bn per year.

The measures must be taken now to achieve the goal of having a developed renewable energy production infrastructure by 2034, otherwise Kazakhstan's energy industry will remain dependant on traditional resoures, coal

in particular, and, therefore, may jeopardize energy its security.

The strategy aimed at more efficient use of renewable energy resources in the future will contribute into aintenance of sustainable social and economic development of the country, it will also enhance the country's energy security and eventually help Kazakhstan to join the world's top 50 most competitive countries.

LIQUIDITY PROBLEM AT KASE IN KAZAKHSTAN

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Abstract
Trading activity and the liquidity are very important features of any sphere of trade, but mostly in financial markets. Kazakhstan Stock Exchange being a part of the global markets became sensitive to all waves appeared in result of financial market turmoil. The liquidity crunch made all the Central Banks, Regulators take actions for alleviating that. Trading liquidity also had been affected. Moreover, there are many local issues impacting liquidity in Kazakhstani market. The previous literature considers many different factors influencing trading liquidity in the exchange markets, but those were papers and researches written separately on each factor or aspect. In this particular paper, all factors affecting liquidity in local market were combined, summarizing methods and steps to improve liquidity. But the main idea is that analysis of trading statistics at Kazakhstan Stock Exchange shows how regulatory changes influence liquidity and activity in the market.

The consequences reached after analyzing relationships of liquidity and different variables were explored in this paper. The variables are regulation and indicators used in statistics for unit root test. The regression analysis of all three sectors has the right functional form that confirms F-statistic coefficient with small p-value. At the same time, R-squared, this measures the proportion of the variation in the dependent variable –

KL accounted for by the explanatory variables P and T and standard deviation, equals to 0.76, 0.82 and 0.83 accordingly. The regression does not have positive autocorrelation in residuals according to Durbin-Watson statistic. The results are reliable. All variables positively affect KL.

For analysis of primary government bonds authors used monthly data from April 1994 to April 2013. As per the secondary market of government bonds, corporate bonds and stocks analysis is conducted using monthly figures from 1998 to 2013. Actually historical figures from 2000 could have been enough for analysis but available figures for thesis made it possible to use earlier data. Most of the data had been obtained from Kazakhstan Stock Exchange annually reports and IRBIS agency.

INTRODUCTION

At first glance, it seems that financial system of Kazakhstan looks quite stable and even was booming up to 2008. However, the analysis of the Securities market, i.e. Kazakhstan Stock Exchange's volumes, turnover and activity of participants brings liquidity problem to the light. Author shows the significance of liquidity in trading equities, government and corporate bonds. That is the main concern for the issuers, investors and speculators. Sufficient liquidity is the most important indicator characterizing attractiveness of the financial assets in global markets and exchanges. The paper

systemizes all factors influencing liquidity as well as available practical methods and actions that were taken to increase and improve the liquidity in other countries. Applying to observations of the dynamics in volumes of KASE authors describe the noticeable periods and reasons affecting liquidity at certain stages. Analysis finds evidence that an amendment in regulation changes the trading activity and liquidity, mostly in the smaller side. People's IPO program, which started in 2012 in Kazakhstan, impacts the liquidity making stocks as one of the most profitable investment and speculative instruments for people. Authors argue that constructive dialog between market participants and regulatory authorities before making cardinal changes will play significant role in putting contribution to achieving better liquidity.

The paper combines all the available instruments and methods to improve and increase liquidity in the securities markets.

As one aspect to mention is Halyk IPO, the program started in December 2012. Kazakhstani citizens become shareholders of National Company KazTransOil having bought almost 70% of the offered shares. Undoubtedly this nice reform of our stock market has been affecting the liquidity.

LITERATURE REVIEW

The liquidity is very critical for all the sides of the deal, especially in primary market. Diamond (1998) points out that both investors and borrowers are typically concerned about liquidity. Investors desire liquidity because they are uncertain about when they will want to eliminate their holding of a financial asset. Borrowers are concerned about liquidity either because they are uncertain about their ability to raise funds when needed unexpectedly, or because they are uncertain about their ability to continue to retain funding in the future. Such different concerns about liquidity cannot be completely unrelated, if for no reason other than that commercial banks seem right at the center of meeting these needs for their customers. Apparently both sides - issuers and investors concern about liquidity. Therefore, in practice usually the more size of issue the better condition in liquidity of the instrument.

Choudhry (2009) also puts good explanations of liquidity. There is no standard definition of financial market liquidity. That said, there is a general understanding of the nature of liquidity, and academics and practitioners use a number of commonly accepted definitions and measures. Essentially, a liquid market can be defined as one where:

- it is possible for market participants to transact buy or sale operations at any time (during opening hours) in size, at no extra cost, without this transaction causing prices to move;
- two-way markets are made available to market participants in wholesale market size, and where there is openness in determining asset fair value.

The first definition has been suggested by O'Hara (1995) and Fleming (2001) among others, while the second was described by Mackintosh (1995).

One of the key factors differentiating the exchange in developed countries from developing countries is the participation of global investors. There are huge amount of accounts from all over the world trading bonds and equities for example in US or Hong Kong. With its activity they put great contribution to the trading liquidity of domestic market. Attracting overseas investors to local market is also important point and the method to increase liquidity in Kazakhstan market. The more foreign participants and investors can be involved to our market the better liquidity can be reached. There is even a special paper done by Wei (2010) where author indicates that foreign capital flows originate predominantly from financial institutions whose trading behavior could hamper liquidity by overwhelming market maker inventories. On the other hand, there are plausible reasons to believe that foreign institutions may improve liquidity. Kazakhstani market doesn't seem to be attractive to foreign investors mainly because of two reasons: low liquidity and foreign exchange risk, i.e. currency risk. That is a chicken and egg problem. Domestic financial institutions try to attract them to increase liquidity, but at this stage current domestic liquidity and Kazakhstani national currency tenge fluctuations scare them. Certainly there are other sectors in Kazakhstani economy with the track record of foreign investments. On the other hand, the political stability is one of the main fac-

tors which foreign investors like in Kazakhstan. Development of financial markets in Finland and Sweden in 1990-2000 is an example for comparison and getting lessons for Kazakhstan practice. Westerholm (2002) describes the reasons affected the growth in these Scandinavian countries, one of them is that strongly improved prospects for the world economy during 1990's particularly in the technology sector have been important for growth the export driven economies of Finland and Sweden. This is a development that has partly been reversed in during the years 2000 and 2001. In addition, to a strong world economy some internal events have contributed to the improved liquidity of the financial markets of Finland and Sweden. One event is the change in policy by central banks from supported currency to a freely floating currency early in the decade for Sweden and during 1992 in Finland. Later, the Finnish currency was pegged to the Euro. The interest levels have decreased dramatically in both countries partly as a result of a market priced currency. Another set of events are the partial and then complete abolition of turnover tax on securities trading over the exchange in Sweden during 1991 and the abolition of the stamp duty on securities trading over the exchange in Finland 1992. Also the opening of the Finnish financial and real estate markets for foreign ownership has contributed to the improved liquidity of the Finnish financial market.

The asset prices and return are much affected by liquidity. Again, coming back to one of the simplest definitions of the liquidity, it is how quickly and easily asset can be transferred into cash, i.e. stock or bond. Once price of the equity reached your target, it should be sold at the market. But low liquidity and absence of adequate bid do not let you close position. In this situation, the investor just sells at the best available price making supply pressure. In other words, such market is illiquid.

Liquidity is provided by traders, that is trading liquidity. In turn, traders should have money resources to be active in trading. The chain starts with other type of liquidity – funding liquidity. The ability of investors or traders to raise funding directly affects the trading liquidity. Brunnermeier and Pedersen (2009) conducted studies in proving how market liquidity (i.e., the ease with which it is traded) and traders' funding liquidity (i.e., the ease

with which they can obtain funding) linked and correlated. On this basis, authors provided a model. Traders provide market liquidity, and their ability to do so depends on their availability of funding. Conversely, traders' funding, i.e., their capital and margin requirements, depends on the assets' market liquidity. When funding liquidity is tight, traders become reluctant to take on positions, especially "capital intensive" positions in high-margin securities. This lowers market liquidity, leading to higher volatility. Further, under certain conditions, low future market liquidity increases the risk of financing a trade, thus increasing margins. Based on the links between funding and market liquidity, they provide a unified explanation for the main empirical features of market liquidity. In particular, their model implies that market liquidity (i) can suddenly dry up, (ii) has commonality across securities, (iii) is related to volatility, (iv) is subject to "flight to quality," and (v) co-moves with the market.

One of the factors attracting investors to the market is transparency. Many individual and institutional investors in Kazakhstan could trade more if there is more transparency in corporate culture. By transparency Dumitrescu (2008) understands the disclosure of information to market participants. Dumitrescu (2013) develops a model highlighting a different channel through which corporate governance and corporate disclosure affect firm performance: liquidity. The model shows that corporate governance mechanisms such as investor protection laws, ownership dispersion and management's compensation scheme affect the market liquidity of the firm's stock. Moreover, governance provisions that improve financial transparency by mitigating management's ability and incentive to distort information disclosure may have both a positive and a negative effect on liquidity. This contradicts the general view that disclosure is unambiguously good because it reduces the asymmetry of information.

The lack of transparency is a feature of Kazakhstani companies' corporate governance. Therefore, this is one additional aspect of liquidity increasing theme, not only exchange and investors, but issuers in Kazakhstan should change their approach in corporate governance culture.

The analysis of the dynamics in trading volumes of Kazakhstan Stock Exchange showed that the size

of turnover and quantity of trades do not undoubtedly have positive correlation with liquidity. Similar happens with variation of prices, high volatility doesn't characterize high liquidity or high volumes. Almost twenty years ago Bessembinder and Seguin (1993), Gallant, Rossi and Tauchen (1992), Karpoff (1987) and Shwert (1989) paid attention by making empirical research on relation between equities price volatility and trading volume. Does frequent trading always improve liquidity is a question raised by Cheng (2002), he suggested that while more frequent trading is associated with an improvement in liquidity, as proxied by the bid-ask spread, for large market capitalization stocks, the converse is true for small stocks. Jones, Kaul and Lipson (1994) provide further insights by decomposing trading volume into number of transactions executed and transaction size. They document a reliably positive relationship between stock price volatility and number of transactions for a sample of NASDAQ stocks. A large trading volume could occur either due to a single transaction of large size or a number of transactions of smaller size. Presumably, the two variables, namely, number of transactions and transaction size convey different information to the market participants. As per the work of Coughenour (1999), and Barclay and Warner (1993) study the frequency-volatility relation depends essentially on the frequency of medium size trades. They insist that medium size

trades are the most informative because informed traders concentrate their trades in medium sizes.

In this thesis the figures of KASE trades, i.e. the information variables related to trading activity such as trading frequency, number of transactions and sizes also show this phenomenon.

Existing literature and papers separately paid attention on particular aspects of liquidity stimulators. For example, Chordia (2000) who combined and mentioned many determinants stimulating and influencing market liquidity. Paper studies liquidity and trading activity for a comprehensive sample of NYSE-listed stocks over an eleven-year period. The explanatory variables include short- and long-term interest rates, default spreads, market volatility, recent market movements, and indicator variables for the day of the week, for holiday effects, and for major macroeconomic announcements. A better understanding of these determinants might increase investor confidence in financial markets and thereby enhance the efficiency of corporate resource allocation. At KASE the sectors of market mostly exposed to seasonal factor are Repo and USD/KZT pair of foreign exchange sector. For example, during the taxpaying period, i.e. after each quarter all the banks suffering from lack of cash and run to repo attracting tenge by pledging government securities. Some of the banks start to sell US dollars against tenge. As per the equities and bonds only changes in regulations can strongly impact market liquidity.

Table 1 shows the decline in the both primary and secondary markets of government securities.

Access to Government bonds primary market, July 2012	Total volume, KZT mn	
3 months before change	451 469	81 480
3 months after change	352 718	42 535
Change, %	-22%	-48%
Jul-Sep 2011	587 633	142 399
Jul-Sep 2012	352 718	42 535
Change, %	-40%	-70%

Table 2

Regulatory easing, Autumn 2012 3 months before change	Total volume, KZT mn			
	Govt primary	Govt secondary	Corporate bonds	Stocks
3 months before change	352 718	42 535	55 094	3 525
3 months after change	247 928	34 609	30 300	11 117
Change, %	-30%	-19%	-45%	215%
Average of 3 months before change, Deviation from Monthly Average	85%	78%	145%	0,15
Average of 3 months after change, Deviation from Monthly Average	41%	57%	43%	2,38
Change, %	-52%	-27%	-71%	1488%
Oct-Dec 2011	467 431	68 345	53 638	4 724
Oct-Dec 2012	247 928	34 609	30 300	11 117
Change, %	-47%	-49%	-44%	135%

METHODOLOGY AND EMPIRICAL RESULTS

Kazakhstan Stock Exchange in the set of rules has Methodology of Securities Liquidity Indicators Defining effective from December 1, 2009. This methodology defines the order of any denomination securities indicators values calculation out of one securities type (for example, stocks, government or corporate bonds), listed in Kazakhstan Stock Exchange, to determine this denomination securities liquidity degree against all the same securities type, selected for comparison and defines the order of forming of any securities liquid and illiquid securities list. This methodology gives Calculation of liquidity indicator values. Any security liquidity indicator value for any period of time (hereinafter – the analyzed period) is calculated by the formula:

$$Kl = 0.5Kv + Kq + Kp + 0.7Kd, \text{ where:}$$

Kv – deals volume indicator, calculated for the security of this denomination in compliance with item 2 of this Methodology;

Kq – deals number indicator, calculated for the security of this denomination in compliance with item 3 of this Methodology;

Kp – Exchange Council members number

indicator, who participated in deals conclusion in securities of any denomination, calculated for the security of this denomination in compliance with item 4 of this Methodology;

Kd – effective days number indicator, calculated for the security of this denomination in compliance with item 5 of this Methodology.

1. The indicator of deals volume in the security of any denomination for the analyzed period is calculated by formula:

$$Kv = \frac{V}{V_{max}}, \text{ where:}$$

V – deals volume in the security of this denomination, made within the analyzed period;

V_{max} – maximum deals volume, made within the analyzed period in the security of any denomination of the same type out of securities, listed on the Exchange.

2. The indicator of deals number in the security of any denomination for the analyzed period is calculated by formula:

$$Kq = \frac{Q}{Q_{max}}, \text{ where:}$$

Q – number of deals in the security of this denomination, made within the analyzed period;

Q_{max} – maximum number of deals, made within the analyzed period in the security of any denomination of the same type out of securities, listed on the Exchange.

3. The indicator of Exchange members, who participated in deals conclusion in securities of any denomination within the analyzed period, is calculated by formula:

$$Kp = \frac{P}{P_{max}}, \text{ where:}$$

P – number of Exchange members, who participated in deals conclusion in securities of this denomination within the analyzed period;

P_{max} – maximum number of Exchange members, who participated in deals conclusion in securities of any denomination of the same type out of securities, listed on the Exchange, within the analyzed period.

4. The indicator of effective days number for the security of any denomination is calculated by formula:

$$Kd = \frac{D}{D_{max}}, \text{ where:}$$

D – number of days, when were made deals in the security of this denomination within the analyzed period;

D_{max} – maximum number of days, when were made deals in the security of any denomination of the same type out of securities, listed on the Exchange, within the analyzed period.

In order to ensure the adequacy of liquidity indicators value to the traded unbiased level of any securities, the Exchange Risk Committee is entitled to exclude from calculation a deal liquidity indicator, which in its judgment are of mom-market character (e.g., deals, at conclusion of which were made technical errors, deals, prices of which discord with the market status and/or market dynamics of respective securities prices).

In order to exclude the influence of big one-time deals on any security liquidity indicator the Exchange is entitled to exclude at this indicator calculation deals, volume of which exceeds the value, calculated by the formula:

$$V_{lim} = \bar{V} + 3\delta, \text{ where:}$$

\bar{V} – arithmetical mean of all deals volume, made in securities of one type within the period, for which the liquidity indicator is calculated;

δ – roof-mean-square deviation of any deal volume out of deals, made in securities of one type within the period, for which the liquidity indicator is calculated, from the arithmetical mean of these deals volume.

Definitely the concept of this Methodology exactly characterizes the level of liquidity. Author proposes other formula with two amendments, because of the purpose to develop the meaning of sector liquidity, not separately of the particular instrument, but the whole sector.

First of all, for example, using the stocks data, the coefficient will show how liquidity of the stocks changes in certain periods. As the whole sector is active in any business day it is not necessary to use indicator “d”, which is “number of days”, in the formula.

The second change is to replace absolute volume with relative. Undoubtedly the level of liquidity and its coefficient depends on volume in currency, but even original methodology created by Kazakhstan Stock Exchange decreases meaning of volume by giving the weight of 0.5. Domestic market’s volumes of corporate and government bonds much bigger than volumes if stocks sector. As the whole sector’s liquidity to be analyzed and compared with each other than it is proper and accurate to use relative meaning of volume. In the calculation relative volume is shown as “Deviation from monthly average”, the indicator used above in the thesis in Analysis and finding chapter’s tables. The name says about itself, using 12 months’ data monthly average volume is computed. Then volume of every month divided by average, thus deviation from monthly volume can be seen. After these changes in methodology, liquidity of the sector is calculated by formula:

$$Kl = (Kt + Kp) * D, \text{ where:}$$

Kt – number of trades indicator, calculated based on number of trades in stocks of monthly observations;

Kp – number of participants indicator, the members who participated in the trades of this sector;

D – deviation of monthly volume from monthly average volume.

Unfortunately, nearly all time series exhibit non-stationarity when tested. In most of the cases financial time series data are assumed to be non-stationary, Maysami (2000)

For non-stationary series the results of regression analysis, including t-statistics, F-statistics and others, will yield misleading results. In this case all considerable times series were checked on stationarity. To do so the Augmented Dickey - Fuller Unit root test was used. Augmented Dickey - Fuller Unit root tests is a very popular test for examining the stationarity of a time series.

Seasonally adjusted data was tested for unit root and stationarity. All four variables are not stationary, which was confirmed by three tests; ADF, PP both at 1% and 5% level of significance.

For the regression analysis of stocks, corporate and government bonds the formula of liquidity coefficient to be transformed to:

$$KL = \beta_0 + \beta_1 * P + \beta_2 * T + \beta_3 * D + ut, \text{ where}$$

KL – coefficient of liquidity

P- Number of participants

T- Number of trades

D – Deviation from monthly average

The regression above has the right functional form that confirms F-statistic coefficient (10.22) with small p-value (0.00000). At the same time R-squared, this measures the proportion of the variation in the dependent variable – KL accounted for by the explanatory variables P and T and standard deviation, equals to 0.76. It means that regression model describes significantly than 76% of the pattern in dependent variables. The regression does not have positive autocorrelation in residuals according to Durbin-Watson statistic (2.07). The results are reliable.

All variables positively affect KL.

RECOMMENDATIONS

Analysis and findings showed negative effect of regulatory changes to trading liquidity. Most of amendments made by regulator and described in that chapter become a cause to decrease liquidity

and activity at KASE. Main reason of the decline in the market is that regulator had not done proper analysis before implementation new rules. Authors recommends regulator to make a Regulatory Impact Analysis before decision making, not after. According to Organization for Economic Co-Operation and Development (OECD) paper (2005), Regulatory Impact Analysis (RIA) is a systemic approach to critically assessing the positive and negative effects of proposed and existing regulations and non-regulatory alternatives. As employed in OECD countries it encompasses a range of methods, but it is an important element of an evidence-based approach to policy making. RIA is a clear example of the trend towards more empirically based regulation and decision making. It is very important to stress that there is no perfect model for RIA, as regulatory reform depends on economical, political, cultural and social characteristics of the individual country concerned. There are several methods used by regulators in OECD to reach effective decisions

- Expert - The decision is reached by a trusted expert, either a regulator or an expert in the field, who uses professional judgment to decide what should be done. The method only can be applied in the case of this thesis, because by contrast, dialogue should be carried between financial market participants and regulator.

- Consensus - The decision is reached by a group of stakeholders who reach a common position that balances the interests of all concerned. To mention the limit access to government bonds primary market, regulator may communicate to stakeholders like clients of brokerage companies before announcing new rules.

- Political - The decision is reached by political representatives, based on a consensus view of the issues of importance to the political process. Probably it is not the best way of RIA taking into the account specific sector as securities market.

- Benchmarking - The decision is reached by referring to an external model, such as an international regulation. In regard of regulating securities market, benchmarking method may not work due to specific issues like investment policy of institutional investors, central bank's requirements, Kazakhstan Stock Exchange rules and others.

- Empirical - The decision is based on research, fact-finding and analysis, which define the parameters of action according to established objective criteria.

The difference between methods derives as RIA means different things to different stakeholders. Experts, bureaucrats and politicians are commonly involved in the RIA process, but citizens and businesses may also take part. As liquidity is measurable component of financial market, author proposes to apply the Empirical and Consensus methods of RIA in Kazakhstan. In other words, regulatory authorities make a deep analysis of pension funds' or banks' corporate and government bonds portfolios. The method consists of benefit/cost analysis, socio-economic impact analysis, consequence analysis, compliance cost analysis and business impact tests. Creating a single pension fund has a critical socio-economic impact, as existing pension funds cutting jobs in order to keep only departments related to investments.

Trading volume is one of the main variables of the liquidity. Exchanges attract trading volume by encouraging companies to list their shares and by encouraging investors to trade in those listed shares, Pritchard (2003). Those two goals are largely consistent, as companies will want to list their shares on exchanges that provide the greatest liquidity because liquidity minimizes their cost of capital. Government is more ambivalent about trading volume. Policymakers recognize in the abstract that encouraging liquid securities markets will facilitate capital formation, and thus, economic growth. On the other hand, politicians and other policymakers also worry about "speculative excesses" in the trading markets. Fortunately, governmental concerns over excessive trading are likely to be suppressed during bull markets when investors' primary focus is counting their gains and chasing the next "sure thing." Securities markets cannot operate without trust. Investors can trust exchanges to regulate because of their powerful incentive to maximize trading volume.

Author recommendation intends to pass part of regulative functions and authorities to Kazakhstan Stock Exchange. Regulator is necessary in some areas to enhance the effectiveness of exchange regulation. That intervention must be narrowly

tailored, however, so that oversight does not become de facto control. Government control over exchanges could undermine their incentives to respond to market forces. Government intervention should be limited to providing exchanges with authority to regulate and auditing regulation by exchanges to provide investors with the information they need to evaluate the integrity of the markets in which they trade.

CONCLUSION

Trading activity and the liquidity are very important features of any sphere of trade, but mostly in financial markets. Kazakhstan Stock Exchange being a part of the global markets became sensitive to all waves appeared in result of financial market turmoil. The liquidity crunch made all the Central Banks, Regulators take actions for alleviating that. Trading liquidity also had been affected. Moreover, there are many local issues impacting liquidity in Kazakhstani market. The previous literature considers many different factors influencing trading liquidity in the exchange markets, but those were papers and researches written separately on each factor or aspect. In this particular paper, all factors affecting liquidity in local market were combined, summarizing methods and steps to improve liquidity. But the main idea is that analysis of trading statistics at Kazakhstan Stock Exchange shows how regulatory changes influence liquidity and activity in the market.

The consequences reached after analyzing relationships of liquidity and different variables were explored in this paper. The variables are regulation and indicators used in statistics for unit root test. The regression analysis of all three sectors has the right functional form that confirms F-statistic coefficient with small p-value. At the same time, R-squared, this measures the proportion of the variation in the dependent variable – KL accounted for by the explanatory variables P and T and standard deviation, equals to 0.76, 0.82 and 0.83 accordingly. The regression does not have positive autocorrelation in residuals according to Durbin-Watson statistic. The results are reliable. All variables positively affect KL.

Coefficient of sector liquidity can be used by Kazakhstan Stock Exchange, authorities as one of the market indicators.

The research in the thesis contributes to literature by describing the regulatory reasons exerting trading activity and recommendations of reaching better

liquidity by using more flexible approach and relying on Regulatory Impact Analysis and providing Kazakhstan Stock Exchange with more authorities.

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Customary law in nomadic history of Kazakhs

ELMIRA TELEUOVA

The history of steppe civilizations saw many changes through various events. Although Kazakhs retained most of their values as a heritage coming from the ancient times. One of the values is customary legal system. Customary law based on the cultural and democratic traditions until XIX century play important role in regulating their lifestyle. That was caused by two factors. First of all, the basis of nomadic economic lifestyle formed the world outlook of Kazakhs, and secondly, the demand of the social life to form new norms and values. Customary law of Kazakhs is the monument of the rich of nomadic civilization. It is backed by centuries long history, life potential and human freedom demand. Any legal system originates from the social needs. Customary law was designed to address the solution of the complex needs of Kazakh society. Within various historical periods the legal systems aimed to regularize relations between and within nomadic states, have much in common. State structure of Kazakh khanate, system of political governance, legal relations, cultural evolutions originate from early times. Tribal confederations and their legal practices left a rich legacy for Kazakh nomadic society.

Firm tribal relations of the nomadic socium prevented development of individualistic rights. Under the tribal system, the rights of an individual were interpreted within the framework of tribal legal practices. Apart from that the military

necessity to protect the tribe from external threat facilitated that factor. Each member of the tribe was to a warrior responsible for its survival. In peacetimes the legal relations were guided by common practices. They covered family and economic relations, criminal cases. Along with that there existed legal practices to settle international relations- trade and others, that proved the high level of state development. In early nomadic period, the notion of “sin/crime” differentiated from family realm, and became part of the social/public relations. Those norms formed the basis of the legal practices to settle private and public issues.

Ancient nomadic law of Kazakhs, Turkic linguistic arts produced valuable cultural heritage. Development of legal relations of nomads went hand in hand with the state formation. The Kazakh khanate inherited the legal practices of the Turkic states – code of customary law, political, criminal, civic practices regulations, and international law. The failure of the Turkic states to cope with legal problems led to their eventual decline and collapse.

In VI century, in Central Asia was formed a Turkic kaganate out of dispersed tribes, brought together by Bumin kagan. He adopted a law on state integrity and protection of the rights of ordinary members of society. It is known from the Chinese sources. We should mention the articles that worked as legal acts:

1) The one who instigates a rebellion or riot must be condemned to death.

2) The one who betrays the interests of Turks is considered to be the traitor and must be put to death.

3) The one found guilty in death of an innocent person must be put to death.

4) Adultery with somebody's wife is punishable with death penalty.

5) Stealth of a horse tied to someone's yurt is punishable by death.

6) Injury during the fight must be compensated by ransom.

7) The compensation for stolen horse is ten times more than its original price [1].

These legal establishments on internal solidarity and integrity cemented the newly created state. The runic inscriptions of the Turkic rulers' call to unity were extremely important for Turks. This legal monument of the first independent Turkic state testified its creation, and that law governed various problems people faced - criminal, family or economic disputes. But these legal practices could be applied only to the medieval nomadic states. The researches on Turkic states analyzed state governance methods, nomadic public relations, and developed the concept of "nomadic state". The ideological power justified the legal structure of the Turkic state, and its norms. Civil, criminal, family, property cases were regularized. The legal rights Ashina dynasty had enormous power in the state. The law "Tore", as the pillar of the state regime and the dominant dynasty managed them. The power of kagan was inherited by his successor. The power passed only from grandfather to grandson, and from elder brother to the younger one. The third pillar was creation of the laws to manage the state and intra-tribal relations, as the basics of the international law. These norms formed the "Tore" legal system set up in VIII century. Along with the formation of Turkic states, the "Tore" legal principle influenced other legal practices. "Tore" had the legal right for governance. The main aim was to provide state integrity, to overcome intra-tribal conflicts and contradictions, orderly arrange any relations in the socium. Turkic legal practices and "Tore" principle were continued within the further development of Turkic states and societies. From that viewpoint for present times, is very

important to investigate "Tore" legal principle, as in XVI century Armenian-Kypshak legal code and procedural norms were based on it, and are part of the world legal heritage[2].

In the history of steppe civilizations the big state formation set up by nomads in early XIII century got to the world prominence and spread its influence on other states and societies. During the formation of single Mongol ulus (people) with the aim to strengthen the state was adopted the modified code of legal practices of nomads with the amendments by the demands of the Mongol community "Great Yassa". The name "great" implied that it was compulsory for all Mongols. In this point, the common Yassa was superior to the local/tribal legal practices. Yassa in Mongol means "yassak" or establishment, enactment, or law. Gengizkhan as the collection of laws and legal practices adopted Yassa for Mongols. Rashid-ad-Din informed that for adoption of that law was convened a kurultai in 1206 [3]. The law was adopted after victory of Gengizkhan over Kereits, Naimans and Merkits. The law taken at Great kurultai opened the way to strengthening the power of Gengizkhan.

In 1218, at the kurultai with the objective to arrange a campaign to Turkestan were introduced some amendments. In 1225 was adopted with amendments "Great Yassa" again. But unfortunately the original version of Great Yassa was not preserved, and its fragments are found in the works of Arabic and Persian historians. Almost complete version of Great Yassa was found in the chronicle of the Persian chronicler Ala ad-Din-Ata Malik Juveini "Tariq -I- Jakhanguhai", in translation it sounds - "History of Jakhanguhai" or "History of the world conqueror" [4]. Other authors - al-Omari, al-Markizi, Mirhond approved the facts given in the works of Juveini. On one side, the "Yassa" research of Juveini is big, no doubt. By Juveini, the Yassa in Mongol language was preserved in Uigur inscriptions on tumars (protective talismans). The talismans were distributed to prominent noble people, experts of Yassa and members of the khan dynasty. In translation of the Russian orientalist V.Minorsky, the chapter from Juveini work on Yassa, was used by Vernadsky G. in his research

as an appendix[5]. Qalmyk researcher E.Kara-Davan in his work dedicated to the history of Gengizkhan used the data from Yassa, as well as from a-Markizi, Mirkhond, ibn-Batuta, etc[6].

There are many different opinions among the historians (Kazakh, Russian, Qalmyk, Tatar, Chinese, Mongol) on the articles of Yassa. A prominent researcher from Kazakhstan, Zardykhan Kinayat-uly in his work “Kazakh state and Joshy khan” made a comprehensive analysis of Yassa. Here we dwell on the opinions of the Chinese and Mongol scholars [7]. The Chinese researcher Li Zu Fin divides Yassa in 8 chapters, and meticulously revises each chapter. Historian B.Saishal after critical assessment of Yassa, came to conclusion that it consists of 6 parts, and the content of article 54 was decoded in full by him[8].

Zardykhan Kinayat uly wrote that Yassa was not a new phenomenon during the Mongol times, and major elements of the legal code were inherited from Turkic, Tungus, pre-Mongol times state formations political legacy. That opinion of Kinayat -uly is taken by most of modern day researches.

Development of social relations, state building are followed by legal culture evolution. The strength of Gengizkhan law was that despite all historical changes, its basic elements remained intact and cemented any state ever built in Eurasia.

Thus, the Mongol empire was based on Yassa as a legal fundamental. The strength of Yassa was in the fact that successors to Gengizkhan despite the long distances separating them had to subdue to it. The content of Yassa: international law, state and administrative law, criminal and trade laws, procedural- the rights and duties of the judge, as the pillar of the law. The solidity of the laws adherence among Gengizkhan successors was supported by the words of Rashid-ad-Din who provided some pieces in his works: “The customs (uisun) left by Gengizkhan and laws (yassak) must be strictly observed, not changing them, then the Heaven would support their people, they would always live in happiness and joy”. The following extract supports the previous statement on the need to observe the law: “If the

state formed after us, their leaders, sons, great people, military commanders and emirs would not follow the laws, then state affairs would be undermined, destroyed, they would search for Gengizkhan, but would never find”[9].

If even the successor to Gengizkhan had to strictly follow Yassa, then for ordinary citizens observance of the law was compulsory. That generated many difficulties. Yassa was based on the nomadic lifestyle, and the sedentary population of Turkestan, Persian lands whose life practices were different could not easily adapt to legal requirements of Yassa, as it did not cover their life specifics. Contradictions over Yassa interpretations and implementation between local rulers and Gengizkhan successors caused many conflict situations. The ruling khan Chagatai was very persistent in introducing Yassa in Turkestan, and Juveini described that in the following way: “He frightened the subject peoples by Yassa, as its non-observance was punishable by his army, that always was ready to do that at first order; any woman with a plate full of gold could walk without fear. He took some small decrees, but they were hard for Muslims to observe it. For instance, it not permitted to slay a sheep openly in Horassan. He forced them to eat meat of the dead animal (cattle)”[10].

Yassa was very strict legal code. Any wrong act was interpreted as a crime, and strictly persecuted. Despite that the western part of the Mongol empire adopted the Muslim culture, and gradually yassa establishments were not followed strictly. That was written by Hamdallah Kazvini. By Yassa it was prohibited for Mongols to live in urban areas, but descendants of Chagatai and Jochi soon forgot about those bans.

It is not clear how long Yassa establishments worked in Mongol lands. In the state in Mawerennahr set up by Timur and his successors “tore” in Turkic language was interpreted as the law of Gengizkhan. In Syria and Khorezm, Timur and his descendants were accused in putting “tore” above Sharia, and people under his control were not viewed Muslims. During the rule of Timur’s son Shahruh (1409-1447) was adopted a decree to follow only Sharia and annul ‘Bilik” of Gengizkhan and his legal practices. But son

of Shahruh, Ulugbeg viewed that it was correct to observe all laws of Gengizkhan. The last Timurid, Babur, wrote: “Our ancestors implicitly obeyed the laws of Gengizkhan. At the kurulai, parties and feasts, before taking a meal, or any acts, I did nothing against “tore”. All people by the decrees of Gengizkhan must follow the words of God. Whoever it is to leave those valuable words/laws, must be not forgotten. If your father left a good law, its must be observed. If he left a bad law, it must be replaced by a good one”[11].

In XV-XVI centuries in Mogolistan basic articles of Yassa were still in force. Eastern Desht-I-Kipshak Kypshaks followed Yassa in settlement of complex problems. As the th descendants of Gengizkhan ruled the lands for a long time, then Yassa was seen as the supreme law. But it is wrong to state that all the territories of former Gengizkhan Empire observed Yassa. The subject people practiced their own legal codes along with Yassa. Part of the law provisions of Gengizkhan adopted with the aim to strengthen his state, were kept in the criminal code of nomads.

In the customary law of nomads Biliks (procedural interpretations of Yassa) left by Gengizkhan played big role. In the oral spiritual legacy of Kazakhs are kept numerous references to it. In the opinion of the expert on medieval nomadic history T.Sultanov, the researchers of XIV century made a mistake when mixed Bilik with Yassa [12]. After through analysis of Bilik and Yassa, in 1901 P.Melioransky came to conclusion that there are different in many points. Yassa clearly identifies types of crimes and how they in due way must be persecuted. Bilik provides legal procedure and its stages, and also punished those who disobeyed Yassa. in the process of state governance by Yassa, administration of public affairs, the successors of Gengizkhan followed Bilik. Gengizkhan left to his descendants and people not only the laws, but also the rules of their correct implementation. Full text of Bilik is given by Rashid-ad-Din in his work’s chapters: “The best praiseworthy quality of Gengizkhan is to leave legal knowledge of Bilik”. Rashid-ad-Din employed many evidences on Mongol legal code from various sources – historical narratives and memoirs. In the historical nar-

ratives Gengizkhan who conquered the world is depicted as the one who founded a state out of scattered Mongol tribes, set up a unified system of governance instead of tribal rule, introduced a system of administrative bureaucracy as well as wise statesman. On the other hand, his invasions and plunder of the occupied territories led to disappearance of their cultural and economic wealth, postponed for centuries the development and formation of big people out of Turkic tribes. Assessment of Bilik from various sides allows us to understand what role his laws, and legal establishments, provisions of how to rule conquered peoples, played in the state he left for his descendants. The Gengizkhan’s establishments were promoted by Kazakh zhuraus, poets, biis, oral folk art- proverbs and sayings. For instance: “Where sons do not listen to father, younger brother do not respect the elder ones, husband is not backed by his wife, and wife dose not follow her husband, mother-in-law do not like their daughters-in-law, senior did not protect the youngsters, and youngsters did not follow the seniors, and the nobles being close to god could not influence the public, and having a lot of wealth could not build a wealthy country for the people and ignored the customs (uisun), and law (Yassa), and people fought against the state; in that state grow thieves, robbers, enemies, cheaters, and offenders, they inflict big damage to people, steal their horses and cattle, and if the army launches a campaign, its exhausted horses would die halfway, and both- army and horses would die”[13].

Bilik of Gengizkhan taught the statecraft, gave useful advises on governance – what to do in various spheres, and which are the priority. It teaches that the rulers must care about the people close to power, families, and how to mange family affairs, lead an army, control international affairs, what qualities are desirable in peacetime, etc. and gives full answers to all these questions.

Here we should refer to the extract from Bilik: “The content of the Bilik is that at that time the demands of the Kazakh khanate society were fully responded by it”.

The nomadic states were interested in codification of their legal establishments, and Gengiz-

khan timely reacted to that, and although within time the situations changed, in general Yassa addressed most of the problems on the way. Further on Kazakhs adopted the Laws of Kassym-khan (The direct path of Kassym khan), Legal Code of Hak-Nazar khan (Just path of Hak Nazar khan), the legal code of Yessim khan and Jety Jargy of Tauke khan. In 1640 Oirtas adopted “Tsaadjin bichikte”- legal code of Jungars. There is much in common between them as they all are based on the Mongol legal practices, and represent the stage by stage evolutionary changes.

Jety Jargy as the codified legal code of Kazakhs was one such evolutionary samples. By the content the Jety Jargy is reflective on specific Kazakh life style; secondly, is based on the previous legal codes, like the one created during the rule of Kassym khan (1511-1523), when Kazakh khanate for the first time came to be known internationally. The first contacts with the Muscovy occurred right at that time. That period was characterized by strengthening of military-democratic structure. Kassym khan unified millions of people under one banner in one country, and governed them. Unwritten legal code, preserved in the folk memory played very important role in state governance.

The basic provisions of the law of Kassym khan are as follows:

1. Property law – on cattle, private property, land disputes
2. Criminal law - murder, attacks/raids on population, cattle stealing and their punishment
3. Military law- army formation, military duties of the common folk, ransom, penalties for losses in the military campaigns
4. diplomatic rules – orator skills, politeness and etiquette in international affairs, tactfulness, etc.
5. Law of the public – distribution of food, cattle to the public, rules of the commemoration arrangement, organization of festivities, duties and rule of conduct during the holidays and celebrations.

After Kassym khan legal code was adopted the code of Yessim khan, complied by the youngest out all khan ever in power in Kazakh steppe. The reason why it was called “old law” is that

all the legal practices originate from the ancient customs.

Tauke khan introduced considerable changes in the previous legal codes. Especially was modified the third part of Jety Jargy. The laws of khan Tauke were based on traditional practices, but were innovated to meet the time challenges and digest the traditions of the tribes that within time became part of the Kazakh khanate. Jety Jargy is the most famous legal code that was in force until mid XI century in the Kazakh steppe. There is no common opinion on the time when and under what circumstances it was adopted. Some researchers consider that it was in late XVII century, others – to early XVIII century. The reason is that in the first half of XVII century the Kazakh khanate unified all lands and to strengthen the state, the leaders needed real deeds. At that time most of eastern part of the state lived under the Sharia law. Social-economic and political situation degraded, therefore the leaders were to take urgent measures to consolidate the country through unification of legal practices. One more reason for Jety Jargy adoption is the external threat – the Jungar invasions intensified. The Jungars by that time had adopted their legal code that helped to strengthen the people from within. Thus, Kazakhs had to take urgent steps to confront the external threat. Thirdly, until XVII century most of legal practices grew outdated and new realities were to be reacted properly. We keep to the origin of Jety Jargy as of late XVII century, and support our proposition by the evidences provided by the tribal chief of Jappas tribe Kobek Shukualiev, that he gave to the Russian researcher G. Spassky: “Ancient tribes of Kyrgyzes (as they were called by the Russian, in fact – Kazakhs) proclaimed Tauke sultan as their khan, at that time three branches of Kyrgyzes (Great, Middle and Minor juzes) sent their judges (biis) to negotiate and they came to conclusion that they would stop fighting and quarreling with each other and adopt a common law”[14].

The rules of Jety Jargy became integral part of the Kazakh everyday life, and its unwritten articles were transmitted orally from one generation to another. The fragments of Jety Jargy were complied by the members of the Russian research expeditions and officials of the colonial administration.

That is their contribution to the preservation of the legal code of Kazakhs. Jety Jargy and some other legal practices of Kazakhs were also compiled by A.I.Levshin, N.N.Grodekov, D.Samokvasov, L.A.Slovokhotov, G.Spasky, Y.I.Gurland. The most valuable collection was made by findings of G.Spasky, Y.Gurland, A.Levshin, P.Makovetsky, L.Balluzek[14].

It is known that there are two original versions of Jety Jargy. The first one in 1804 was compiled by G.Spasky from the words of tribal chief of Jappas tribe Shukualiev. In 1820 “Herald of Siberia” published notes of G.Spasky on Jety Jargy consisting of 11 fragments. Spasky also described the everyday life of Kazakhs from the results of his expedition in 1806. The second version was given in the works of A.Levshin. Lawyer Nuraly Oserov critically assessed Jety Jargy, collected all available resources on that legal code, and divided it into several chapters:

1. State integrity
2. Body cleanliness
3. Religion
4. Family unity
5. Crime and punishment
6. Human rights and private property
7. Order of governance

Thus, Jety Jargy consists of 7 main parts divided into 34 articles. The analysis of the legal code proves that it served the material and political interests of the people in power and as a mediator between those in power, and the common folk. Since the creation of state, the land disputes (zher dau) were extremely important for all members of the community. By Jety Jargy land issues were considered as part of the tribal property sphere. Therefore, any member of the tribe could have right for the pasturelands, winter and summer sites. In that way the conflicts over lands were prevented or regulated.

The basic economic fundamental of the Kazakh community was cattlebreeding. Each tribe had its own seal to mark the cattle (tanba), and that was considered under Jety Jargy in case if any disputes arise. A seal could identify a stolen atle as someone’s property. The Kazakh community recognized only property rights on cattle. Tanba (seal) ended all the claims on one’s cattle.

Other issues under Jety Jargy referred to family and marriage sphere, and originated from the early times traditions. Father was the head of the family, the owner of his children, master for his wives, servants, cattle, pasturelands and sites (winter and summer). No decisions were taken without his permit. The family related articles also stipulated the marriage strategies- count 7 generations to make marriage policy to form a family: within 7 generations people were viewed relatives. No permit is given for marriages with foreigners. Therefore, every Kazakh was obliged to know 7 generations history – genealogy- zhezhire. The one who could not name 7 ancestors was believed to be without roots.

Russian researcher N.Grodekov wrote, that every Kazakh knows his genealogy that was supported by Tauke khan’s legal code that was seen as one of the pillars of social system and its stability. Peace between relatives was equivalent to juz solidarity and strengthening of the basis of the state, in understanding of Tauke khan.

The significance of tribal system is visible I big events taken place in Kazakh social history. For example, it was observed during marriages and wedding ceremonies, funeral commemorations, property division, etc. when relative supported each other. In the soviet times, as well as presently, do serious events are arranged without relatives participation and support. Although within times the traditions changed, part of them is still observed.

Family and marriage related traditions of Kazakhs are very complex. For example, the seeking a marriage partner for son, marriage contract negotiations, etc., rites and rituals of girls marriage and wedding ceremonies arrangement, parties on a child’s birth (shildekhana), ages transitions cycle ceremonies (12 year cycle- mushel, zhasqa toly), funeral commemorations, and other events were followed by traditions coming from early times.

Jety Jargy also stipulated the cases settlement as revenge/vendetta, material compensation for crime (and even murder). Although Jety Jargy dose not disclose the notion of what is crime, and names a criminal as the one who was sinful. It is impossible to eradicate crime at all in any country or society, but it is possible to create barriers on the

way of making crime by someone. Jety Jargy put revenge/vendetta at first place in the list of crimes, and viewed it in equivalent manner- blood for blood (tit-for-tat principle), life for life. Sometime the one condemned to death by the decision of the council of judges (biis) could save his life by a ransom or material compensation. That article demonstrates historically progressive significance of the Kazakh legal code. The payment is taken from the criminal or member of his tribe. Principle of revenge prevented keeping the state integral. Russian researcher Balluzek wrote that: "The original historical narratives of Kyrgyzes, revenge lasted for centuries, and was transmitted from one generation to another. Then they understood that it was harmful for all the community/tribe"[14]. In the nomadic community, with the advent of Islamic practices, material compensation for the crime was introduced. In the legal codes of Kassym khan and Yessim khan, compensation was mentioned, but not interpreted in full manner. While in the laws of Tauke khan, revenge was interpreted as a big damage for the community and was replaced by material compensation. Emergence of compensation, principles of its type and size were caused by subjective reasons. As other members of the tribe were responsible for someone's crime, it was better to pay for the crime, and release them from the fear of being killed. The tribe paid for the crime certain amount of cattle agreed under Jety Jargy by judges, as it was reported by Levshin. Information of material compensation practices can be found in the works of I.Georg and N.Rychkov. By Georg: "if someone killed another man, he will be sentenced to death for that crime, or released if compensated for the death to the relatives of the victim. For the murder the compensation is 100 horses, 2 camels, and 1 slave. Instead of horse he can give 5 sheep. For the murder of a woman, the compensation is twice less than for a man's murder. For the physical injury or trauma to the genitals of a man or a woman, the punishment is very serious. For theft - 9 times more.

The historical foundations of the Kazakh legal practices are customs, Sharia norms and legal codes of the some rulers, like khan decrees, but they could not cover the variety of legal cases happening among the people in steppe. Custom-

ary legal systems of Kazakhs were created within the long historical process, condensed within the nomadic life style, and were flexible and gradually evolved. The institute of judges (biis) in Kazakh society as responsible for following and timely reaction to the changes and challenges, as well for the maintenance of traditional legal culture and practices. They were practitioners, theoreticians, and interpreters, presided over the legal trials, took decisions, negotiated in disputes whatever they were, criticized and took the final actions. The main objective the court of biis was to establish the truth, reveal it to the public and take appropriate decision. They were to possess a common sense, strong logic, orator skills, deep analytical potential and good memory. They were to take into account positions of both parties involved in the case, thoroughly investigate the case, critically assess the words and actions of all the participants. Biis had certain freedom in taking decisions, as well as the one found guilty disagreed with the court decisions, had right to protests and the case were revised from anew, all cases were considered publicly. The complexity of cases necessitated the number of biis involved, if the case was too difficult, then several biis were involved and out of them was elected by his colleagues the chief one - *tore bii*. He took the final decision. If the trial was public, then all present had the right to speak out on the case. *Tore bii* was to arrange the due procedure and control the order of the process. Relatives and interested people from both sides could speak, but had no right to vote. In many cases the tribal biis could suppress by their tribes' authority the opposite party, as all tribal members covered the responsibility for the crime. The trial was held in the specially arranged place or in the tent of *bii*.

Thus, the steppe legal practices were naturally formed within the normal course of life and developed in content and structurally by people and law might regulate their vision of how.

The Kazakh laws originate from Turkic times, and were enriched by the legal practices and cultures of other peoples. Secondly, Kazakh laws borrowed and interpreted adapting to their needs the best samples and models of legal cultures of other peoples.

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NURSULTAN NAZARBAYEV AND KAZAKHSTAN'S MODEL OF INTER-ETHNIC RELATIONS AND RELIGIOUS TOLERANCE

GERMAN KIM

In 2011, Kazakhstan celebrates 20 years of its independence which is a historic milestone in the development of an independent state. President N. Nazarbayev has officially announced the motto “the 20 Years of Peace and Constructiveness” to attribute a special status to the year.

Kazakhstan’s independence is a major achievement of the multiethnic people of the country. It is the unity and accord of the nation that were the pre-conditions for considerable social and economic success of the newly independent state as well as its international recognition within such a short period of time. The United States celebrates the 235th anniversary of its independence in the same 2011. The 215-year difference between the two countries is quite a long time, however, within these 20 years, Kazakhstan has had the achievements similar to those of the United States although the latter has had the two centuries of freedom and democracy.

Vast research made on Kazakhstan in the world, drew the attention to its historical destiny and, most importantly, its political, economic, social and cultural progress. The foundation of a modern state have been laid within the last 20 years, as the republic has successfully postured itself at

international arena due to its profound and largely successful reforms. However, all the research made on Kazakhstan lack the due focus on the leader of the country who, for all these years, has been drawing the vectors of national development and determined the fate of the new state. The interest the world community has in Kazakhstan can be explained not only by its abundance in energy and mineral resources; Kazakhstan has been a unique model of inter-ethnic harmony. The world leaders gathered at the OSCE Summit in Astana credited President N. Nazarbayev as being the creator of this model.

Therefore, our attention will focus precisely on the independence of Kazakhstan and the unity of its multiethnic people which constitutes the basis and guarantee the success of a sovereign state. What are the characteristics of Kazakhstan model of inter-ethnic accord and religious tolerance? What is the role of the Leader of the Nation, the Head of State in this strategically important domestic issue? What mechanisms and tools are involved in regulation of the most sensitive but critical aspect of social life?

For a start, it is worth to note that multiethnic configuration of the population of the modern Kazakhstan is a legacy of the past, the fact that

cannot be denied. Since ancient times, the caravan routes intertwined fates of different peoples, cultures and religions converged through the Great Steppe spanning Eurasia. Later, due to the policies of migration, deportation, industrialization, and development of the virgin lands during the Soviet period, Kazakhstan turned into a state with one of the most multi-ethnically diverse population. More than 130 ethnic groups live here today in peace, friendship and harmony.

Like any other multiethnic sovereign state, Kazakhstan had to define and implement the policy in inter-ethnic relations. There have been numerous practices in the world, namely ‘the melting pot’, ‘the salad bowl’, ‘the quilt’, ‘multiculturalism’, ‘the new Soviet community’ or ‘the Soviet people’, etc. After gaining its sovereignty, Kazakhstan faced a crucial dilemma: whether to use the previous, well-known models of ethnic policy or create its own?

Kazakhstan, with its unique history and special circumstances, does not fit into any of the known models such as the Russian, Chinese, North American, European or Australian.

Therefore, the model of inter-ethnic relations and inter-confessional harmony suitable for Kazakhstan should embrace the following principles:

- indigenous Kazakh land;
- state consolidating role of the Kazakhs as a core ethnic group;
- multi-ethnic population being a result of migration;
- the numerical preponderance of the Kazakhs and Russians;
- a clearly defined status of the languages (the Kazakh is recognized as the official language whereas the Russian is the language of cross-national communication), and the freedom in terms of use of all other languages
- multi-confessional population;
- traditions of hospitality and tolerance inherent in the mentality of the Kazakhs;
- introduction of the fundamental values of the contemporary world such as civil society, democracy, market economy, rule of law and equality before the law as well as ideological pluralism;

- peacemaking, the voluntary nuclear disarmament, proactive participation in the cause of maintenance of global, regional and collective security [1].

In 1992, President N. Nazarbayev in his ‘Strategy for the Establishment and Development of Kazakhstan as a Sovereign State’ for

the first time defined the priorities of maintenance of stability and inter-ethnic accord as a condition for successful implementation of the reforms and economic progress. Construction of Kazakhstan as a new sovereign state was based on preservation of peace and harmony. Culture of multicultural understanding was declared the national policy.

In his annual Addresses to the People of Kazakhstan, as well as the speeches delivered at the sessions of the People’s Assembly of Kazakhstan, President N. Nazarbayev has repeatedly emphasized the crucial character of harmonious inter-ethnic relations, tolerance and respect for the cultural, religious and linguistic demands of all ethnic groups of the country. The writings of President N. Nazarbayev provide a theoretical and methodological basis of Kazakhstan model of inter-ethnic accord and religious tolerance. It is built on the following guidelines and principles:

First, government policy was aimed at creating all the conditions necessary for the development of culture and languages of all ethnic groups of the country. Firm leadership within the country since the early days of its independence aimed at harmonizing the relations between the ethnic groups was one of the key factors to make the policy effective. In his Address to the People of Kazakhstan ‘Increasing Prosperity of People of Kazakhstan Primary Goal of State Policy’, President N. Nazarbayev said that Kazakhstan has created “its own model of social stability, ethnic harmony, the formation of Kazakhstan identity and nationwide patriotism during the years of independence. This is our [Kazakhstan’s] ‘know-how’, which we are proud of and determined to preserve” [2].

Second, tolerance is the essential value and major achievement of Kazakhstan, which fully complies with the spirit and letter of international documents. In accordance with the Declaration

of Principles on Tolerance (UNESCO, 1995), tolerance is defined as: "... values and social norms of civil society, which manifests itself in the right of all individuals of civil society to be different, sustainable harmony between different religions, political, ethnic and other social groups, respect for the diversity of various world cultures, civilizations and peoples willingness to understand and cooperate with people differing in appearance, language, beliefs, customs and beliefs" [3].

The featured definition of tolerance in the Preamble of the UN Charter reads as follows: "... to practice tolerance and live together in peace with one another as good neighbors" [4].

There are other definitions of tolerance, for example: "Tolerance is what makes peace possible, and turns the culture of war to a culture of peace." and "Tolerance is the ability of a person, community, state to hear and respect the opinions of other, non-threatening to meet other than my opinion".

All these definitions reflect the same notion. A tolerant society asserts the right of all people to be different. At the same time, society itself, through its institutions (including government) should strive for sustainable harmony between different religions, political, ethnic and other social groups, respecting the diversity of various world cultures, civilizations and peoples with willingness to understand and cooperate with people differing in appearance, language, beliefs and customs.

Kazakhstan's model of inter-ethnic relations raises the 'tolerance' and 'neighborhood' to a new level of unity of the nation, which is achieved through diversity of all ethnic groups. That is why the President of Kazakhstan constantly calls for "unity through diversity" and this slogan manifests a different approach of Kazakhstan citizens, a different meaning than the famous *E pluribus unum* motto placed on the arms of the United States.

Third, the practice of nation building in Kazakhstan takes into account the direct link between the conservation and creation of inter-ethnic tolerance within a competitive nation. Inter-ethnic harmony and dynamic economic

development of the country are integral parts of the single interrelated process. On one hand, tolerance and peace create the conditions necessary for economic progress, while the latter provides the foundation for the former.

Fourth, integration of its citizens into a united community is the major condition to preserve integrity and independence of a multiethnic nation, which is Kazakhstan. The principles of identity formation derived from the idea of common citizenship provide the basis of state-building and national policy of the Republic of Kazakhstan. The interpretation of 'nation' in civil-law and the concept of the 'united people of Kazakhstan' are synonymous. Such an understanding of nation stands for aggregation of all the country's citizens, whose united civil identity rises above ethnic, cultural, and religious differences. As the President of Kazakhstan, N. Nazarbayev emphasized: "Today, it is too early to talk about the formation of a unified nation of Kazakhstan. We speak of a civil and political unity, but not an ethnic unity... The main identity is our civil and political unity" [5].

Numerous studies and life experience itself show that harmony in inter-ethnic relations can only be achieved with mutual understanding among the ethnic groups. In this sense, the dialogue among cultures is one of the main factors in the development of tolerance. Kazakhstan succeeded in creating all the conditions necessary to build an environment where the languages, customs and traditions of all ethnic groups have been maintained properly during the years of its independence [6].

Fifth, state and civic institutionalization are the most important features of the model of inter-ethnic relations in Kazakhstan. The People's Assembly of Kazakhstan is one of the major instruments of state policies and consolidation of all ethno-cultural associations of the country. Since its formation on March 1, 1995, the People's Assembly of Kazakhstan has been a body with nothing similar in the other CIS countries; this is a unique example in the world of an institution for harmonization in inter-ethnic and inter-confessional relations.

The idea of creating the People's Assembly of Kazakhstan was articulated by the President

N. Nazarbayev for the first time in 1992 at the First Congress of the Peoples of Kazakhstan; the forum was dedicated to the first anniversary of independence. The Assembly is aimed at the following:

- promoting the maintenance of inter-ethnic and inter-confessional harmony in the republic and stability of its society;
- making recommendation on implementation of the state policies aimed at promoting of friendly relations between the ethnic groups and individuals of different ethnic background residing in the territory of Kazakhstan, as well as their spiritual-cultural revival and development on the basis of the principles of equality;
- forming a political culture among the citizens of Kazakhstan based on civil and democratic norms;
- securing the interests of the various ethnic groups in national policy;
- searching for compromises in the cases of social contradictions.

According to the amendments made under the constitutional reform of 2007, deputies from the People's Assembly of Kazakhstan (PAK) are elected to the Majilis with the mission to maintain and protect the interests of the ethnic groups they are representing. Therefore, the PAK is a genuine mechanism to preserve the interests of the ethnic groups of Kazakhstan. 22 national and regional ethnic-cultural centers are working under the aegis of the Assembly, which embrace 470 oblasts (provinces), cities and rayons (districts) organizations. The PAK resolves the issues through a network of regional branches, so-called Smaller Assemblies.

Sixth, the world experience shows that linguistic equality is a critical issue when forming a tolerant attitude in a multiethnic society. In this respect, it should be emphasized that Kazakhstan pursues a comprehensive and reasonable linguistic policy which is a specific feature of its model of interethnic harmony. Currently, the President proposes the concept of 'triunity' of the Kazakh, Russian and English languages which should not only ease the tensions in relations among the various ethnic groups, provided it is the commonly accepted — since it really requires

a complex approach - it will make its impact on the processes of socio-political and economic modernization of the country as a whole.

Seventh, the model of inter-ethnic accord of Kazakhstan assumes that children are systematically brought up to be tolerant and respectful to the culture, rituals, and customs of the people of other ethnic background. The new generation of Kazakhstanis is mastering the Kazakh language not only to express their loyalty, patriotism, and civic commitment to Kazakhstan, but also to be competitive in their professional career and achieve personal success.

Eighth, the unity of the people in a multiethnic state such as Kazakhstan is impossible without tolerance in inter-confessional relations. Kazakhstan is a secular state with a predominantly Muslim population and other 45 religions. Notably, there have been no conflict; mosques along side with churches and synagogues are built, and Buddhist temples are opened.

Speaking at the international conference on 'Spiritual Harmony through Tolerance', President N. Nazarbayev said: "We will not allow the politicization of the religious issue. The most important characteristic of the religious life in Kazakhstan is the mutual respect for each other. The multiethnic and multireligious people of Kazakhstan have always been particularly tolerant and respectful having a spirit of mutual support. The first Congress of Leaders of World and Traditional Religions is a clear example of the success Kazakhstan made in inter-confessional dialogue" [7].

The establishment of a unique platform for dialogue among leaders of world and traditional religions is an initiative of N. Nazarbayev that is worthy international recognition. No other country has realized such an idea. President N. Nazarbayev participated in the third Congress of Leaders of World and Traditional Religions which was held in Astana in June 2009. The first 2006 Congress was attended by 29 delegates, 77 delegates from 35 countries came to the next one. The forthcoming forum of world religions will take place in the capital of Kazakhstan in 2012.

The 15th session of the People's Assembly of Kazakhstan set the task to work out the 'Doctrine

of National Unity', which should become an action program to deal with all the complexities of inter-ethnic and inter-confessional relations, and open a new phase in the process of formation of a united nation of Kazakhstan [8]. The President said that the 'Doctrine of National Unity' should answer the three main questions: what do we mean by "national unity," what are the premises for national unity, and how will we strengthen it in the future. According to N. Nazarbayev, three pillars hold up the unity of the people of Kazakhstan: common history, common values, and common future.

Kazakhstan faces the crucial task of nation building which should rest on integration and consolidation of the all ethnic groups into a united nation of Kazakhstan with the common national idea, common values, and patriotism.

We call the patriots those people who make active personal contribution and participation in the preservation and augmentation of the spiritual and material wealth of the country, realization of its political agenda, as well as economic and socio-cultural modernization as all these should bring the country to the club of the 50 most competitive countries of the world.

Kazakhstan possesses all the necessary political, material, technical, and intellectual resources to fulfill the tasks it faces. High authority the Yelbasy (Leader of the Nation) enjoys domestically and beyond, his firm will and reasonable internal and external policy aimed at national unity, peace and harmony, as well as economic progress shall enable Kazakhstan to have its stand in the international arena and guarantee the success.

POLITICAL AND LEGAL BASIS FOR KAZAKHSTAN PARTY SYSTEM IN THE 1990S

YURI BULUKTAEV

As a rule, the functioning of political parties is dependant on the composition of various factors of social, historical and institutional nature. This composition may vary from country to country. Institutionalization of political parties is understood as their recognition by both society and power as a necessary element for proper functioning of a political system within the state. In a narrower sense, institutionalization means providing a legal basis for functioning of political parties.

The development of multiparty system, to a certain extend, is determined by political pluralism which has become an attribute of the political development of Kazakhstan during the period of social, economic and political transformation. Pluralism means an environment of competition and interaction of the various political forces in accordance to the law and traditions. Increasing pluralism means improvement of political space. As multiparty system is recognized as an attribute of political pluralism it is the vehicle to improve political and partisan space.

In the 1990s the political parties and movements were necessary for the institutional design of the de-mocratization process of Kazakhstan, from one hand. From the other hand, they were formed not through social and ideological demand due to weakness of civil society, but out of quite different reasons.

Since 1989, during the period of half-

disinte-gration and eventual dissolution of the USSR, the political parties were formed on the ideological basis by the groups of the likeminded; those who were supportive towards democratic socialism, national independence, western democracy values or by their opponents. As the newly independent states were accommodating a new political system This is a dilemma of democracy. In a democratic environment, ideologies are the means for a party to achieve its political goals (not surprisingly all political parties appeared in Kazakhstan those days called themselves ‘democratic’), at the same time, the process of partisan-building was governed from the above. In such conditions the normative and legal mechanisms are crucial, as well as the functional (the ways how the power is exercised) and the communicative (interaction between the state power and the parties).

In democratic states with multiparty systems, the national legislation defines the format of inclusion of the political parties into the process of formation and functioning of the bodies of state power as well as the character of their interrelations with the other public associations. These interactions shall be based on the principle of mutual non-interference and independent functioning. This principle is stipulated by a number of international documents especially when it comes to the relations of state and political parties. The states participated in the OSCE Copenhagen Conference in 1990 declared that “a

clear separation between the State and political parties is one of those elements of justice which are essential to the full expression of the inherent dignity and of the equal and inalienable rights of all human beings. In particular, political parties shall not be “merged with the State”.

Partisan policy of state is one of the key factors influencing the dynamics of development and efficiency of political parties. Formation of this policy is dependent both on social structure, public demand and the capacities of the political system to provide political basis for functioning of the party system.

The capacities of the political system of modernization, were mainly formed by of the state power bodies; their regimentation and regulation impacted on the political parties. The regulation activity was manifested mainly in normative and legal mechanisms as well as the functional and communicative mechanisms. The factor of political and legal institutionalization of the political parties affected the dynamics of development of the party system and efficiency of the parties themselves.

The national legislature regulated the character of relations of the political parties with the other political institutions within the political system. It regulated the format of the partisan building and their inclusion in the process of formation of various state power bodies as well as the character of the relations of the parties with the other public associations in accordance to the principle of non-interference.

Liberalization of the Soviet political system resulted in establishment of a great number of new socio-political movements and, therefore, imperfection of the legal basis became particularly visible. On April 14, 1989 the Supreme Soviet of the Kazakh Soviet Socialist Republic passed the Act on Establishment and Functioning of the Independent Public Associations. The law On Public Associations passed by the Supreme Soviet of the USSR on October 9, 1990 had had a great significance for institutionalization of the proto-partisan structures. It provided the legal basis for establishment and regimentation of organization and functioning of numerous newly created public associations.

The Declaration on the State Sovereignty of the Kazakh SSR passed on October 25, 1990 by the Supreme Soviet of the Kazakh SSR guaranteed the equal rights to all public and political associations and movements to participate into political and social life. Since 1991, the activities of the public associations were regulated by the law On Public Associations of the Kazakh SSR.

It was designed on the basis of the similar law passed by the Supreme Soviet of the USSR in 1990 and contained 5 chapters: ‘Preamble’, ‘Establishment of Public Associations and Termination of their Activities’, ‘Terms and Conditions of Activities of Public Associations’, ‘Liability of Infringement of Law’, ‘International Cooperation, International Treaties’. The Law stated the association freedom to be an imprescriptible constitutional right of human individual and citizen the realization of which serves the interests of society and shall be protected by the State. The law also enumerated the recognized public associations but it gave the right to establish the others beyond the given list. The law also stipulated the procedure of re-registration of all previously established public associations within the territory of the Republic by 31 December 1991.

The law prohibited any associations of political nature to be established at the public administration bodies, courts, public prosecution offices, army, state-owned industries, public and government agencies and organizations in order to guarantee the equal opportunities for the former and keep the latter neutral and impartial in terms of politics.

Thus, the Constitution and national legislature guaranteed equality for public associations. The Constitution of the Republic of Kazakhstan is the main source of the legal norms regulating the status of political parties.

Political and legal basis for building of a multiparty system was provided by the Constitution adopted on October 28, 1993. Chapter 10 stipulated inclusion of political parties into execution of state power and this fact signified that there were premises for the multiparty system to be an integral part of state power formation mechanisms. The parties were recognized as actors of the political process.

Article 16 of the 1993 Constitution stipulated the right of the citizens to establish public associations on the basis of the principle of free expression and common interests to realize the fundamental rights and freedoms guaranteed by the Constitution. The Article was the foundation for observance of free associations rights of the Kazakhstan citizens.

Article 17 of the 1993 Constitution gave the re-registered parties the right to nominate their candidates, conduct free debate, and pursue campaigns for and against the other candidates. According to Article 56 political parties shall facilitate free expression. All this signified a considerable democratization of social relations.

However, the legal basis for the rights and responsibilities of the political parties remained insufficient until the end of 1994. The abovementioned law of the Kazakh SSR On Public Associations passed back in June 1991 had become outdated in the political situation those days. The law did not differentiate political parties and other public associations; it just recognized a number of associations to be the political parties.

The Constitution of Republic of Kazakhstan adopted in 1995 and the laws On Public Associations and on Political Parties passed in 1996 were the principle legal basis since the second half of the 1990s. The Constitution adopted through the referendum in 1995 made Kazakhstan a unitary state with a presidential form of government with the bicameral parliament and defined the partisan building process and political space in general. The previous approach to regulation of the status of the political parties and other public associations had become inappropriate. Thus, it was necessary to distinguish them within the national legislature; the law On Public Associations was passed on May 31, 1996 and the law On Political Parties was adopted on July 2 the same year. These laws meant a new stage in the process of legal institutionalization of the political parties in Kazakhstan.

In accordance to these legal acts, public associations shall be equal before the law. Illegal interference of the state in the affairs of public associations and of public associations in the affairs of the state, imposing the functions of

state institutions on public associations were permitted.

The parties were given the right to nominate their candidates for Presidency and Parliament seats. It was stipulated that the parties had the right to unite into electoral blocks and other associations and do business in accordance to the law On Public Associations.

In accordance with the law On Political Parties passed in 1996, a political party is a voluntary association of the citizens of Kazakhstan aimed to detect and express the political will through representation in execution of state power. The State shall guarantee the observance of the rights and legal interests of the political parties. Article 16 provided the legal basis for financing of the parties. It outlawed financial assistance from abroad as well as that from religious organizations. According to the new legislature, a party shall provide the list of 3,000 members in order to be officially registered. A party might be liquidated by the resolution of its superior executive organ or upon court order.

The law On Political Parties of the Republic of Kazakhstan prohibited formation and functioning of public associations pursuing the goals or actions directed toward a violent change of the constitutional system, violation of the integrity of the Republic of Kazakhstan, undermining the security of the state, inciting social, racial, national, religious, class and tribal enmity, as well as formation of unauthorized paramilitary units. The law On Political Parties was aimed at strengthening the multiparty system in the country in accordance with the general democratic principles.

The fact that the norms on political parties were included into the Constitution signified constitutional recognition of them as an independent political and legal institute of the state. Constitutional provisions were concretized in other sources of Constitutional Law, namely in the abovementioned law On Political Parties regulating their functioning as a politico-constitutional institute and the law On Public Associations.

There were a number of legislations to regulate certain aspects of political parties functioning. For example, the law On the Press and other

Mass Media passed on June 28, 1991 stipulated the right of the parties to use Mass Media and provided the procedures for its realization. The Presidential Decree on Elections in the Republic of Kazakhstan dated September 20, 1995, being in force of Constitutional Law, defined the procedure and terms for the parties to participate in the elections. The rules of procedure of the Parliament and its two Chambers outlined the format of partisan participation in the organization and functioning of the lawmaking body. The Presidential Decree on Registration of Legal Entities, being in force of law, contained the norms of some procedural issues for partisan registration process.

The Criminal and Administrative Codes of the Kazakh SSR stipulated the legal liability for infringement of the law On Political Parties. The legal status of political parties as legal entities was regulated in a number of provisions of other laws, namely in Civil Code of the Republic of Kazakhstan adopted on December 27, 1994 where the political parties were legally defined as non-profit organizations. There were also some provision in the Labor Code of the Kazakh SSR dated July 21 1972, Law on Social Welfare and Social Insurance and Decree on Taxation and other Mandatory Budget Payments issued on April 24, 1995.

Having analyzed the sources of legal regulation of the political parties' status, the Kazakhstan experts had the ground to state that a new institution emerged within the constitutional law of Kazakhstan that was the legal institution of political parties.

The principle of political pluralism was realized when the provision of equal rights of political parties was included into Clause 2 of Article 5 of the Constitution of Kazakhstan: "Public associations shall be equal before the law. Illegal interference of the state in the affairs of public associations and of public associations in the affairs of the state, imposing the functions of state institutions on public associations shall not be permitted".

Let us consider some of aspects of the political partisan regime in Kazakhstan where the parties were to function in the 1990s.

There are three options to legalize a political party in democratic states; by way of accomplished fact, by notification and by registration. The latter is/was the procedure for all legal entities in Kazakhstan.

The registration procedure is aimed at the following:

- a) to confirm the fact of establishment of a legal entity;
- б) to enable the state to keep record of all legal entities;
- в) to maintain government control over the legal entities activities;
- г) to enhance transparency as the details on the legal entities are available from the documentations of the register agencies.

Minimum membership necessary for establishment of a political party may vary from country to country and is dependant on political tradition and culture as well as other objective or subjective factors. The minimum number may be even two or three individuals (France, Switzerland), ten (Hungary) fifty (Bulgaria).

The most important question is to what extent the state may limit the public association freedom. This kind of restriction is inevitable and necessary. The issue was partially resolved by the provisions of Article 5 of the Constitution of Kazakhstan: formation and functioning of public associations pursuing the goals or actions directed toward a violent change of the constitutional system, violation of the integrity of the Republic, undermining the security of the state, inciting social, racial, national, religious, class and tribal enmity, as well as formation of unauthorized paramilitary units were prohibited. Activities of the political parties and trade unions of other states, religious parties as well as financing political parties and trade unions by foreign legal entities and citizens, foreign states and international organizations were prohibited in the Republic. Additionally, Article 23 (2) stipulates that the military, employees of national security, law-enforcement bodies and judges had to abstain from membership in political parties, trade unions, and from any actions in support of any political party. These kinds of provision are commonly accepted particularly in newly established developing states.

The laws On Political Parties and on Public Associations contained the restrictions of other character. Generally there are internal and external conditions for legalization. Internal restriction of the association right rooted in the collective nature of its realization when a party is established. Therefore the provision in the law On Political Parties passed in 1996 stipulating that there had to be at least ten individuals to initiate the establishment of a political party seemed to be quite obvious.

The provisions on minimum membership and national status for a political party may seem less relevant. Article 10 (4) of the law On Political Parties stipulated the minimum membership of 3000 people representing more than half of the Kazakhstan oblasts. In accordance to Article 7 (2) of the law On Public Associations the status of a ‘Republican’ might be granted only to those associations having its divisions in more than half of the Kazakhstan oblasts. The legislature was designed so that the political parties would acquire nation-wide character in terms of their structure and membership.

Some of the experts argued that Article 5 (5) of the law On Public associations and Article 5 (6) of the law On Political Parties prohibiting activities of unregistered associations (political parties) were the major restriction of public association rights.

The experts stated that these norms were not in compliance with the constitutional norm of freedom of associations as the registration procedure had acquired permissive character. Thus, the registration procedure became a criterion of legality not illegality of an association. Article 5 (4) of the Constitution said that: “Activities of political parties and trade unions of other states, religious parties as well as financing political parties and trade unions by foreign legal entities and citizens, foreign states and international organizations shall not be permitted in the Republic”. This norm was included to secure the election process from the interference from abroad in order to avoid distortion and breach of the will of the people of Kazakhstan who were declared to be the only source of state power.

The comprehensive analysis of institutional basis of the party building in Kazakhstan shows that it was quite behind the demands during the process of optimization of the political system. During that period the parties being recognized as key actors within the political system faced rather vague material and legal criteria for their legal status and functioning as an institute of the political system.

That was the case until 1996 when the law On Political Parties was passed. It opened a new page in the post Soviet history of political pluralism in Kazakhstan. The adoption of the law obviously forwarded the process of legal institutionalization of the political parties. However, a number of its provisions remained declarative because the parties had not yet become the active actors of the political process.

These are the reason why the political parties in Kazakhstan were weak:

- lack of mechanism to influence their representatives elected to the representative bodies of power;
- majority of the parties those days did not have a comprehensive social base and were weak in terms of their organization and funding;
- although the laws On Political Parties and on Public Associations were passed in 1996, the legal base was quite limited in comparison with developed democracies.

In the mid 1990s there were not any provision in the national legislation to allow the elections from the party list and therefore, the parties could not form the majority government. Majority voted system of those days did not encourage the appearance of strong parties and excluded the parties from being directly involved in the elections process. Therefore, the process of formation of strong parties was delayed and the relations between the state and nascent civil society were not developing fast enough.

The transformation character of the party political system was changed in 1999 when the proportional system was introduced and 10 of 77 seats in the lower Chamber of the Parliament were reserved for the political parties so that they could directly compete for the deputy mandates. The subsequent elections into the Majilis (the

lower Chamber of the Parliament) were the first time when the political parties of Kazakhstan competed with each other for the parliamentary seats. A new stage of partisan and associations' development began in 1998 when the partisan political activities intensified dramatically due to a number of factors.

The first was the Address of the President of Kazakhstan N. Nazarbayev 'On the Situation in the Country and Major Directions of Domestic and Foreign Policy: Democratization, Economic and Political Reform for the New Century' made on September 30, 1998. President N. Nazarbayev said that the political parties were one of the major elements of our political democratization, strengthening of the role of parties in our political system was "the basic building block of democracy, and we should do everything possible, by statute and by statement, to help them grow and develop".

The next important move was the constitutional amendment stipulating the proportional representation of the political parties in the Parliament, made on October 7, 1998. There were ten additional seats for the MPs elected from the party lists. This considerably increased the role of the political parties in the election system in particular and in the political system as a whole.

That was the first case in Kazakhstan and other Central Asian states when the elections were conducted with the appliance of the both majority system for single mandate constituencies and the proportional system to fill in the additional ten parliamentary seats. This combined electoral system enabled to have fuller representation of the interests of the parties and public associations.

Thus, the legally regulated opportunity for the political parties to participate in the parliamentary elections brought a certain character of liberalism to the national electoral legislation. This, in its turn, encouraged the development of the multiparty system and further democratization of the political process in Kazakhstan. However, the parties then did not participate in decision making as genuine actors at the political space. The parties failed to fulfill their major task of structuring of the elections results, facilitating political mobilization and integration of the people, consolidating the various social and political interests, restructuring the political elites, and articulating the major directions of political development. There were the actors alongside with the parties, who proved to be much more effective, namely the President and the Presidential Administration, state apparatus on various levels and the pressure groups.

MODERNIZATION DOCTRINE AND CIVIL SOCIETY DEVELOPMENT IN KAZAKHSTAN

AIGERIM IBRAYEVA

Despite of the evident achievements in socio-political and economic reforms in Kazakhstan, the third sector remains underdeveloped and inefficient, although, since the collapse of the communism, the concept of civil society was heavily promoted by international donor organizations, politicians, scholars and mass media. From their point of view civil society, first of all NGO's, has become a primary agent to initiate and disseminate ideological changes. However, after two decades of transition, it becomes obvious that building and strengthening of the NGO's capacity and effectiveness cannot be done by simply applying the western model of development. The effectiveness cannot be reached by external actions, but should come evolutionary alone with internalization of new fundamental values.

Contemporary Kazakhstan experience with building civil society suggests that there is no a universal model of development that is fruitful for any given country. Each country has its unique history, culture, mentality, social institutions, and traditions. Although this culture-based approach contradicts to the traditional development doctrine and universal evolutionary process, this paper will discuss cultural consequences of building the western type of civil society in Kazakhstan.

The research of relationships between the traditions and culture of the indigenous people, the practices of paternalistic Soviet state, and

the emerging independent sector in Kazakhstan revealed a low level of local acceptance and recognition of the newly created nongovernmental organizations.

Most of the donors inadvertently bring forward the ideological bias by defining priority assistance based on their western understanding of the problems, which in fact do not exist in the country, but they are sincerely trying to develop the western civil society in the region.

The donors and field workers share a general belief that the development in a western fashion will result in economic progress and prosperity. Civil society is seen as a major agent to disseminate the "ideas of progress and development through active participation in non-formal and non-institutionalized spaces." [1].

The proponents of western model see the civil society as an oppositional and antagonistic to the state and argue that transition countries need the third sector to protect individual freedom and limit the state power [1]. That is why most of the NGOs in Kazakhstan became the implementers of the donors' projects with the social change agenda, while leaving the actual needs of local population unattended [2].

However, cultural (or ideological) change is the most painful and the most difficult to implement. It's often associated with revolutionary changes and faces heavy resistance from the population. Local people prefer cultural and political stability and take them as important as freedom of speech or any other freedom associated with democracy.

Moreover, it became evident that efficient civil society may exist only in the framework of a strong and stable state where the civil society should be an integral working part of the whole system. The advocacy is proper strategy only when it comes to the violation of political rights of the citizens; in the other cases cooperation with the states makes it work much more efficient [2].

But from the donors' perspective, the advanced societies must educate the less developed countries how to move further in terms of development. There is nothing new about this approach. The long standing colonization model was substituted later with the modernization and development concept. It first emerged in the United States at the beginning of the twentieth century and was formulated by President W. Mckiley: "not to exploit... but to develop, to civilize, to educate" [3].

The politicians and scholars of that time were confident that a planned process of transformation of the less developed societies would bring peace and stability to the entire world community. In sociology this policy is well studied and defined as assimilation. Any majority group seeks for homogeneity and for this reason chooses to assimilate minority groups by enforcing the cultural norms and values of a dominant majority. In most of the cases, the minority groups are forced to or seduced by potential benefit to except the dominant culture [4]. For example, the elimination of illiteracy initiated by the Russians after the revolution of 1917 the resulted in large scale assimilation of the ethnic minorities in Kazakhstan.

The United States after gaining world dominance after the Second World War and having great experience in disseminating the Protestant values through the missionaries and volunteers started to implement the world assimilation program through a number of channels including international NonProfit organizations.

The justification for such modernization process was that all people despite of the origin have a lot in common and their development problems should be alike. Another reason was a general belief that all societies go through the

same stages of development regardless of their culture, religion, ethnic, or racial background. This point of view is rooted in early positivism and was described by August Comte in his Evolutionary theory or the law of three stages. According to Comte, there were three evolutionary stages - theological, metaphysical, and positive- through which any society goes throughout its history. Not only did society go through this process, but groups, organizations, social institutions, individuals, and even minds went through the same three stages [5].

The scholars and politicians of that time viewed this process as universal and unavoidable and were aiming to accelerate the transition in a number of ways starting with the cultural contacts with the underdeveloped societies and finishing with military intervention. They argued that development is an above of politics but may produce some development benefits for the educators. At this period, American government started to involve the social scientists in modernization modeling trying to find a way of bloodless revolutions to push the underdeveloped countries toward further modernization [3].

Later the modernization doctrine was enriched by Rostow with his stages of growth model. Following the logic of Comte, Rostow identified five stages of development through which all countries would pass sooner or later: traditional society, preconditions to take off, take off, maturity, and high mass communication. Some economists later classified the development process as having three stages as following: traditional stagnant society, the preparatory stage for take off, and take off into self sustain growth [6].

The major difference from the previous view of development was a switch from the industrial sector development to social capital investments. By social capital, Rostow meant education, administration, and law. From Rostow's point of view the most important and at the same time the most dangerous stage in modernization was the 'take off' as it could bring society to dysfunctional communist type of modernity. According to Rostow, communism was a side effect of modernization process and in order to prevent possible dysfunctional way of development the

United States should target the countries that reached the third stage and give them the “right direction” [3].

The problem with Rostowian approach is that it underestimates the importance of culture as any development requires combination of mental and social changes to assure the lasting increase in productivity and efficiency. The development is an organic process and requires thoughtful and careful approach [7].

The new approach to modernization emerged alone with a Cold War. In 1960s, Kennedy announced the ‘Development Decade’ aiming to balance the growing influence of the Soviet Union in the developing world. At this period we may observe the formation of one of the first international NCOs such as USAID, Peace Corp and others. Their mission was to disseminate the development ideas and serve as a catalyst in development process abroad [8].

Development assistance as an academic discipline was formed based on vision of the Western political leaders. The widespread belief in the mission of world educators gave a rise to growing enthusiasm among the scholars and ordinary people of the United States [8]. The program of international assistance became a law in 1961 with a major goal to promote economic and social development in the underdeveloped countries. The program was viewed as an instrument to achieve the world stability and became a part of American foreign policy.

“By assisting the recipients to develop into nations of self-determined and self-supporting people, the U.S. could enjoy the kind of world neighborhood that would afford the greatest security and wealth for all its members” [8].

The optimism did not last for a long. George Woods in 1966 stated “The price of admission to industrialized society is much higher than it was century ago. Technology is costlier, capital requirements are greater, established producers are harder to overtake in world commercial competition” [9]. Forty five years passed since that time but most of the countries that were recipients of international aid remained underdeveloped.

The decline of the doctrine theory and the Cultural Revolution in the United States forced

for creation of new forms of development assistance. It has resulted in a growing number of civil movements and debates if societies should be classified in terms of superiority. What is important for our discussion is the influence of the Cultural Revolution on civil society mission, structure, and strategies. The civil society in the United States has been developing evolutionary and was rooted and built around the religious institutions. The initial idea of civil society was to help the needy groups: homeless, poor, and other disadvantaged groups.

The ideological component was added to civil society during Cultural Revolution as a result of growing number of social movements aiming to promote the rights of African Americans and American females. That was a turning point when the charity was reclassified to civil society and became an ideological issue. Since that time the major focus of the civil society agents has been the human rights not in a sense of real needs but the civic ones. After the collapse of the Soviet Union, civil society became a primary agent of development and modernization and was seen as indicator of democracy, tool and channel to disseminate cultural and ideological values of the West.

Kazakhstan was not lacking in modernity as measured by industrialization, emancipation, urbanization, and literacy and framing international assistance in terms of promoting democratic institutions in a form of civil society served as the justification for donors’ involvement to the process [10].

The ideological component makes the model dysfunctional. International donors’ organizations believed that Kazakhstani people and particularly women faced the same problem as Americans in 60s and as a result brought their own agenda to the country.

The ideological component does not allow going for a different scenario. The developed countries dictate the policy criteria for economic development making a focus on liberty, democracy, and market economy as only possible ways of development. As a result, the donor’ organizations create dependency of local NGOs on international financial assistance and by doing

this limit the natural development of Kazakhstan civil society and NGOs that are unable to create their own agenda and understanding of how to achieve the social change and make their own solution of the problems to be listened [1].

According to Ghodsee, “Just like the communists who tried to abolish private property by administrative decree, the international donors tried to create a new “gendered” subjectivity virtually overnight by importing the “best practices from the West” [11]. The theory of development assistance is limited by ideological reductionism and sees and explains the complex social phenomena in terms of a single, self centered concept.

It is evident that the social sciences are not able for rapid adjustment to changing environment due to their conservative nature and ideological disagreements. The development school views the Western modern as rational, effective and natural, whereas ‘socialist’ or post-soviet models as a side effect of dysfunctional and artificial type of development. The school also underestimates the importance of national culture and its influence on every organization, social structure, institution, and society.

“Culture is always a collective phenomenon.. It is collective programming of the mind which distinguishes the members of one group from another. Culture is learnt, not inherited” [12]. As culture is learnt it is changing over time under the influence of a number of factors.

Cultural diffusion is one of those factors that initiate cultural change but this is a long term process especially if we deal with core societal values. The expectation that the entire world community will accept and internalize the western values, norms, and practices in a short period of time just because they are more ‘moral’, ‘rational’, and ‘effective’ are naive and sometimes dangerous.

According to Howell and Pearce, “Civil society does not lend itself to external manufacturing. It cannot be created via blue-prints from offices in Washington D.C. or London. Civil societies in any context have a history and must develop in tune with their particular historical, cultural and political rhythms” [13].

The cultural characteristics of Kazakhstan are different from the West, and this difference results in the development of quasi civil society that is unable to function effectively. Poor effectiveness is caused not only by low trust and recognition of the sector but also by cultural background of Kazakhstan civil society. Donors’ solutions of the problems are imported from abroad and cause “political economy of begging” [14].

A number of NGOs remain under international donors by playing up with the problems that do not exist. Other NGO’ leaders perceive their activity as a career ladder in a public or private sector and finally the majority of NGOs act for a short period of time and disappear once they lose financial assistance. While the majority of population suffers from economic problems, the NGOs continue to focus on gender or ideology specific issues [11].

The market mechanism of demand and supply explains the phenomenon: International NGOs offer money and there is always somebody to take it. High unemployment rate among the educated part of population led them to recognize the potential NGOs as new employment opportunity.

As a result, the people in Kazakhstan demonstrate low trust and recognition of the NGOs and keep general belief that state is responsible for taking care of all people and take government’s social support for granted [15].

To summarize, the people of Kazakhstan experience problems caused by the transition but most of these problems are due to economic conditions in the country not political, ethnic, or gender inequality. The civil society at the current stage of its development is not efficient enough due to mismatch of the donors and recipients cultural backgrounds and expectations. The donors are aiming to assist in institutional capacity building by offering grants and training programs for the NGOs leaders but the problem is when the majority of the population live in poverty and strives for survival, personal basic needs come as the first priority. People are not able to think about others’ needs unless and until their own needs are satisfied.

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About the Kazakhstan Institute for Strategic Studies under the President of the Republic of Kazakhstan

The Kazakhstan Institute for Strategic Studies under the President of the Republic of Kazakhstan (KazISS) was established on June 16, 1993, by the Decree of the President of the Republic of Kazakhstan.

Since its foundation the mission of the KazISS as the national research institution is to provide analytical support to the President of the Republic of Kazakhstan.

The KazISS enjoys a reputation of the leading think tank of Kazakhstan as it employs a highly professional pool of experts; at present it includes nine doctors and eight candidates of sciences, who specialize in political science, history, economics and sociology.

The KazISS has published more than 250 books on international relations, global and regional security, economics and politics. The Institute is publishing three journals: *Kogam zhane Daur* in Kazakh, *Kazakhstan-Spectrum*, and *Central Asia's Affairs* in English. The KazISS has a trilingual website.

The KazISS holds a great number of international conferences, seminars and round tables, including the Annual Conferences (regularly held since 2003) on the issues of security and cooperation in Central Asia with participation of the experts from Kazakhstan, Central Asia as well as Russia, China, Germany, France, India, Iran, Turkey, Japan, the U.S. and other countries.

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КИСИ создан Указом Президента Республики Казахстан 16 июня 1993 г.

ОСНОВНЫЕ НАПРАВЛЕНИЯ ИССЛЕДОВАНИЙ КИСИ

1. Стратегические аспекты внешней политики:

- ♦ мониторинг внутривнутриполитического и социально-экономического развития сопредельных стран;
- ♦ анализ двусторонних отношений Казахстана с Россией, Китаем, США, Турцией, странами ЕС и СНГ;
- ♦ исследование проблем интеграции на постсоветском пространстве;
- ♦ изучение вопросов борьбы с терроризмом и экстремизмом.

2. Общественно-политические и социальные процессы в современном Казахстане:

- ♦ мониторинг общественно-политической ситуации в Республике Казахстан;
- ♦ анализ этнодемографической ситуации и миграционных процессов в Казахстане;
- ♦ исследование процессов демократизации и становления политических институтов в стране.

3. Экономическая безопасность:

- ♦ исследование проблем экономической безопасности;
- ♦ изучение тенденций развития мировой экономики и анализ их влияния на экономику Казахстана;
- ♦ исследование проблем участия Казахстана в международном экономическом сотрудничестве;
- ♦ социально-экономический мониторинг Республики Казахстан.

ФОРМЫ ДЕЯТЕЛЬНОСТИ КИСИ

Институт проводит фундаментальные исследования по стратегическим проблемам внешней и внутренней политики, социально-экономического развития Казахстана, готовит материалы прогнозно-аналитического характера для руководства страны.

Институт выпускает три периодических издания: ежеквартальный научный журнал «Казахстан-Спектр», ежеквартальный аналитический журнал «Central Asia's Affairs» (на английском языке) и ежеквартальный научно-аналитический журнал «Қоғам және Дәуір» (на казахском языке), в которых освещаются проблемы внешней и внутренней политики, международных отношений, национальной безопасности, социальной и экономической политики Республики Казахстан, а также размещает материалы на собственном сайте.

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