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THE KAZAKHSTAN INSTITUTE
FOR STRATEGIC STUDIES
UNDER THE PRESIDENT
OF THE REPUBLIC OF KAZAKHSTAN

Quarterly since 2003

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The magazine was registered
with the Ministry of Culture, Information
and Public Consent
of the Republic of Kazakhstan
on January 24, 2003.
Registration certificate No. 3529-zh.

None of these articles may be
reproduced without reference to the
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Printhouse of

IE Volkova Y. V.

Address: 212/1 Raimbek Ave., Almaty

Circulation: 300 copies

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“Band Aid Approach”, or a New Economic Policy of China (Summing up the 2nd Session of the National People’s Congress of the 12th Convocation)

SYROYEZHKIN KONSTANTIN

5 -13 March the 2nd Session of NPC of the 12th convocation was held in Beijing. Session was held without any sensations. The main directions of the reforms were outlined by III-Plenary Session of the CPC Central Committee of the 18th convocation passed in November 2013, and the session has only legalized them. Key appointments of the personnel were held prior to the meeting and fulfilled by the CPC Central Committee¹, and therefore this issue did not distract attention of the NPC deputies.

The main question to be solved by NPC session is to approve the program of new reforms and to identify the ways of solving the problems accumulated in the society.

The most important of these problems are:

- growing social stratification on the background of a gradual deceleration of the economy;
- exhaustion of the current economic model;
- monopoly and inefficiency of state enterprises;

- the emergence of “bubbles” in some sectors of the economy;
- threatening situation with a “bad debt” of the regional authorities;
- limited access for private business to the loans because of the policies of state banks;
- a large gap in the development of cities and villages, between the income of citizens and peasants;
- problems in the areas of education, employment, medical, social security, housing, environment, etc.;
- an increase in the number of protests related to the seizures of land from peasants and violation of labor laws.

It is necessary to add the growing problems in the political sphere, the main of which are total corruption, which cannot be defeated even by executions; decrease of the positive image of the CPC and its ability to effectively manage the state; growing escape from China by not only the wealthy people, but also officials.

¹ 30 December 2013, the Political Bureau of CPC Central Committee decided to establish a Steering Group of the CPC Central Committee on comprehensive deepening of the reforms. Xi Jinping was appointed as a chairman. His deputies are Li Keqiang, Liu Yunshan and Zhang Gaoli. - See. Juanmang Shenghua Gaige Lindao Xiaoju (Steering Group on comprehensive deepening of the reforms). // <http://baike.baidu.com/>.

24 January 2014, the State Security Committee of CPC Central Committee was created by the decision of the Political Bureau of CPC Central Committee. Xi Jinping was appointed as a Chairman of the Committee. His deputies are Li Keqiang and Zhang Dejiang. - See. Zhongyang Gojia anjuang weiyuanhui (State Security Committee of CPC Central Committee). // [Http://baike.baidu.com/](http://baike.baidu.com/).

Fighting gangs in the top leadership of CPC, as well as at the regional level, make serious impact on the socio-political stability and sustained economic growth. Stable social groups have been established in China, behind which there are not only proprietary, but also political interests, and therefore it is quite problematic to carry out a range of reforms that meet the interests of not only power groups, but also the interests of the masses.

Evaluating 2013

Despite all these problems, and their recognition on the expert level, as well as at the political one, the Chinese leadership and CPC demonstrate an enviable optimism and do not dramatize the situation.

As Li Keqiang,² Premier of State Council of PRC, stated in his report at the session of NPC, the economy functioned smoothly and moved to direction of improvement. Gross domestic product reached 56.9 trillion of yuan, up to 7.7% higher than the previous year; consumer price inflation was kept at 2.6%, in towns and villages registered unemployment rate was maintained at the level of 4.1%, the number of employed in the cities increased by 13.1 million people and the volume of imports and exports was 4 trillion 160 billion USD. Accumulated foreign exchange reserves increased during the year by 509.7 billion USD, and reached 3 trillion 821.3 billion USD.

Foreign direct investments in non-financial sphere in 2013 amounted to 117.6 billion USD, increasing to 5.3%, while the share of actually used foreign investment in the sphere of services for the first time exceeded 50%; translational displacement of the foreign investment in central and western regions of the country has accelerated. China's direct investment in non-financial foreign objects reached 90.2 billion USD with an increase of 16.8%.

Available income of urban residents per capita increased by 7% and amounted to 26,955 yuan, and the net income of rural population per capita - by 9.3% reaching 8,896 yuan; poverty-stricken population of the villages reduced to 16.5 million people, the income gap between urban and rural residents continues to decrease.³

By the end of 2013 the number of participants the basic old-age insurance in the city and a new type of social insurance for old age in rural areas amounted to 346 million and 474 million people, increasing to 20.83 million and 10.82 million people. Basic share of pension for enterprise retirees has increased by 10 percent.

Domestic demand continued to be the main driving force of economic growth. Total volume of consumer goods retail sales amounted to 23.78 trillion Yuan, increasing to 13.1 percent. At the same time, the volume of transactions in the e-commerce market exceeded 10 trillion Yuan, increasing to more than 25 percent.

The total volume of investment in general as-

² See. Report on government activities. //Renmin Ribao on-line, March 14, 2014.

³ January 20, 2014 Statistical Bureau of China reported that the Gini coefficient in 2013 was 0.473. However, in a report titled "gray income and income distribution in China 2013", made by the National Institute for Economic Research under the China Reform Foundation, it is said that the Gini coefficient in cities across the country in 2012 amounted to 0.501, and in the villages it is even higher. According to official sources of Beijing, in 2012 this coefficient in the whole country amounted to 0.474. In the report, published earlier by Chinese Southwestern University of Finance and Economics, it is said that the Gini coefficient in China in 2010 was 0.61. - See. Ivanov I. Stepen' sotsialnogo rassloyeniya v Kitaye ostayetsya ugrozhayushe vysokoi. // Internet portal «The Epoch Times». - January 22, 2014 - //http://www.epochtimes.ru/.

But the greatest danger is the growing income gap between managers and ordinary workers. Hong Kong magazine "Dongxiang" in the January issue of 2014 has published some data on the average level of salaries of senior executives of 98 central and 458 subordinated to them regional state-owned enterprises. An annual amount of common official income in 2011 and 2012 is provided, including salaries, allowances and bonuses.

The managers at the level of deputy directors received from 2,875,000 Yuan (456 thousand USD) to 46,805,000. Yuan (7.43 million USD). Heads of departments - from 2,206,000 Yuan (350 thousand USD) to 31.4 million Yuan (4.98 million USD), and revenues of the Heads of Bureau ranged from 1.455 million Yuan (231 thousand USD) to 11 million yuan (1.7 million USD).

Official income of these civil servants continues to grow. In 2011 there were 1,375 senior managers of state enterprises whose annual income exceeded 30 million Yuan (4.8 million USD), and in 2012 their number increased to 1877 people. - See. Ivanov I. Naskolko veliko sotsialnoye rassloyeniye v Kitaye // Internet portal «The Epoch Times» - January 22, 2014 - //http://www.epochtimes.ru/.

sets across the country amounted to 44.71 trillion Yuan with an increase of 19.3 percent. At the same time, private investment grew by 23.1%, their share in investment in fixed assets (excluding peasant households) reached 63%, which is 1.8% higher comparing to the previous year.

The share of R&D expenditure in GDP reached 2.09% and amounted to 1 trillion 190.6 billion Yuan, including basic research - 56.9 billion Yuan. Value added in high-tech manufacturing industry increased by 11.8 percent.

New railways came into service with total length of 5,586 km, including 1.672 km of high-speed rail; length of newly built roads totaled 70.3 thousand km, including speed ones - 8.260 km; 110 berths for ships over 10 thousand tons were built; 10 new civil aviation airports were opened.

Basic expectations were met in the sphere of practical use of resources and the environment protection: energy intensity of GDP decreased by 3.7%, the amount of carbon dioxide emissions per unit of GDP decreased by 4.36%, sulfur dioxide emissions, chemical oxygen demand, ammonia nitrogen content and nitrogen oxide emissions decreased by 3.48%, 2.93%, 3.14% and 4.72%, water consumption at 10 thousand Yuan of value added in industry decreased by 5.7%, the coefficient of municipal wastewater and the coefficient of disposal of solid waste in the city reached 87.9% and 85.8% respectively.

Significant progress has been made in the reform of the administrative system. The reform of the State Council has passed successfully, the reform of the administrative system of approval has been deepening, in particular, the need for administrative approval was completely canceled or transferred the powers to the lower courts for 416 positions, the measures on strict control on the introduction of new positions, which need to obtain administrative approval, were made public.

Certain progress has been made in the fight against corruption. According to the Prosecutor

General's Office of the PRC, announced at the NPC session, 37,551 cases were initiated during 2013, on which 51,306 people were prosecuted. Particularly 2581 case were initiated, involving corruption, bribery and misuse of public funds in the amount of more than 1 million Yuan (about 163.3 thousand USD). Under these cases 2871 civil servant at the county level and above were under investigation, among them 253 officials at the city level and eight officials of the provincial and ministerial level.

In the fight against malfeasance, a higher attention of the prosecutors was paid to the cases of infringement to the interests of the public masses. In these cases featured 34,147 people. Crimes of the officials in law enforcement sphere were strictly fought. Number of the employees of administrative and law enforcement agencies, prosecuted for malpractice and neglect of duty last year, was 11,948 people, while the number of judicial officers - 2,279 people.⁴

Li Keqiang identified problem areas of the Chinese economy as well. According to him, their presence is "mainly due to the fact that the foundation for sustainable conservation of trends for improvement of our economy is still not strong, internal incentives for economic growth are to be built." Among the most pressing problems Li Keqiang included the following:

- potential risks in the fiscal area;
- serious overcapacity in some industries;
- aggravation of the difficulties of macro regulating;
- increase of the difficulties with provision of growth of agricultural production and farmers' incomes;
- serious environmental problems in some areas of the country;
- high structural contradictions of employment;
- problems causing complaints of the people: housing, food safety and medicine, medical care, old age, education, income distribution, requisition of land, demolition of houses and relocation of tenants, public order, etc.;

⁴ See. Zuigao Renmin Jiangchayuan Gongzuo Baogao. Zhaiyao. (Working report of the General People's Procurators Office. Main thesis.) //Renmin Ribao, March 11, 2014.

- frequent serious and very large industrial accidents;
- inadequate social system of creditworthiness;
- easily and often there are cases of corruption, there is still a dishonesty among public officials.

Apart from these problems identified in the report of the Government, the report on socio-economic development of the PRC noted other problems as well.⁵

Firstly, there is lack of the driving force for economic growth. There are few new areas of growth of consumption, long investment opportunities are relatively weak, and situation with the export remains tense.

Secondly, the problems of structural optimization and upgrading are still extremely difficult to be solved. There is a defective transformation of research achievements into productive forces; some enterprises have difficulties in production and business activities.

Thirdly, the problems on stable development of agriculture remain acute. In particular, there is a tendency of the deterrent effect on the part of resources and environment, agricultural irrigation infrastructure remains weak, serving industrial and economic systems are not fully compliant with the development of modern agriculture, the cost of agricultural production is growing, and the comparative effectiveness is reducing.

Fourthly, the problems associated with the cost of energy resources and environmental pollution significantly make themselves known, the situation around energy conservation and reduction of harmful emissions becomes more serious.

Fifthly, it is impossible to ignore the potential risks in the financial and banking sector. In some places and industries debt burden is quite heavy, a number of companies has extremely high debt ratio, the number of non-performing loans from financial institutions is growing, and there are difficulties in managing liquidity risks.

Tasks for 2014

Basic tasks of socio-economic development for 2014 were determined as follows:

- holding firmly to the fundamental principle of “striving forward while maintaining stability”, reform and innovate all areas and units of the socio-economic development;

- ensure the continuity and stability of macroeconomic systems, increase the level of vision and focus of macro-control;

- comprehensively deepen and continuously expand openness;

- implement a strategy of stimulating development through innovation, continuing to follow the way of new industrialization with Chinese specifics, as well as informatization, urbanization and modernization of the agricultural sector, to accelerate the transformation of development models, structural adjustment and modernization of production, strengthen the introduction of basic public services, with emphasis to ensure and improve people’s livelihood;

- effectively improve the quality and efficiency of development, and in general comprehensively promote socialistic economic, political, cultural, social and eco-civilized construction, so to ensure the sustainable and healthy development of the economy, harmony and stability of society.

The main supposed indicators on economic and social development for 2014 are the following:

- GDP growth of about 7.5%;
- maintaining the level of consumer price growth at 3.5%;
- increasing employment in the cities to more than 10 million people;
- retaining the rate of registered unemployment in the cities and towns within 4.6%;
- retaining natural population growth in the range 6,5 ‰;
- preserving the balance of international payments; ensuring the growth of foreign trade turnover of about 7.5%, accelerating the development of trade in services;

⁵ See. Report on government activities; Report on implementation of the plan for economic and social development for 2013 and project plan for 2014 //Renmin Ribao on-line, March 14, 2014

- complete provision of simultaneous income growth and economic development.

Achieving these goals is planned through a range of activities, the most important of which is the continuation of the socio-economic reforms. Moreover, according to Li Keqiang, “reforms should be started with those areas, which people care about more, with those acute problems, which that hinder socio-economic development, with those units, with respect to which all sectors of the society may come to consensus.”

In 2014, the NPC session offers to work actively in nine directions.

The first direction is a comprehensive deepening of the reforms and an expanding of the openness. It is planned to implement the following reforms:

1. Reform of the administrative system, which implies, firstly, the further elimination of some positions, which require obtaining administrative approval, and transfer of their consideration by the lower courts;⁶ secondly, the approval of the list of positions for which it is necessary to obtain administrative approval, and its publication for public inspection.

2. The reform of state-owned enterprises, providing a clear distinction and definition of the functions for various state-owned enterprises, reforming of natural monopolies and improving the system of state assets management.

3. Reform of the financial and tax system, which suggests increasing the openness of government and departmental budgets and reports, increasing the share of ordinary transfer payments and reducing the number of articles on the target transfers.

4. Reform of the banking system. It is necessary to create a system of deposit insurance, stimulate a reform of directive financial institutions, as well as to establish banks of medium or small size and other financial institutions on the basis of private capital to improve the mechanism for eliminating the risks of financial institutions.

5. Reform of pricing for resource products, etc., permitting the development of mechanisms

for timely adjustment of electricity tariffs and prices of coal, gas and water.

6. The reform of the investment system. It should be expedited to publish regulations on government investment. Amend the procedure for the consideration and approval of investment companies, foreign investments and investments abroad.

7. Structural reform of the village. This assumes, firstly, get to work on the identification and registration of rights for contract cultivation of rural land, on the use of rural land devoted to collective construction, as well as the issuance of certificates for them. Secondly, stimulate the transfer of rights for contract cultivation of land, to develop a variety of housekeeping in a moderate scale. Thirdly, improve the land requisition procedure, virtually guaranteeing farmers fair distribution of gains the value of land. Fourthly, improve the reform of collective right on forests, promote the reform of state forestry enterprises and forest areas.

8. Reforms and innovations in the social sector. It assumes further development of reforms in areas such as vocational education and enrollment on the basis of examinations, promoting the rise of education by public forces. Also to expand comprehensive reform of public hospitals, to strengthen and improve the system of providing basic types of drugs and a new mechanism for the functioning of the low level medical care facilities.

Concerning the policy of openness, it is proposed to work in the following areas:

1. Optimize the structure of imports and exports. There are plans to increase imports of technologies, resources and products, which are scarce on the domestic market, as well as actively develop service trade.

2. Expand the admission of foreign investment on the market. In 2014, the estimated volume of foreign direct investment in non-financial business spheres will reach 121.7 billion dollars, increasing to 3.5%.

3. Support the companies, which meet the

⁶ It is expected to cancel or to pull down more than 200 articles for administrative approval.

necessary criteria, for their early introducing to foreign markets. In 2014, direct investments in non-financial foreign objects are expected to reach 99.2 billion dollars, increasing to 10%.⁷

4. Strengthen multilateral, bilateral and inter-regional economic cooperation.

The second direction, the expansion of domestic demand. In 2014, total volume of retail sales of consumer goods is expected to increase by 14.5%. To achieve this, it is assumed to:

1. Increase consumer ability of the population due to the reform of system of income distribution and income growth among urban and rural population.

2. Cultivate and develop new areas of active consumption.

3. Optimize the consumer environment.

4. Stimulate sustainable growth and optimization of investment structure. In 2014, the projected growth of investment in fixed assets across the country will be 17.5% and the investments planned from the central budget - 457.6 billion yuan.⁸

Besides, in order to effectively use the investment and reduce the burden on the central budget it is expected to:

- wider use the potential of private investment;
- develop a clear and transparent, fair and impartial, practical criteria for investors' admission to the market;

- as soon as possible in areas such as finance, petroleum, electric power, railways, telecommunications, development of resources and utilities, select a number of objects for private capital;

- optimize the structure of government investment;⁹

The third direction, sustainable development of agriculture. In this direction it is assumed to:

1. Maintain the stable development of the main types of agricultural products.

2. Improve and strengthen the system of support and protection of agriculture.¹⁰

3. Intensify the construction of infrastructure in agriculture and villages.

4. Actively promote rural reform, giving farmers more property rights.¹¹

The fourth direction, promoting a new type of urbanization.¹² In 2014, the estimated rate of urbanization, calculated on the basis resident population in cities, and urbanization rate, calculated on the basis of legal population in cities,

⁷ In terms of the implementation of the "going beyond" policy it is expected to boost the development and implementation of programs to create "economic belt" along the Silk Road and the Maritime Silk Road of XXI century, to stimulate the creation of economic corridors Bangladesh - China - India - Myanmar and China - Pakistan; develop a number of major support projects, to accelerate connection of infrastructure and direct transportation, and thereby expand the new space for the development of international economic and technical cooperation.

⁸ They will go mainly for the program to ensure guaranteed housing, agriculture, construction of large hydraulic structures, construction of railways in central and western regions of the country, energy saving and environmental protection, social development, etc. 70 billion yuan will be allocated for the needs of hydraulic engineering.

⁹ As highlighted in the session materials, it is necessary to focus on the phasing down the capital investment into the projects of enterprises of usual competitive nature; reduce the volume of investments in commercial infrastructure, which can attract public funds; reduce the number of small investment portfolios and dispersed investment; stop investing in the construction of luxury office buildings and hotels, serious projects, taking into account the overall situation of fundamental and strategic nature, should be the focal point.

¹⁰ Investment from the central budget will continue to tend to the spheres of agriculture, rural areas and farmers. The minimum purchase price per quintal of wheat and rice will increase by 12 yuan and 7.4 yuan, respectively.

¹¹ Here it is supposed to keep the system of land contract relations, boost the establishment and registration of rights to contract land cultivation and use of land properties, allocated under the collective rural construction, as well as issuing certificates to them; conduct a systematic transfer of rights for contract cultivation of the soil, gently, but confidently experiment with the reform of rural land order. Maintain basic position of family households, cultivate large specialized producers, family farms, peasant co-operative societies, agricultural enterprises and other new types of business entities in the field of agriculture. Improve the reform of collective forest rights. Accelerate the reform of state farms, pastures and state forestry enterprises. Promote, on a trial basis, comprehensive reform of supply and marketing cooperatives by improving a system of socialized agricultural service.

¹² Here it is supposed to solve the problem of the so-called "three 100 million": efforts on registering about 100 million migrating rural population in cities and towns; reconstruct housing of about 100 million residents, living in dilapidated urban neighborhoods and "intra-cities villages"; urbanize about 100 million people from central and western regions.

was 54.6% and 37.1%, respectively.¹³ In this area the following tasks have a priority:

1. Systematically stimulate the transformation of the migrating rural population to the urban one.
2. Optimize the composition and size of urbanization.¹⁴
3. Increase the potential for sustainable urban development.
4. Improve the institutions and mechanisms of urbanization.

The fifth direction, strengthening price regulation and control. In this direction it is assumed to:

1. Ensure supply. Reasonably determine the dynamics, rhythm and time of procurement, provisioning and supply of grain, oil, cotton, sugar, pork, chemical fertilizers, etc. Implement a system for personal responsibility of provincial governors for “grain bag” and city mayors for the “vegetable basket”.
2. To improve the mechanism of price regulation and control.
3. To strengthen the supervision over prices. Open an audit of the application of prices and fees in the field of education, medical care, as well as in the banking and other sectors. Abolish the fees, which are levied in breach of the rules. Enhance the dynamics of the anti-price monopoly.
4. Improve the mechanism of linking the provision of benefits with a change in the prices for goods to compensate the rise in prices for the poor population.

Sixth direction, optimization and upgrading of industrial structure. Here it is assumed:

1. To promote the adjustment and optimization of the leading sectors’ placement.¹⁵
2. Pursue efforts to resolve conflicts arising from the excessive overcapacity.
3. Vigorously implement the strategy for promoting development through innovation. In 2014, the estimated share of R & D expenditure in GDP will reach 2.17%.
4. Strengthen basic industry.¹⁶
5. Accelerate the development of the service sphere.¹⁷ In 2014, the estimated growth of value added in the service industry will reach 8.3%.

The seventh direction, forming the structure of regional development with the preservation of identity and consistent interaction with each other.

Here it is assumed to:

1. Continue to fully implement the general strategy for regional development. Accelerate the development of policy papers on the prioritized promoting of large-scale development of the western regions of the country.
2. Cultivate at a growing rate new economic support belt. In all honesty, create a new support economic zone of China, relying on the Yangzi.
3. Build capacity of development in underdeveloped areas. Support an abrupt development of Tibet, Xinjiang and areas densely populated by Tibetans in four provinces.¹⁸ Implement programs and policies aimed at supporting the recovery and development of the former revolutionary base areas.

¹³ Adopted after the session, “Program of a new type of urbanization for 2014-2020” provides increasing of these numbers by 2020 to 60.0% and 45.0%, respectively. - See. Zhonggong Zhuniang, Gouyuan yinfa “Gojia xinxing chengzhenghua guihua. 2014-2020 nan” (CPC Central Committee and the State Council of China promulgated the “Program of a new type of urbanization for 2014-2020”). // Renmin Ribao, March 17, 2014

¹⁴ As emphasized in the proceedings, for stimulation of the harmonious development of large, medium and small cities and urban-type settlements, it is necessary at the state level to develop and implement a program of major urban agglomerations; at places, based on local conditions, should develop and implement own programs for the new type of urbanization; it is necessary to bring order to the development of new towns and districts.

¹⁵ In particular, it is necessary to develop recommendations to regulate the placement and movement of the leading sectors of production, optimize the industrial structure in coastal, inland and border areas of the country. In accordance with the requirements of environmental protection, to promote the movement of urban enterprises with high levels of pollutant emissions. Stimulate compact and intensive development of production, promote the transformation of the model of development and modernization of industrial parks and production groups.

¹⁶ Promote railway construction, especially in the central and western parts of the country. Guide the orderly development of rail transport in urban areas. Accelerate the elimination of the “continuity” in the state high-speed roads, expansion of bottlenecks on the highways of national significance, and laying roads in rural areas, particularly those in need, forming a continuous territory.

¹⁷ It is supposed to develop recommendations for the accelerated development of industry production services to promote regulation and modernization of the production structure.

¹⁸ In 2014, the number of poor population of the village is expected to reduce by more than 10 million people.

4. Accelerate the introduction of the main functional areas.

The eighth direction, promoting the construction of ecological civilization. In this area it is planned to:

1. Strengthen the institutional guarantees, to develop proposals on acceleration of the ecological civilization construction and policy documents on the intensification of work on responding to climate change.

2. Stimulate energy saving and reduction of harmful emissions.

3. To develop the circular economy.

4. Focus on improvement of the environment and ecological construction; accelerate the implementation of the program on actions to prevent and eliminate pollution.

5. Seriously deal with all aspects of the work on response to climate change.¹⁹

The ninth direction, focus on ensuring and improving people's welfare. In this area it is supposed to:

1. Adopt a more active employment policy.

2. Promote the development of the social security system in urban and rural areas.

3. Ensure the accelerated development of the social sphere.

4. Accelerate the formation of modern professional training-oriented employment.

5. Intensify the formation of health care and public health services in city and countryside; develop mechanism for emergency response to sudden emergencies in public health, as well as prevention and containment of major diseases, encourage creation of medical institutions on social capital.

6. Stimulate implementation of the policy, allowing spouses, one of which is the only child in the family, have two children, to expand the possibility of providing demographic services and services in the field of family planning.

7. Establish work on housing, regulation and control of the real estate market.

8. Update the system of social management

and public services. Unite the resources of low level public service organizations, improve sites of managing low level integrated service, encourage open and transparent government procurement of services from non-governmental organizations. Resolutely stop all actions detrimental to national interests.

The problems of political reform

In contrast to all other party and state forums of pan-China scale, at the last session of the NPC political reform was barely mentioned. In his report to the session Li Keqiang contented himself with one of its component - the administrative reform aimed at reducing the apparatus of central and local authorities, streamlining their functions and reducing the area of licensing,²⁰ as well as strengthening control over decisions and their implementation. All this has been identified by him as “self-revolution” in the government.

As he stressed, “Governments at all levels should faithfully perform the duties prescribed by the Constitution and laws; in the light of the requirements to promote the modernization of public administration and improve their own management capabilities to boost the creation of a legal, innovative and incorruptible government; improve their executive capacity and public confidence in them, doing everything possible in order to be able to high qualitatively and efficiently serve the people.”

The second requirement for the government was strict adherence to the principle of governing by law, so that civil servants could “with the use of legal thinking and within legal forms perform their duties.”

The third requirement was preparation of a new generation of personnel, possessing not only highly professional, but also the ideological level. “All civil servants are obliged to put the interests of the people above all else, honestly and conscientiously perform their duties, to be truly worthy servants of the people.”

¹⁹ It is proposed to encourage the establishment of pilot projects for illustrative provinces, autonomous regions, municipalities, industrial parks, neighborhoods, etc. With low carbon emissions, conduct research and create the All-China trading market for carbon emissions, establish a system of data collection and statistical reporting of data on greenhouse gas emissions, improve the ability to respond to climate change

²⁰ It has been proposed to reduce the scope of licensing by 200 positions..

The fourth requirement - strict adherence to the economy and the fight against wasteful. All public servants must strictly abide by the “three rules” that strictly prohibit the construction of new, reconstruction and expansion of old government buildings and hotels, require to reduce, not increase the total number of state employees, as well as “service charges on all three counts.” In addition, the session proposed to start the reform of procedures for the use of official vehicles.

The fifth requirement - increase auditing work with the publication of its results. In 2014, it is proposed to start with a full audit of income from transfer of land use and inspection of arable land.

The sixth requirement - depth promoting of the fight against corruption and the creation of incorruptible government apparatus. Li Keqiang stressed, “it is necessary mercilessly disclose and prevent corruption offenses, severely punishing corrupt officials according to the law without mercy.”

Finally, the seventh requirement - increase transparency in government decision-making process and greater control over the activities of the government from the side of the people’s congresses and CPPCC at various levels, as well as participation in process of decision-making by NPC deputies, democratic parties, associations of industrialists and traders, without party figures and people’s organizations.

It is difficult to say how all this will solve the problem of corruption and increase efficiency in government. So far, at any rate, active fight of the new leadership of the CPC and China against corruption is more like a “witch hunt” and is one of the methods of struggle against political opponents. Truly effective methods of combating corruption are whether blocked, or selectively implemented. Moreover, their discussion is even perceived by the authorities as a politically sensitive topic.²¹

Foreign policy issues

During the NPC session, foreign policy was paid more attention than ever. And this is quite accountably.

Firstly, China has become the world’s second economy, and it not only imposes on him certain international obligations, but also fuels the already growing ambitions of China.

Secondly, the world is living in a rapidly changing the “rules of the game”, dominance of “law of force” and the policy of “double standards”. The impending new wave of the global financial crisis is evident. China feels it and tries to respond adequately.

Third, in the last two years, territorial conflicts between China and its neighbors in the Asia-Pacific region have exacerbated, and the “Uighur separatism” moved into a phase of open terror, according to security services of China, inspired and fueled by external forces. It became not just another one of the reasons for the growth of Han nationalism, but also tightening the foreign policy positions of the new Chinese leadership.

Finally, the new leadership of the CPC and China is still at the stage of choosing foreign policy priorities and the development of a new geopolitical concept of PRC.

The principles on which Li Keqiang made the emphasis are the following:

- China will continue to hold high the banner of peace, development, cooperation and joint benefits, unswervingly follow the path of peaceful development, invariably hold the strategy of opening, oriented to mutual benefit and common win.

- China will staunchly defend its national interests - state sovereignty, security and development of the country, practically protect the legitimate rights and interests of Chinese citizens and legal officials abroad.²²

- China will comprehensively promote diplomacy with neighboring countries, cementing good-

²¹ Chinese people’s activists have repeatedly publicly urged the authorities introduce a system of income declaration of officials and members of their families, but as a result many of these activists were arrested.

²² As Foreign Minister Wang Yi has emphasized, “We will not claim that does not belong to us, but we will certainly defend every inch of our territory.” “We will never offend a small country, but we do not accept their ugly behavior.” China is willing to consider the territorial and naval disputes with other states on the basis of respecting historical facts and international law through peaceful and equal consultation and negotiation. - See. Wang Yi about the direction of China’s foreign policy in 2014. // Xinhua News Agency, March 8, the 20134 // <http://www.russian.xinhuanet.com/>.

neighborly friendship, deepen mutually beneficial cooperation.²³

- It is necessary to protect the fruits of victory, won in World War II and the postwar international order, in any case, not letting the history to turn back.

- It is important to strengthen solidarity and cooperation with developing countries, protecting common interests. Deepen strategic dialogue and business cooperation with the major powers in order to promote long-term, stable and healthy development of mutual relations.

- China is a responsible country and will actively participate in multilateral international affairs, revealing its constructive role in resolving the problems of a global nature, as well as of “hot spots”, practically support the international equity and justice, encourage the development of an international order in more fair and reasonable direction.²⁴

As emphasized by Foreign Minister Wang Yi,²⁵ in 2014 Chinese diplomacy will work actively in several directions.

Firstly, Chinese diplomacy will more actively serve the practice of deepening reforms in the country.

Secondly, China will increasingly play the role of a responsible power. As emphasized by Wang Yi, China in international contacts “will stand for justice and the implementation of the principle of equality.” “First of all, China will protect and enhance the legitimate rights and interests of developing countries in order to make an international order to be more just and rational.”

Thirdly, actively implement the initiatives, suggested by China, on creation of a land and maritime Silk Road, which “will help revive Asia.” “We are committed to implement these initiatives through equal consultation in accordance with the principle of consistency in the interests of cooperation and common benefit and thereby creating a community united by common interests,” said Wang Yi, adding that the initiative will be implemented in parallel with other existing cooperation mechanisms and concepts in the region.

²³ According to Li Keqiang, “peace, friendship and peaceful co-existence are the desire of the peoples from neighboring countries, we should make joint efforts to expand the scope of mutual interest and reduce the contradictions that will allow us living in peace and create benefits for the residents.” - See. The report on the government activities.

²⁴ See. The report on the government activities.

²⁵ See. Wang Yi about the direction of China’s foreign policy in 2014.

Cooperation of the SCO and the Western Countries

RUSLAN IZIMOV

Over the years, international community in general and Western countries in particular are increasingly interested in the Shanghai Cooperation Organization (SCO). Initially the attention paid to the Organization was not intensive as a result the Shanghai negotiation process was little-known by the Western countries.

Transformation of 'Shanghai Five' into a full-fledged Organization made Western political experts and research communities to divert their scope on the SCO. This can be explained by the concerns of the USA and other NATO members about increasing influence of China in the region as well as possible anti-western bias the SCO could acquire. In this regard, the attitude towards the SCO in the western expert community was rather sceptical and often negative. Consequently, such concerns produced a negative effect on the bilateral relations of individual member states within the SCO with their counterparts the West.

Besides, the interaction issues between the West and the SCO are rooted in specific character of bilateral relations between some of the key members of the Shanghai Organization and the USA; regarding their competing interests in a number regions and particularly Central Asia (CA). Thus, the prospects for cooperation of multilateral security arrangements in Central Asia depend on whether the West will alter its attitude and policy towards the SCO and the responses to these changes made by the SCO member states, particularly by Russia and China.

Image of the SCO in the Western Countries

The current perception of the Shanghai Cooperation Organization is rather ambiguous. The

materials provided by the leading Western think tanks usually demonstrate negative or sceptical opinions about the SCO. However, the number of positive comments on the perspectives of the development within the Organisation increased over the recent years probably due to the fact that there has been more research on the SCO conducted in the West. In this regard, it is possible to trace a certain evolution of perception of the SCO in the West.

Right after the transformation into a full-fledged regional organization in 2001, the SCO member states clearly defined their goals and responsibilities. Being relatively new, this regional multilateral organization was ready for a dialogue, exchange of opinions and cooperation with other countries and other international organizations. In accordance with the SCO Charter and other official documents the SCO is not a military organization. Its actions are not directed against any state or international organization. The Organization's priority is to address the new unconventional security threats of transnational nature such as terrorism, religious extremism, illegal drug and weapon trafficking. As the abovementioned threats and challenges do not recognize any state borders, the traditional military approaches are ineffective. That is why the SCO does not concentrate its focus on increase of military and political potential but on development of joint political and diplomatic efforts of the member states.

The SCO shall not be considered as an anti-western or anti-American alliance as it has no concerns about the presence of Western countries or international organizations in the region. All official documents of the Organization proclaimed that there is no negative intention towards the USA or other Western countries. Moreover, the SCO members welcome any joint efforts with other

international organizations in order to maintain global and regional security. Nevertheless, some objective tendencies in the SCO seem to cause a certain concern of the West that the SCO could transform into an 'Eastern anti-NATO' [1].

The first factor making the West increasingly alarmed is a raise of international authority of the SCO resulted in the fact that more Asian states are interested in the organization. Iran, Pakistan and India repeatedly expressed their willingness to join the SCO. Although the prospects of the full-fledged SCO membership for all these three countries are rather ambiguous, fact that organization may expand with inclusion of the two other nuclear powers and Iran claiming its regional leadership is regarded by the West to be a potential threat to its strategic interests on the Asian continent*.

The second factor usually emphasized by the Western experts is the rapprochement of Russia and China facilitated by their close cooperation in the SCO [2]. The cooperation in within SCO structures gives Russia and China the platform of non-conflict competition with each other in Central Asia. Moreover, the Russian-Chinese tandem jointly with the other Central Asian republics is an implied counterbalance against the expansion of the USA and the West as a whole.

The third reason is that some of the leaders of the SCO member states made a number of statements on the West. In spite the opinion that the SCO members individually do not intend to come into confrontation with the West (the USA) being gathered together within the SCO they often demonstrate discontent with the policy of the Western countries in the Central Asian region. The Astana Declaration adopted in 2005 at the SCO Summit is a vivid example [3]. It was the first time when the question of the precise deadline for American military bases deployment in Central Asian republics was raised.

Besides, since the establishment of the SCO its members have clearly expressed their disapproval of the unipolar world order. The attitude naturally contradicts the US ambitions for global leadership. The expert community of the SCO member states tend to see that the Organization is not willing to confront the USA either globally or regionally, neither is it intended to see Washington involved there. The SCO is not against the USA but not with it either [4].

The fourth reason to be concerned is the joint military exercises regularly held by the

Organization's members. The fact is that the antiterrorist exercises of the SCO countries 'Peace mission 2010' held in September 2010 was rather negatively covered in leading western mass-media. The SCO was compared with the 'Warsaw Pact' by the British 'Daily Telegraph'. The 'New York Times', commenting the exercises, underlines the desire of China and Russia to regain control over the raw material resources of Central Asia by means of cooperation within the frame of the SCO. According to 'Suddeutsche Zeitung' the exercises revealed the intention to create a centre of influence independent from the West. Le 'Figaro' and the Japanese 'Yomiuri' came forward with the similar implications.

The plans of some SCO members to intensify the activity of the Organization in settling the military-political situation in Afghanistan were not welcome in the West.

Thus, the West has enough grounds to assume that the SCO may become a genuine union able to unite under its aegis the large Asian powers, namely China, Russia, Iran, India and Pakistan posing a certain threat to the West. However, in our opinion, these assumptions are, at least, premature as long as the transformation of the SCO into a military and political union is impeded with organizational problems of the acting member states and the issues of the new comers. In particular, there are implicit contradictions in the SCO that interfere the transformation of the Organization into a real factor of security maintenance in the region.

Individual SCO members pursue their unilateral goals being motivated by the national interests rather than collective purposes. For example, Russia considers the Organization as one of the

opportunities to enhance its claim for global or, at least, regional leadership. While pursuing its policy of penetration in Central Asia, China uses the SCO as a tool to avoid negative reaction both of the countries of the region and Russia. Central Asian members of the SCO regard it as a mechanism to balance China and Russia. Moreover, the Central Asian membership in the SCO manifests their intention to be integrated into regional and world security structures.

There is no common opinion among the Organization's members over the priority direction of its development. Apparent rapprochement of Russia and China does not mean that there is no any concealed competition for the spheres of influence in

the region. The fact that Moscow and Beijing have different vision of the SCO future development has already negatively affected the coordinated process of political decision-making. China and Russia holding different positions in the Organization have already taken a number of moves to secure their own interests. For example, China is increasing its economic interference in the he region mainly using bilateral format beyond the framework of the SCO. Russia, in its turn, is also taking active measures to preserve its role in the region. In this respect, the establishment of the Customs Union is a practical step to activate the cooperation in security against economic arrangements within the SCO which certainly will constrain the Chinese ambitions for economic dominance in the Central Asian countries.

The arguments on anti-western nature of the SCO seem groundless against the successfully developing of bilateral relations of the Central Asian states with the Western countries. They are not intended to hamper the relations with the Western powers. Moreover, some republics of Central Asia consider the presence of NATO military bases on their territory beneficial in terms of their struggle against terrorism and to guarantee the stability of the existing political regimes. For the first time for many years the US observers were officially invited to the summit of the heads of the SCO held in Tashkent in 2010.

As for the military potential of the SCO and the military exercises, the comparison of the Shanghai Organization with the NATO, in our opinion, is incorrect. Secretary General of the SCO Research Centre of the Chinese Academy of Science (CAS), Sun Zhuangzhi in his article 'SCO no possibilities to turn into military bloc' noted that "the military-political component is not dominant for the SCO, and the military exercises of the SCO member states are often held in coordination with many countries and international organizations including NATO and always bear antiterrorist context" [5]. As for the role of the SCO in the Afghan issue, the Organization's members stand out for active cooperation with the USA and NATO. The SCO members realise the necessity for the dialogue with the NATO and the USA to struggle against regional terrorist forces and to maintain regional security. The measures, aimed at preventing a potential structural conflict between the SCO, USA and NATO in geopolitical and military spheres, are considered as a priority objective.

Thus, all abovementioned factors prove that the concerns about possible transformation of the SCO into a military and political organization opposing the West are at least groundless. Apparently, a new effective structure within international system was hard to accept and therefore Western observers accused it of anti-American bias. The Russian expert A. Lukin noted: "The attempts to transform the organization into an anti-western or anti-American bloc are doomed to failure as they contradict the fundamental interests of the member states in cooperation with the West in many directions. However, acting in the interests of the alliance the members of the SCO occasionally face misunderstanding and even hostility on the part of those who see the world unipolar and give their interests out to be the common" [6].

Although the opinion about the SCO being a real threat to the western interests in Asia as an anti-NATO and anti-American alliance have little ground, there are a number of scenarios to avoid such developments. The Greater Central Asia project (GCA) is a vivid example of the USA political initiatives aimed at preventing expansion and strengthening of the SCO.

Generally, the West still is quite unfamiliar about the SCO which is usually perceived as a threat to their interests on the Eurasian continent.

Problems and Prospects of Relations of the SCO and the West

We argue that international organizations operating in the Central Asian region representing the West and the East remain in a latent state of confrontation. While Western countries are concerned about consolidation of Russia and China into one structure, the SCO member states (China in particular) are concerned about the antiterrorist campaign that the USA conducts in close proximity to Central Asia. Considering the fact that the SCO members intend to take an active part in peaceful settlement in Afghanistan, the issue of cooperation of the Shanghai Organization and NATO is increasingly relevant. Presently, these international security structures lack both mechanisms for constructive dialogue and political will to cooperate.

The objective reasons for difficulties in cooperation of the SCO and the West are in specific bilateral relations of individual SCO members with the USA, namely Russia and China. These relations

might become fundamental in a new configuration of forces in the world.

Relations of the USA and the People's Republic of China are uncertain. The tendency to deterioration in the relations between the USA and China was observed right after the US president B. Obama first visit of to the PRC in 2009. A number of events influenced the Chinese-American relations: the decision of the US Congress to sell Taiwan the weapon on the amount of \$6.4 billion, the fact that B. Obama received Dalai Lama in the White House, the Google-related issues, rapprochement of the USA with India, etc. Continuous disputes between the two countries concerning the exchange rate of the national PRC currency may be also mentioned being main discussion topic on the G20 summit held in South Korea in November, 2010. For several years Washington has been trying to convince Beijing to increase the exchange rate of Yuan which should be about 40% higher according to the American economists.

Besides, Chinese political scientists as well as national leaders take the American project on the 'Greater Central Asia' negatively assuming it would restrain China's influence in the region [7]. There are a lot of disputable issues in the relations of the USA and China. However, the main problem is their ideological incompatibility. Communist China is considered by the USA as an antidemocratic state. Moreover, American politicians see a strong competition of their own world hegemony in the increasing economy of China. The concerns of Washington about China's excessive growth are making the US administration interfere and constrain the presence of the PRC in Central Asia and other regions by every means possible.

As a result, complicated bilateral relations of Beijing and Washington have their negative effect on the relations of the SCO with the Western countries.

The relations of the USA and Russia are also developing ambiguously. Despite the fact, that official Moscow and Washington claim that their bilateral relations proceeding well, there has been no visible progress so far. Both powers still see the competition in each other. The politicians of the two countries are still thinking in the terms of the cold war. Therefore to claim any systematic changes is their relations would be quite premature. However, the Central Asian countries are not interested in worsened relations of Russia and the USA as they will have to alter their foreign policy subsequently.

The Russian-Georgian conflict and Moscow's recognition of independence of South Ossetia and Abkhazia is the vivid example.

The USA is not interested in confrontation with Russia or deterioration of the relations with the Central Asian countries either. The NATO summit held in Lisbon on November 11-12, 2010 confirmed that the USA continued promoting the idea of expansion of the North Atlantic alliance to the East. However, the new NATO strategy if not taking Russia's opinion, at least, reckon with its interests.

The problems the SCO has with the Western countries are rooted in specific relations of China and the Russia on one hand, the USA and the countries of the West on the other.

It is necessary to point out that negative perception of the SCO in the West related to China's ambitions and membership in the Organization. Therefore, these are the Chinese-American relations that predetermine character of the relations of the SCO and NATO being the two main security structures in Central Asia.

It is necessary to consider the fact that Russia and China also try to restrain the USA and NATO influence in Central Asia. The negative attitude of these two regional leading powers is obvious in respect to the Partnership for Peace Program on cooperation of the Central Asian republics and the NATO

Considering the prospects of cooperation of the SCO and the West, it would be reasonable to notice that the SCO and NATO do not have any approved mechanisms of cooperation or any legal basis for their interactions either. In this regard, the question is how the international structures with opposing strategic interests and different potential possibilities need in effective mechanisms for coordination of the diverse and versatile structures. In this case, it makes sense to initiate a new architecture of regional security in Central Asia as the interests of the SCO and NATO in the region are the same. Moreover, it is possible to say that the perception of the SCO in the West and the NATO in the Central Asian region has somehow evolved.

The NATO is extremely interested in cooperation with individual SCO countries to establish and secure new corridors to supply the Afghan operation. The issue of drug traffic from Afghanistan could have become another field for joint efforts. Inclusion of representatives of the Western world in the SCO could become one of the practical steps to improve

the relations of the SCO with the West. The idea that the USA should participate in the SCO as an observer or dialogue partner is becoming increasingly popular with the Western commentators. The official White House shares the opinion. The US Assistant Secretary for South and Central Asian Affairs Robert Blake stated: "At present, Washington does not seek membership in the SCO; however, such possibility is not excluded in the future" [8].

Kazakhstan claims that constructive cooperation with the NATO is an essential direction of the national foreign policy. Kazakhstan aims at further development of the Euro-Atlantic partnership and the Partnership for Peace Program as the basis for political dialogue and practical cooperation.

Summing up, the Shanghai Cooperation Organization stirs a great interest of the international community. The leading geopolitical centres keep a close eye on the organization. Their interest is

explained both by lack of information about the Shanghai forum and certain concerns related to its possible transformation into a military-political union. Due to certain objective and/or subjective obstacles, the cooperation of the SCO and the Western countries is insufficient and therefore does not meet the demand of the current realities.

The Central Asian region became a spot where the interests of the world leading powers are sharply polarized therefore a constructive dialogue between the organizations is needed otherwise the local contradictions may outgrow into open confrontation. It is also clear that the national security of Kazakhstan and other Central Asian republics depends directly both on cooperation with the international organizations and the character of the relations these organizations maintain among each other.

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Internationalization of Chinese Yuan as Instrument of Trade Liberalization in Kazakh-Sino Bilateral Relations.

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Since the late-2000s, the People's Republic of China (PRC) has sought to internationalize its official currency, the Renminbi (RMB). The RMB Internationalization accelerated in 2009 when China established dim sum bond market and expanded Cross-Border Trade RMB Settlement Pilot Project, which helps establish pools of offshore RMB liquidity[1]. As of May 2014, 1.47% of world payments was settled in RMB, which ranked RMB as the 7th most traded currency in the world [2]. The average monthly RMB trade settlement rose from CN¥320 billion in 2013 to ¥480 billion in 2014 . In the wake of the news, many Chinese economists say that the yuan's internationalization is a natural process as well as a historic opportunity. Zhao Changhui, an expert at the International Institute for Strategic Studies, says the next five years are a crucial phase when the government's monetary policies will play a leading role. As such, China has much raised the number of Chinese companies that can settle trade in yuan from 365 to more than 67,000 [3]. Based on the data issued by the People's Bank of China, an estimated 200 billion

RMB in Chinese imports will be settled in yuan in the observing future. Speaking of currency internationalization, the most basic thing is its use in trade. Some countries have shortages of foreign currencies. Through renminbi settlement, they can better operate their businesses. Presently, such countries are mainly from Asia, such as Thailand.

The first step of internationalization of renminbi in Kazakhstan was Bilateral swap agreement between National Bank of Kazakhstan and People's Bank of China during President Hu Jintao official visit to Kazakhstan. The two sides also briefed each other on the conditions of opening of bank accounts for non-residents and payments and transfers, and agreed to continue to improve the conditions for opening and using accounts by non-residents and individuals in the banks of its sides. The parties agreed that at the invitation of the Chinese Party National Bank of Kazakhstan will send a delegation to Shenzhen, Guangzhou and Hong Kong in October 2011 to study the successful experiences and formulate proposals for the integration of payment systems between China and Kazakhstan

[4]. Several documents to strengthen good neighbor relations, deepening mutual trust, cooperation in economic, financial, security sectors was signed.

An additional point is that representatives of Chinese banks, like Industrial and Commercial Bank of China and Bank of China, opened in Kazakhstan. It shows the new stage of financial cooperation involving banking system and investments projects. Important index of internationalization of renminbi in Central Asian is signing agreements on issuing cards with Chinese payment system. The significant historical moment that can possibly impact on trade liberalization between Kazakhstan and China was initiative of Halyk Bank Kazakhstan issuing payment cards based on China Union Pay system (hereinafter CUP) in February 2007. It was the first time that CUP cards had been issued outside China since Chinese national payment system was founded on March, 2002. Currently there are more than 1,2 billion CUP cards in circulation around the world. It is the second largest payment network by value of transactions processed behind American transnational company Visa, currently China Union Pay system can be used in 141 countries and regions around the world. Halyk Bank is the largest full-service commercial bank in the Republic of Kazakhstan and has issued more than 3 million payment cards. This cooperation project allowed residents of Republic of Kazakhstan to withdraw cash and pay for purchases with their CUP cards while they are in China. This new stage of financial cooperation made bilateral payment transactions more convenient and safety, avoiding inter-banking commissions, also flourishing investments projects to Kazakh natural resources like oil and gas. In September 2014, KASE opened tenge – yuan trading currency pair. It was very significant decision to make bilateral transactions more safety avoiding the exchange currency risks. Mr. Tian Wei, the chairman of the Board of Bank of China

in Kazakhstan said, that turnover between Kazakhstan and China is growing rapidly and is estimated in Yuan and Tenge and it would be beneficial to both sides. The trade turnover will be \$40 billion until the end of 2015. Also he believes that the settlement in the national currencies will be the smallest share in the beginning, later it will reach 30% and then 50% [5].

China is one of the Principal investor in Kazakhstan. While implementing the energy cooperation with Kazakhstan, Chinese government has provided all possible assistance and loans to support the construction of infrastructure. Additionally, the Chinese government actively supports the financial, agricultural, and other non-energy sector cooperation between the two sides, and has signed many relevant legal documents with Kazakhstan about energy cooperation. All these actions have been welcomed by Kazakhstan, and have played an important role in promoting energy cooperation between the two parties. China and Kazakhstan are each other's friendly neighbors, important strategic partners. Since the establishment of diplomatic relations, the two countries have maintained healthy and stable relations.

Perspectives for Kazakhstan economy. The Kazakhstan-China energy cooperation is principally based on the simple fact that China needs to import energy for development and Kazakhstan needs to export energy to maintain its economic growth. Kazakhstan's oil and gas complex remains the powerhouse of Kazakhstan's economy, which facilitates growth of other sectors. According to Kazakhstan-2050 strategy economic growth of Kazakhstan will be focused on high technology innovation projects[6].

Kazakhstan can use Chinese yuan as reserve currency to indemnify its economy. Economical stability is the priority of

Kazakhstan's government. The terrific experience of crisis in 2008 heavily injured global economy and showed the weakness of financial system which was linked to US dollar as a global currency. The recent years Chinese yuan is one of the most stable currencies, and experts suppose that its dynamic will be positive in observing future[7].

The perspectives of internationalization of renminbi project make Chinese currency very important for Kazakh-Sino trade-economy relations. For Kazakh companies doing business in China, Hong Kong or Macao, the possibility of using renminbi in business transactions creates good opportunities for more effective trade. The Exw (ex works) prices for Kazakh consumers will be lower, because the Chinese producers can get back the export VAT (value added tax) easier using renminbi transactions and saving money on

conversion commissions, that makes the price lower for 2-8 percent. Another factor that reduces price is avoiding currency risks insurance, which additional cost in average is 2 percent, hence, this situation affects transportation logistics companies and they also cover their risks in currency rate. Also both sides avoid risks of the US dollar exchange rate volatility signing contracts in renminbi. China and Kazakhstan will speed up the development of plans for medium- and long-term economic cooperation so the two countries can achieve a trade volume of \$40 billion in 2015. The boost of investments projects will impact on Kazakhstan's economy growth and will make significant influence in entering global top 30 leading economies in the world. Authors positively sure that Kazakh-Sino strategic financial cooperation has a great potential, that needs careful realization.

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Mezzanine Financing: New Instrument in Investment Market of Kazakhstan

ERBOL SIGAEV

In recent years, the lending institutions both in Russia and Kazakhstan are increasingly interested in mezzanine financing as a new kind of project finance. Given that this type of funding is closely related to the construction industry, in our view, there is a need for its detailed consideration as an additional tool for the commercial banks operating in the area of mortgage lending, as well as the various funds of both direct and venture financing.

Mezzanine loan is a relatively large loan, typically unsecured — without collateral provided by the property — or having a deeply subordinated security structure; a lien on the property of the third stage, but without the right of recourse against the borrower. The term of repayment is usually over five years for the repayment of principal at the end of the loan term. A typical loan offer is accompanied by a tear-off certificate (coupon) entitling to purchase a certain number of shares or bonds at a specified price within a specified period or a similar mechanism which gives the lender the opportunity to participate in the future success of the project. Mezzanine loans can be used to finance a new venture or acquisition of the controlling block of shares with the borrowed funds usually as a part of a larger financial package.

Mezzanine financing is a way to finance the projects where the investor provides the funds as the debt financing simultaneously acquiring an option to purchase the shares of the borrower in the future at a specified price, and possibly at certain conditions. By doing this, the investor combines

the positions of the lender and the investor (shareholder). The investor bears higher risks compared to a conventional loan or bank financing and, therefore, expects an increase in the yield on the investment.

Creditors on mezzanine loans or co-called mezzanine funds seek to obtain a certain minimum internal rate of the return derived from the four sources: the management fee, interest payments in cash, payment in kind, and certificates. Management fee, usually paid in advance, is the least profitable and usually spent on covering the administrative costs. The interest payment in cash — this is the same as the interest in this case - is, as a rule, paid on the principal amount with the same frequency before the deadline for repayment. The payment in kind is made in addition to the payment of interest and increases from period to period, thereby increasing the size of the loan principal i.e. this is the compound interest. The deadline for the payment in kind coincides with the date of the loan principal. The achieved selling price of the shares acquired on the certificates is also included in the gross profit of the lender.

Such a scheme of interest payment is used to postpone the charge of the full cost of the certificates prior to the date of repayment. The extreme case of this financial instrument is a loan with the payment in kind (PIK loan). Another extreme case, technically, would be a conventional loan.

The interest on mezzanine loans, as a rule, is higher than the debt-priority lien or the debt with higher priority of repayment. Mezzanine loans are often used in development projects to ensure the

needs for the funds to finance the construction of the property. Mezzanine loans are often provided on a security of a stock holding company not of the real estate being built.

Although this financial instrument has long been commonly used in the West, it is still difficult to attract mezzanine loan in the CIS. Besides the fact that banks are not very actively promoting this product, its cost is significantly higher than that of traditional project financing comparable to the cost of equity.

I would argue that the mezzanine financing will be much more popular with the developers as long as the situation on financial markets is settled and the interest rates on loans generally decline.

This form of investing is very popular abroad because it allows not to include the funds in the capital of a growing company, but to use the options on their shares. The project is financed by the debt of the company plus an option for a package of its shares. It is less rigid model for a borrower company than venture capital and the investors' risk is much lower.

Developers often use mezzanine loans to provide additional construction financing; usually when the primary mortgage or the need for a construction loan funds exceed 10%. Mezzanine loans are often secured not by the real estate being built but by the shares of the developer usually deriving from traditional mortgage. This enables the creditor to take over the security sooner in the event of default or foreclosure of the property. Typically the mortgage foreclosure action may take more than a year, whereas the shares are considered the personal property of the borrower and they can be sought by a court order within a few months.

Mezzanine financing has a number of advantages. Indeed, the American banks as well as their European counterparts experienced some bad consequences; subprime lending became one of the main causes of the global liquidity crisis, which borrower's payment of interest on the loan before the due date; in fact, a significant increase in cash flow is expected as well as that in the equity value of the was rooted in the American mortgage crisis. Despite the fact that the main scope of the mezzanine financing instrument is high-risk or even

venture projects, a good use of this tool reduces risks to the lenders. The Russian legislation is the main reason for that as it protects the lender much better than the shareholder in case of bankruptcy of the borrower.

According to the current law, the loans are paid in the first place, and the money invested by the shareholders shall be compensated at the latest. In the meantime, the highest possible profit of the shareholder is far higher than the maximum profit of the lender, who gets the fixed interest rate. In other words, mezzanine financing is a kind of interim financial instrument to finance the project. The mezzanine debt will be charged before the equity debt, but not later than that on debt financing. It means that the lender who provided a mezzanine loan assumes the risks of the shareholder, in exchange for the big profits since it is entitled to choose whether to realize the option until the last moment.

The advantage for the developer is that, on one hand, it provides the financial resources at a relatively small rate, on the other, it can not repay loans at all if the lender chooses the shares redemption option. Usually share in the project of the option is more expensive than on the market; the developer gets more profit in this case rather than simply to sale them.

Percentage ratio of risk and return can fluctuate depending on what combination of the components are selected in such a mixture. Typically, sources of funding the borrowed funds, mezzanine finance and equity capital are divided in the proportions of 50/25/25 to 70/20/10. The cases where the mezzanine loan is used to cover the entire needs of the company for equity are extremely rare, but sometimes transactions are concluded without equity.

The other advantages of mezzanine financing include simpler procedures and shorter time required to obtain this kind of loan compared with a conventional bank loan. While taking a mezzanine loan the borrower is not required to get the mortgage registration and other requirements of the bank. Lending institutions that provide mezzanine loans offer the borrower the best loan package in the shortest possible time.

The main differences between this financial instrument and the other are the following:

1. The sources of repayment. Repayment of mezzanine loans is usually made by means of the sale of the assets or shares, whereas the debt financing repayment is made through the cash generated from operating activities.

2. The sources of the borrowed funds. Mezzanine financing is offered only through the instruments placed directly according to the results of the negotiations between the investor and the borrower. Usually the borrowed funds are raised on open market.

3. Liquidity. Mezzanine lending is completely illiquid, it may not be sold in financial markets. Mezzanine financing is provided in small amounts (10-20%) of a total project funding, while conventional loans may cover up to 80% of the total project funding.

The Russian experience of the implementation of mezzanine financing shows that in spite of all the abovementioned advantages to the developers, this financial instrument is still uncommon. Mezzanine loan is only gaining its popularity; the situation is completely different in the Western countries.

However, some investment companies in Russia have announced the launch of a special fund to provide the mezzanine financing services. The first transactions with the use of this financial tool have already been conducted, but it is still the exception rather than the rule. One of those few was the 'Vester'; this Russian retailer signed the contract amounting to \$300 million, stipulating that the bank is entitled to acquire up to 10% of the borrower's shares within four years.

As for developing business, despite all the attractiveness of the instrument, there have been no proper mezzanine financing transactions so far in Russia. While in Europe and the USA about 20% of the developers are working with this instrument. In Russia, the first transaction relatively similar to the mezzanine investment funds deal was conducted by the Raven Russia and Quinn. The mezzanine financing in this case shall be provided on condition that the real estate object will be sold after its construction.

There are no any other examples of a classical

mezzanine loan provided when the borrower receives a refund with interest without any further obligation. However, experts are still optimistic about use of this financial tool in the Russian market. Today, when the interest rates on loans are rising and new requirements for the borrower's equity are more stringent, this service will find their customers. Lack of information about mezzanine loan as well as reluctance of the banks to provide it due to its high risks are the major factors hampering the development of this financial instrument.

It should be noted that most mezzanine financing is made via the issue of convertible bonds. To buy the bonds, the investor shall be entitled to convert the bonds into shares at a pre-agreed price. This scheme allows the company to obtain financial resources «in general» without mandatory implementation of a certain project. In addition, the issue of convertible bonds reduces interest rate of the loan, similarly to any other public instrument.

Mezzanine financing is a completely new product on Kazakhstan market; it meets best the needs of the companies with small capitalization. Currently, the banks, venture funds and private equity investment funds occupy the strongest position on the domestic market. Typically, an average mezzanine fund is formed at a rate of \$30-35 million which can finance the projects with the capacity from \$5-10 million. As for the potential profitability of the fund, it is an average at least 16-18%.

Mezzanine financing will be demanded by the market as one of the possible schemes to attract foreign loans. Mezzanine funds primarily attract smaller and non-transparent entities with high expected growth rate, they are not aimed at absorbing or attaching other players, their only intention is to finance their own business.

Given the measures aimed at development of Kazakhstan economy as well as introduction of new investment projects and industrial facilities, mezzanine financing can be considered as an additional tool for the domestic credit market.

The Role of Financial Intermediaries in Formation and Allocation of Investment Resources in Kazakhstan

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The interaction of financial intermediaries is associated with the production and sale of financial services, the list of which is defined by the legislation of Kazakhstan. Financial Services - an activity of the participants of insurance market, securities market, pension funds, banking, the activities of organizations on conducting certain types of banking operations carried out on the basis of licenses issued in accordance with the laws of the Republic of Kazakhstan, as well as the activities of the central depository and mutual insurance societies, which are not subject to licensing. [1] Complex services of the financial intermediaries are reflected in the common Kazakh qualifier of the services to population in the position of “Financial and Insurance Activities”. It includes: 1. Financial services, except insurance and pension funds; 2. Insurance, reinsurance and pension funding, except compulsory social security; 3. Activities auxiliary to financial services and insurance. This section includes financial services, including insurance, reinsurance and pension funds, as well as activities to follow financial services, and also the services of holding assets, such as activities of holding companies

and trusts, funds and other similar financial entities. [2] This position suggests that recent trends in the market are characterized by large-scale mergers and acquisitions in the financial intermediation sector, by changes in the nature of the interaction of financial intermediaries, blurring of the boundaries between their products, increased consolidation in the Kazakhstan’s market.

Globalization and economic integration contributes to the diversification of the range and geography of services, technical and technological capabilities of their ensuring, integration of financial intermediaries activity. It contributes to the development of financial intermediation in general, increase the speed and quality of customer service, accelerate the exchange of information and cash flow, the concentration of resources, increase the diversity of services and tools, expansion of the customer base.

Generalizing the historical aspect of the appearance, the motives and background for the forms of interaction between financial intermediaries, the following classification of the main forms of interaction will be logically relevant:

- market’s - provides the relationship

between market participants, buyers and sellers of products of financial intermediaries;

-integrational - defines the relationship to the creation of new tools, products, and market institutions;

-founding - based on the relationship between financial intermediaries, who are the founders (shareholders) of each other in accordance with laws and regulations.

As elements of the system, financial intermediaries have common goals, objectives, and motives of activity, which make it possible to use these forms of cooperation in all relationships. An important feature showing the effectiveness of the interaction between some institutions of financial intermediation is their participation in shaping the investment potential, which provides the resource base of the country's economy. As is known, according to the nature of the impact on the investment potential, financial intermediaries may be

forming, realizing the investment potential of the economic system and mixed. [3, p.114]

From this position, when considering the potential of attracting investments, should be taken into account non-state pension funds, collective investment institutions, insurance companies, as well as institutions of mixed type: all types of commercial banks, investment companies and integrated financial intermediaries, as they simultaneously perform fundraising, forming investment potential.

Implementation of this classification allows us to consider the situation with investment potential, focusing on the ability of major financial institutions in Kazakhstan.

The system of financial intermediaries in Kazakhstan began its independent development after the country's sovereignty. During this time certain institutional structure has appeared which is shown in Table 1.

Table 1 - Institutional structure of financial intermediation system*

Financial intermediaries	01.01.07	01.01.08	01.01.09	01.01.10	01.01.11	01.01.12	01.01.13
Commercial banks	33	35	37	38	39	38	38
Insurance organizations	40	41	44	41	40	38	35
Pension funds	14	14	14	14	13	11	11
Incorporated investment funds (ASIF)	36	40	54	41	33	32	32
Mutual investment trusts (SIT)	188	183	205	182	162	152	126
Mortgage organizations	10	12	12	7	6	4	3
Organizations engaged in certain types of banking operations	15	22	21	8	8	6	8

Note – The table is authors' compilation based on Internet resources:
<http://www.nationalbank.kz>, <http://www.afn.kz> [4,5]
 * without specialized development institutions

As can be seen from Table 1, Kazakhstan has a fairly stable and diverse institutional structure of financial intermediation, where there are a variety of institutions operating in various sectors

of the financial market. If we compare the activity of these subjects by the level of their activity, the clear advantage here belongs to the main intermediaries - banks.

Table 2 Total assets of financial intermediaries in Kazakhstan (at the beginning of the year, billion tenge, %)

Years	Banks	Insurance companies	Pension funds	ASIF	SIT	Mortgage companies	Others	Total
2009	11889,6	268,8	1412,8	165,6	154,4	214,6	4956,6	19062,4
	62,4	1,4	7,4	0,9	0,8	1,1	26	100
2010	11554,9	297,5	1860,8	62,4	298,5	80,3	456,5	14610,9
	79,1	2	12,7	0,4	2,1	0,6	3,1	100
2011	12 031, 5	343,2	2 260, 1	28,0	264,6	122,8	401,6	15 451,8
	77,9	2,2	14,6	0,2	1,7	0,8	2,6	100,0
2012	12821,0	387,7	2652,2	28,8	456,2	98,4	525,5	16969,8
	75,6	2,3	15,6	0,2	2,7	0,6	3,0	100
2013	13880	442,7	3188,3	47,6	575,5	110,1	559,5	18803,7
	73,8	2,3	17	0,3	3	0,6	3	100

Note - Compiled according to the NBK website for 2008-12 // Internet resource: <http://afn.kz> [5]

As can be seen from Table 2, as per indicators of assets, banks, whose share in the assets is an average of more than 70%, are leading intermediary institutions in our country. The situation is quite natural, since the main investments in the form of loans come from exactly these institutions. With the adoption of the Law of the Republic of Kazakhstan dated August 31, 1995 № 2444 "On Banks and Banking Activities in the Republic of Kazakhstan" there came a blossom period for the banking sector, capital accumulation, gaining the trust of the

population, access to the international level. In the second place there are accumulative pension funds, whose share of assets in the past five years has grown by more than 2 times and is 17% for 2012. Other participants occupy a small share of total assets. It should be noted that a similar situation, due to the predominance of banks, is formed in many countries around the world. As an example it is possible to look at the figures for South Korea. However, there are differences by other participants.

Table 3 - The assets of financial institutions in South Korea

(Unit: billion won,%)

Period	Banks	Non-bank deposit-taking institutions	Others	Insurance companies	Securities companies	Futures companies	Asset management companies	Total
1998	565,080 (63,5)	111,552 (12,5)	62,245 (7,2)	114,513 (12,9)	34,734 (3,9)	-	-	890,124 (100)
2000	829,338 (71,6)	63,093 (5,4)	63,351 (5,4)	149,540 (12,9)	52,171 (4,5)	526 (0,02)	1,273 (0,1)	1,158,291 (100)
2002	1,043,124 (72,2)	48,225 (3,3)	101,704 (7,0)	198,549 (13,7)	50,476 (3,5)	526 (0,02)	1,530 (0,1)	1,444,133 (100)
2004	1,141,652(73,1)	58,911 (3,8)	53,913 (3,5)	252,658 (16,2)	52,361 (3,4)	915 (0,1)	1,636 (0,1)	1,562,045 (100)
2006	1,394,166(71,2)	78,294 (4,0)	67,827 (3,5)	321,580 (16,4)	92,852 (4,7)	1,327 (0,1)	2,062 (0,1)	1,958,107 (100)

2008	1,870,633 (71,6)	102,569 (3,9)	102,121 (3,9)	391,935 (15,0)	140,657 (5,4)	2,799 (0,1)	2,977 (0,1)	2,613,690 (100)
2009	1,799,880 (68,14)	123,345 (4,67)	104,074 (3,94)	444,431 (16,82)	163,956 (6,21)	2,480 (0,09)	3,355 (0,13)	2,641,521 (100)
2010	1,841,707 (65,5)	134,618 (4,8)	122,526 (4,4)	507,504 (18,1)	199,807 (7,1)	1,794 (0,1)	3,699 (0,1)	2,811,626 (100)
2011	1,069,303 (64,6)	115,153 (3,8)	160,159 (5,3)	566,014 (18,6)	233,780 (7,7)	2,279 (0,1)	3,889 (0,1)	3,050,577 (100)

Note - Source: Monthly Bulletin by Financial Supervisory Service [6]

As can be seen from Table 3, the leading financial intermediaries in South Korea are also banks; their share is consistently more than 60% of the assets. In the second place, unlike the situation in Kazakhstan, there are insurance companies - the proportion of assets in recent years reaches more than 18%, then in descending order there are different companies - securities companies, non-bank deposit-taking institutions, etc.

South Korea's experience deserves special attention due to the fact that the country within a relatively short period, using the capabilities and experience of financing in developed countries, has formed its own model of economic development and financial intermediation, achieving unprecedented success in the development of a number of branches and high-tech industries. For Kazakhstan and many post-Soviet states South Korean experience is of considerable interest and could bring real help in the development

and promotion of their national economies and financial sector.

Kazakhstan has also formed an institutional system of financial intermediation, possibilities of which are not fully used due to a variety of reasons, both objective and subjective. In particular, one of the reasons is lack of active securities market. But the main burden in financing and lending to the economy lies on the banks. In this regard, Kazakhstan still has a lot of work on creating its own model of banking and financial intermediation to improve the efficiency and timeliness of providing economy with resources.

Assets of banks and other financial institutions characterize the scale of allocation to the various sectors of the financial market. Of particular interest is the analysis of data related to the investment activity, which reflect the potential financial intermediaries as a source of liquidity.

Table 4 - The investment portfolio of the participants of financial market in Kazakhstan (at the beginning of the year)

Participants of the financial market	Year						
	2007	2008	2009	2010	2011	2012	2013
Second tier banks, billion tenge	1240	770,3	827,5	1739,6	1556,6	1345,0	1925,3
Share, %	51,2	30,5	28,9	41,4	35,8	28,6	31,8
Insurance organizations, billion tenge	104,5	160,4	198,3	208,0	231,5	284,0	338,0
Share, %	4,3	6,4	6,9	4,9	5,3	6,0	5,6
Professional participants, billion tenge	69,6	82,1	138,7	59,4	39,8	40,4	45,3
Share, %	2,9	3,3	4,9	1,4	0,9	0,9	0,7

Accumulative pension fund, billion tenge	898	1195,1	1378,4	1839,6	2223,8	2546,1	3129,4
Share, %	37,0	47,4	48,1	43,7	51,2	54,2	51,6
Mutual investment fund, billion tenge	46,3	199,5	154,4	298,5	264,6	456,6	575,5
Share, %	1,9	7,9	5,4	7,1	6,1	9,7	9,5
Joint Stock investment fund, billion tenge	66,0	113,4	165,6	62,4	28,0	28,8	47,7
Share, %	2,7	4,5	5,8	1,5	0,7	0,6	0,8
Total, billion tenge	2424,4	2520,8	2862,9	4207,5	4344,3	4700,9	6061,2
Total, %	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Note - Compiled by the authors according to the NB of RK for 2008-12 // Internet resource: http://afn.kz [5]							

As can be seen from Table 4, the investment activity in the financial market tends to grow by 2.5 times compared to 2006 and on all types of intermediaries, except for professional participants and investment funds for which there was a slight decline due to the financial crisis of 2007-2008. Accumulative pension funds remain stable leader in terms of the investment portfolio and the rate of growth. Beginning from 2008 their share in the market of Kazakhstan has increased substantially, surpassing the commercial banks. Currently

APF occupy more than 50% of stake in the investment market, the share of the banks accounts to approximately one third (roughly about 28-35%). In the third place by the highest level of participation there are mutual funds (up 9.7%). Insurance companies owned 6-7% of the investment market. JSIF occupy the smallest place by the level of investment activity, they reduced their participation from 2.7% to 0.6-0.8%. The major part of APF's assets is involved in investment in the financial market (Table 5).

Table 5 - Investment portfolio and assets of APF in Kazakhstan (at the beginning of the year)

Indicator	Year				
	2009	2010	2011	2012	2013
Assets (billion tenge)	1412,8	1860,8	2 260, 1	2652,2	3188,3
Investment portfolio (billion tenge)	1378,4	1839,6	2223,8	2546,1	3129,4
Share of the investment portfolio in the assets (%)	97,6	98,9	98,4	96,0	98,1
Note - Calculated by the authors according to the NB of RK for 2008-12 [4]					

The main type of APF's investments, as can be seen from Table 6, are government securities of RK.

Table 6 - Structure of the investment portfolio of APF in Kazakhstan (%)

Indicators	01.01.09	01.01.10	01.01.11	01.01.12	01.01.13
Government securities of RK, including:	30,85	40,69	44,99	45,32	50,47
- securities of Ministry of Finance of RK	24,74	35,93	38,40	41,93	49,06

- notes of the National Bank	6,11	4,76	6,40	3,17	1,23
-securities of local executive bodies	-	-	0,25	0,22	0,18
Securities of international financial organizations	-	4,03	1,96	3,65	2,33
Government securities of foreign issuers	1,65	0,96	1,41	4,98	2,13
Refined gold	1,62	-	1,35	4,97	3,66
Non- government securities of issuers in RK, including:	46,34	36,88	34,03	28,44	25,95
- stocks	9,85	10,69	8,49	5,37	5,45
- bonds	2,73	26,19	25,54	22,71	20,51
Non-government securities of foreign issuers, including:	10,35	12,08	8,36	5,73	5,08
- stocks	2,72	2,76	2,11	0,72	0,68
- bonds	7,63	9,32	6,25	5,01	4,41
Deposits in second tier banks	8,96	5,01	7,93	6,95	10,38
Derivative securities	0,23	0,35	-0,03	-	-
Total	100	100	100	100	100
Note - Compiled by authors according to: [5]					

Over the last year, their share has also increased and today is more than 50%. Non- government securities of the issuers of RK during the mentioned period tend to decrease in total volume of investment. As for contributions to the second tier banks, their volume of deposits in the past year increased significantly and amounted to 324.8 billion tenge by the beginning of 2013, increasing over 2012 by 83.6%. Investments, made into government securities of foreign issuers, have been reduced, which can be considered as a positive trend.

The feature of the NPF investment structure is deposits in STB. Their unit weight

ranges from 5 to 10% of the total investment portfolio. As noted earlier, means of the saving funds may be held in bank accounts, which suggests the existence of a direct interaction between banks and accumulative pension funds and that the means, mobilized by funds, can be transformed into a bank loan resources. Restricting the NPF's rights on placement of funds on deposit affects their minor development. According to the data from APF and banks, shown in Table 7, it is seen how small the proportion of these funds is in the total banking assets.

Table 7 - The value of the contributions of APF for STB of Kazakhstan (at the beginning of the year)

Indicator	Year				
	2009	2010	2011	2012	2013
STB's assets (billion tenge)	11889,6	11554,9	12 031,5	12821,0	13880
APF's deposits to STB (billion tenge)	123,4	92,1	176,2	176,9	324,8
The share of APF's deposits in STB's assets (%)	1,0	0,8	1,5	1,4	2,3

It can be stated that the funds of APF as part of bank resources are insignificant, at the same time, there is an upward trend - by 2012 they increased almost two-fold.

Second-tier banks, being the main financial intermediaries, are quite active in the financial market, however, their primary purpose as creditors explains some of the backlog from

APF on investment portfolio. The investment portfolio of the banks constitutes smaller proportion in relation to their assets when compared with the situation on the NPF.

As can be seen from Table 8, the proportion of the investment portfolio of the banks in assets ranged from 6.9% to 15.1% in recent years.

Table 8 - Investment portfolio and assets of STB in Kazakhstan (at the beginning of the year)

Indicator	Year				
	2009	2010	2011	2012	2013
Assets (billion tenge)	11889,6	11554,9	12 031, 5	12821,0	13880
Investment portfolio (billion tenge)	827,5	1739,6	1556,6	1345,0	1925,3
Share of investment portfolio in assets (%)	6,9	15,1	12,9	10,5	13,9

Note – Calculated by the authors basing on data from NB of RK for 2008-12 //internet resource: www.afn.kz [5]

To ensure diversification of the bank's assets portfolio and reduce the risks such a level is not sufficient, however, in order to increase it, Kazakhstan's banks are making efforts, which are not always successful on a number of objective reasons. The fact that the credit resources of the banks are mainly

short-term and they are used to meet short-term needs of the economy.

By composition and structure of the investment portfolio, the banks have certain features and some of the trends, due to the specifics of economic development. (Table 9)

Table 9 - The structure of the investment portfolio of second-tier banks (%)

Indicators	01.01.09	01.01.10	01.01.11	01.01.12	01.01.13
Government securities of RK, including:	47,3	37,0	71,8	64,4	38,7
- securities of Ministry of Finance of RK	29,1	16,7	29,3	40,1	34,5
- notes of the National Bank	18,2	20,3	42,2	23,9	3,9
-securities of local executive bodies	-	-	0,3	0,4	0,3
Securities of international financial organizations	4,3	2,5	2,9	3,3	2,3
Government securities of foreign issuers	17,6	0,5	1,6	1,2	0,6
Non- government securities of issuers in RK, including:	23,0	54,7	19,1	23,3	53,1
- stocks	3,5	3,3	3,0	3,0	2,1
- bonds	19,5	51,4	16,1	20,3	51,0
Non-government securities of foreign issuers, including:	7,8	5,1	4,6	7,8	5,3
- stocks	0,1	0,1	0,1	0,2	0,2
- bonds	7,7	5,2	4,5	7,6	5,1
Total	100	100	100	100	100

Note – Compiled by the authors according to: [5]

As a rule, for several years the main investments of STB in the financial market were associated with government securities, as evidenced by the data until 2012. The tendency of the excess of the government securities share was broken in 2012, when a significant portion of STB's portfolio consisted of government securities of the issuers of RK - 53.1% or 1,021,313 million tenge. The share of government securities of RK is 38.7% in this period. Non-government securities of foreign issuers are from 4.6 to 7.8% of the total portfolio. Securities of foreign countries,

starting from 2009, decreased significantly to 0.6% due to the policy conducted by the banks. Thus, the second-tier banks have turned to domestic issuers that can be seen as a positive movement in their investment policy.

Insurance companies are actively investing in the financial market, which is reflected in the composition and structure of the investment portfolio. Overall the portfolio takes precedence share of the assets of these organizations (Table 10).

Table 10 - Investment portfolio and assets of insurance companies in Kazakhstan (at the beginning of the year)

Indicator	Year				
	2009	2010	2011	2012	2013
Assets (billion tenge)	268,8	297,5	343,2	387,7	442,7
Investment portfolio (billion tenge)	198,3	208,0	231,5	284,0	338,0
Share of investment portfolio in assets (%)	73,8	69,9	67,4	73,2	76,3

Note – Calculated by the authors basing on data from NB of RK for 2008-12 //internet resource: www.afn.kz [5]

Unlike other financial intermediaries in the composition of the investment portfolio of insurance companies more than two-thirds is owned by non-government securities of foreign issuers and deposits in STB. A smaller

part of the funds is placed in government securities, among them primarily in the securities of the Ministry of Finance (Table 11).

Table 11 - Structure of the investment portfolio of insurance companies (%)

Indicators	01.01.09	01.01.10	01.01.11	01.01.12	01.01.13
Government securities of RK, including:	9,58	20,7	19,43	17,28	18,45
-euro notes	0	7,5	0	0	0
- securities of Ministry of Finance of RK	8,36	10,2	16,62	14,75	17,44
- notes of the National Bank	1,22	3,0	1,99	1,62	0,26
- securities of local executive bodies	0	-	0,82	0,91	0,75
Deposits in STB	39,92	36,5	30,55	32,40	31,13
Securities of international financial organizations	0,20	1,0	2,43	3,27	2,86
Shares of investment funds	0,07	0,1	0,05	0,13	0,1
Securities of foreign countries	0,51	2,6	2,43	2,50	2,41
Non-government securities of foreign issuers, including:	33,78	28,5	35,44	35,48	40,23
- stocks	3,24	2,7	2,52	1,4	1,39
- bonds	30,54	25,8	32,92	34,08	38,84

Non-government securities of foreign issuers, including:	2,27	6,4	5,53	5,53	3,9
- stocks	0,04	0,5	1,01	1,76	0,68
- bonds	2,23	5,9	4,52	3,77	3,22
Reverse repo	13,85	4,2	4,14	3,41	0,92
Total	100	100	100	100	100
Note – Calculated by the authors basing on data from NB of RK for 2008-12: [4]					

The presence of deposits in the STB indicates that insurance companies, as well as APF, may participate in lending to the economy through the banking organizations, thereby increasing their lending capacity.

Special feature of the investment funds is

seen in the fact that they have to be engaged in investment activity, linking market participants by various forms of relationships. Meanwhile, the assets of these funds are entirely adequate to their investment portfolio (Table 12).

Table 12 - Investment portfolio and assets of the investment funds in Kazakhstan (at the beginning of the year)

Indicator	Year				
	2009	2010	2011	2012	2013
Assets (billion tenge): MIF	154,4	298,5	264,6	456,3	575,5
IIF	165,6	62,4	28,0	28,8	47,7
Investment portfolio (billion tenge):MIF	154,4	298,5	264,6	456,3	575,5
IIF	165,6	165,4	28,0	28,8	47,7
Share of investment portfolio in assets of (%): MIF	100	100	100	100	100
IIF	100	100	100	100	100
Note - Calculated by the authors basing on data from NB of RK for 2008-12: [4]					

Thus, the growth of assets of investment funds is due to the growth of the investment portfolio, which is quite justified by designated purpose of these institutions, since their creation has the main objective to be engaged in investment activity, which is confirmed by the data mentioned above.

In the aggregate investment portfolio of mutual and incorporated investment

funds, unlike other institutes of financial intermediaries, real investments occupy the main share (investments of investment fund to capital of legal entities which are not joint-stock companies, land properties, real estate buildings and structures under construction and reconstruction, design and estimate documentation, land use and subsurface rights).

Table 13 - Structure of the investment portfolio of mutual investment funds (%)

Indicators	01.01.09	01.01.10	01.01.11	01.01.12	01.01.13
Government securities of RK, including:	0,04	0,14	0,22	0,03	0,0
- securities of Ministry of Finance of RK	0,04	0,14	0,03	0,03	0
- notes of the National Bank	0	0	0,19	0	0
Deposits in second-tier banks	0,16	1,71	8,95	3,2	0,8
Securities of international financial organizations	0	0,14	0	0	0
Government securities of foreign issuers	0	0	0	0,04	0,1
Non- government securities of issuers in RK, including:	12,15	17,35	4,54	2,56	1,3
- stocks	8,04	15,81	2,76	2,11	1,1
- bonds	4,11	1,54	1,79	0,46	0,2
Non- government securities of foreign issuers in RK, including:	1,0	0,94	0,84	0,36	24,9
- stocks	0,23	0,70	0,72	0,35	0,4
- bonds	0,77	0,24	0,12	0,01	24,5
Investment fund units	0,05	0,23	0,01	0,00	3,4
Depository receipts	0,26	0,17	0,18	0,10	0,1
Reverse repo	3,87	0,55	0,10	0,11	0,1
Land property	5,64	2,73	2,04	1,13	0,9
Buildings	0,49	0,15	0,10	0,07	0,0
Under construction and reconstruction real estate buildings	9,13	5,68	5,07	0,34	0
Design and estimate documentation	0,42	0	0	0	0
Investments in capital of legal entities which are not joint-stock company	59,81	66,76	57,34	85,10	64,0
Derivatives	0,29	0	0	0	0
Other assets / receivables	6,69	3,59	20,61	6,96	4,4
Total	100	100	100	100	100

Note – Calculated by the authors basing on data from NB of RK for 2008-12 //internet resource: www.afn.kz [5]

In the aggregate investment portfolio of mutual investment funds the major share belongs to the fund's investment in the capital of legal entities which are not joint-stock companies, which is real investment, from 57 to 85% in some periods. Financial investments occupy a smaller proportion, among them there are more meaningful –non-government

securities of issuers of Kazakhstan, which held 17.35% in the investment portfolio of mutual funds in 2009, but decreased to 1.3% in 2012. By other types the volumes are minor and have a tendency to decrease.

The portfolio of incorporated investment funds (IIF) has its own characteristics, which are reflected in the following table 14.

Table 14 - Structure of the investment portfolio of IIF in Kazakhstan (%)

Indicators	01.01.09	01.01.10	01.01.11	01.01.12	01.01.13
Government securities of RK, including:	0	0,06	0,10	0,20	0,1
- securities of Ministry of Finance of RK	0	0,06	0,10	0,20	0,1
Deposits in second-tier banks	37,55	0,65	1,07	0,29	0,3
Non- government securities of issuers in RK, including:	1,05	3,46	12,44	12,61	6,1
- stocks	0,17	0,76	1,30	1,96	1,5
- bonds	0,88	2,70	11,44	10,65	4,6
Non- government securities of foreign issuers in RK, including:	0,61	2,69	1,22	0,55	0,2
- stocks	0,04	0,08	0,08	0,55	0,2
- bonds	0,75	2,61	1,14	0	0
Investment fund units	0,17	0,25	0,55	0,54	0
Depository receipts	0,09	0,10	1,38	1,07	0,1
Reverse repo	0,69	0,18	0,42	0	2,9
Land property	16,59	8,80	5,72	5,31	1,5
Buildings	3,38	20,52	38,96	45,51	22,8
Under construction and reconstruction real estate buildings	10,02	9,80	21,83	21,20	12,8
Design and estimate documentation	0	0	0,01	0,05	0
Investments in capital of legal entities which are not joint-stock company	20,43	50,94	3,22	1,93	0,6
Derivatives	0,04	0	0	0	0
Other assets / receivables	9,38	2,55	13,08	10,74	52,6
Total	100	100	100	100	100
Note – Calculated by the authors basing on data from NB of RK for 2008-12 //internet resource: www.afn.kz [5]					

Incorporated investment funds also place most of the funds in real investments – buildings, real estate buildings under construction and reconstruction, in the capital of legal entities. However, starting from 2010, there is rather sharp decline in volume of funds allocated to the capital of legal entities, since 2011 - in buildings and structures, as well as real estate under construction and reconstruction. Financial investments of IIF (securities, shares, deposits, etc.) are rather insignificant both in terms of volume and the specific unit weight in the investment portfolio. Among them there are non-government securities of issuers of RK. Funds in accounts in second-tier banks declined sharply in 2009 - from 62.2 billion

tenge to 0.4 billion tenge, which influenced the decline of their unit weight from 37.55% to 1,07-0,3% for 2010-2012.

Based on the analysis and assessment of the situation can be made the following conclusions.

1. In the process of formation and implementation of investment capital various financial intermediaries are involved, activities of which somehow connect with the transformation of mobilized funds into investments. The main participants in this process in Kazakhstan are the second-tier banks, insurance companies, pension and investment funds.

2. Non-bank financial intermediaries in its activities are in fairly close collaboration

with each other, functioning on the same market segments, as evidenced by the presence of common structural elements in the composition of their investment. In particular, a certain proportion of mobilized funds is allocated by non-banking institutions in the form of bank deposits, thus completing the resource potential of the banks.

3. Institutions of financial intermediation, the main role of which is to organize the financing of the economy due to the formation and development of effective mechanisms of investment, today defectively perform their core functions on accumulation, transformation and redistribution of domestic

financial resources in Kazakhstan. Activity of financial institutions, compared with foreign ones, is less diversified, so interpenetration is insufficient, which leads to underutilization of available financial resources in the interest of economy.

4. The most urgent task of researchers is to develop recommendations for the effective functioning and interaction of financial intermediaries, which requires a deep study of the conditions, trends and opportunities for all participants in the system of financial intermediation, which will solve the important problem of economic development in modern Kazakhstan.

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Sociological Analysis of the State Language Policy Realization in Astana

KOMAROV OLEG

Current national language policy of the Republic of Kazakhstan is focused on the full scale functioning of the state language as an important factor in strengthening national unity while preserving the languages of all ethnic groups living in Kazakhstan.

As noted by the Head of State Nazarbayev N.A.: “We must make every effort to further development of the Kazakh language, which is the main factor of uniting all people in Kazakhstan. At the same time it is necessary to create favorable conditions so the representatives of all nationalities living in the country could speak freely, to learn the native language, and develop it.”

According to a fair conclusion of Doctor of Social Sciences, Professor Z.K. Shaukenova “state language proficiency, along with learning of other cultural tools of the nation (customs and traditions), is one of the significant factors of certain social comfort, the successful adaptation of certain ethnic groups to public processes” [1].

Functioning of the Kazakh language as the state language of the country is characterized by the growth of national consciousness of native speakers, the growing interest of other ethnic groups in the state language, their tolerant attitude towards language policy carried out in the Republic of Kazakhstan. Kazakh language has become a means of expressing and maintaining a national statehood, the further development of the ideological, spiritual and cultural unity of the people.

Processes of language development are in the focus of not only government structures,

but also cause the full support of the civil society, educational institutions and research centers, thereby forming a tradition of social partnership.

In promotion of the state language policy, as well as the preservation and development of cultures, languages, traditions and customs of various ethnic groups, an important role is played by the Assembly of People of Kazakhstan. Festivals and other events that promote unity, mutual enrichment of cultures and languages are being held on its initiative.

Thus, the optimal solution of language problems is a major factor in the stabilization of international relations, strengthening the cohesion of people and the preservation of public consent. The main strategic direction of management is creation of a tolerant language environment as a factor of unity of the people of Kazakhstan.

Language policy can be the subject of sociological analysis, since, as noted by Doctor of Philosophy, Professor M.S. Azhenov, “the study of language socialization became urgent, as well as problems of state language proficiency and its widespread introduction into the sphere of use” [2].

The urgency of the problem was highlighted by Doctor of Social Sciences, professor, K.U. Biyekenov: “one of the important directions in this process is the institutionalization of the Kazakh language as national language foundations of the society, elimination of the existing imbalances in functioning of languages in the ethnic space of Kazakhstan” [3].

According to Doctor of Social Sciences, Professor Z.K. Shaukenova “language

processes can be attributed to the social processes, expressing the changes taking place in society. Research in monitoring mode allows us to consider the dynamics of changes in these processes “[4].

In accordance with this, by the order of the Department of languages development in Astana, sociological group under the supervision of the author in November 2012 conducted a case study on language policy in Astana.

Total data array of random sample is 1000 adults (over 18 years), residents of the city of Astana. The structure of the sample represents the respondents by gender, ethnicity, and age. Representatives of various professions and social status were interviewed: workers, construction

workers, office workers, civil servants, doctors and health workers, school teachers, teachers and students of higher and secondary educational institutions, merchants and service industry workers, entrepreneurs, unemployed, pensioners and others.

The most important indicator to describe the real picture of the language policy in the city of Astana, is the degree of Kazakh language proficiency among the citizens, official status of which is defined by the Constitution.

As can be seen from Table 1, in general, residents of the city of Astana have a high level of knowledge of the state language.

Table 1 - The degree of the state language proficiency among the population of Astana (in % of respondents)

	All	Kazakhs	Russians	Other nationalities
Do not speak	0,2	-	7,5	3,0
Can understand, but cannot speak	20,9	8,6	56,3	53,1
Understand and can speak	20,1	20,4	20,3	21,7
Can speak, do not own written language	22,9	25,3	10,2	13,1
Fluently speak, read, prepare documentation (own written language)	34,2	45,7	5,7	9,1

Thus, the population of Astana, which owns the state language (if sum up those who are fluent in reading, preparing documentation, speak, do not own written language, as well as those who understand and can explain) is 77.2%.

Percentage of population of non-Kazakh ethnicity, who own the state language, is 16.5% (if we sum up among Russians and other nationalities who speak, read, prepare documentation, as well as those who speak, do not own written language).

Also, if we sum up those who are fluent in reading, preparing documentation; speaking, do not own written language, as well as those who understand and can explain, the proportion of the population who speak Russian is 98.8% and the proportion of the population, who speak English - 22% (see. Figure 1).

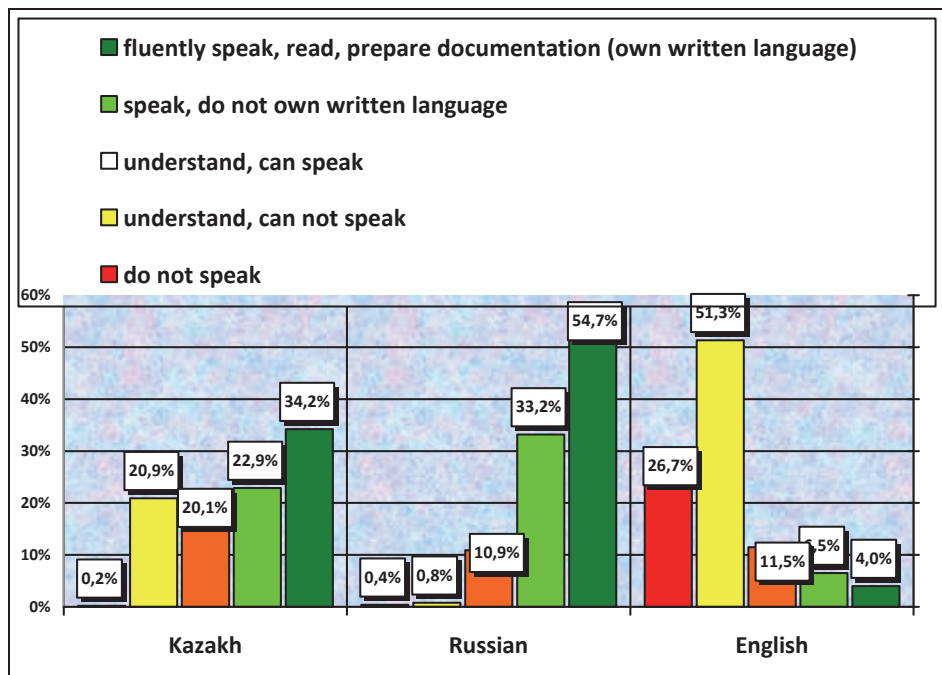


Figure 1 - Percentage of the population in Astana, knowing the state language, Russian and English (% of respondents)

Today, current language situation favors the languages in social and communicative peaceful coexistence of the state and Russian system of Astana city (see. Table 2).

Table 2 - Place of the state and Russian languages in social and communicative system of Astana city (% of respondents)

	In Kazakh	In Russian	In two languages	In English	In other language
At home, in family	39,8	34,7	24,1	0,4	0,1
With relatives	42,1	32,1	24,6	0,4	0,1
With friends	33,2	45,6	20,0	1,2	-
With neighbors	33,8	38,7	27,3	0,1	0,1
With colleagues at work	40,2	39,3	18,3	1,7	0,5
On study	49,7	40,3	7,7	2,3	-
In shops, markets	56,7	25,4	17,2	0,4	0,3
In transport	54,5	20,4	24,4	0,4	0,3
In street	34,7	37,3	27,0	0,4	0,6

Russian language still plays an important role as a spoken language in social and communicative system of Astana city, despite the fact that for the most part (70.7%) of residents native language is Kazakh language (see Figure 2).

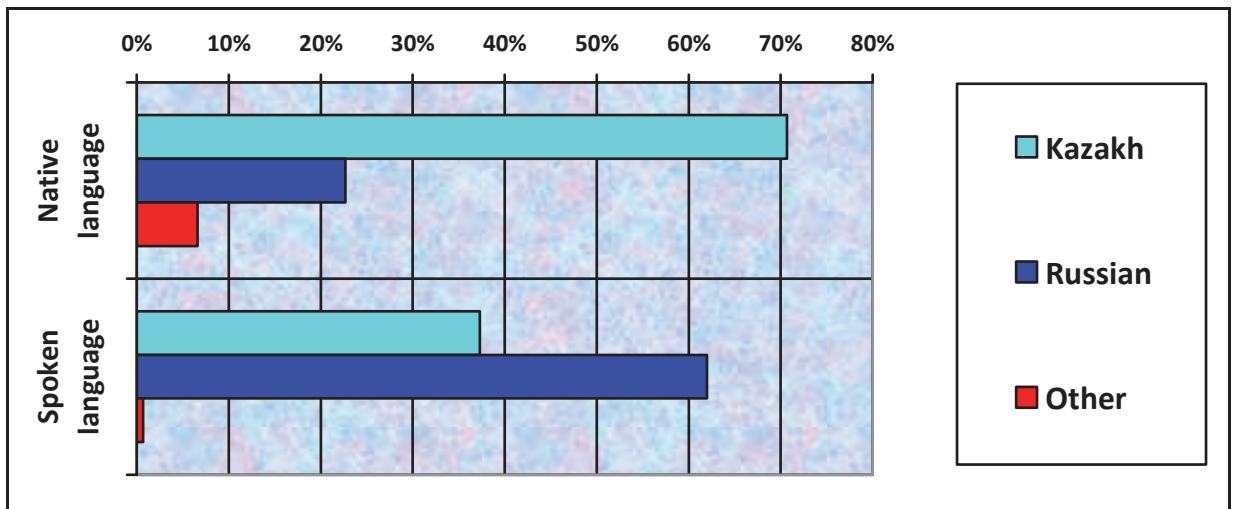


Figure 2 - The status of the native and spoken languages in social and communicative system of Astana city (% of respondents)

However, currently, the Kazakh language dominates in office work of various institutions in the city of Astana, where citizens study, work, or apply (see Figure 3).

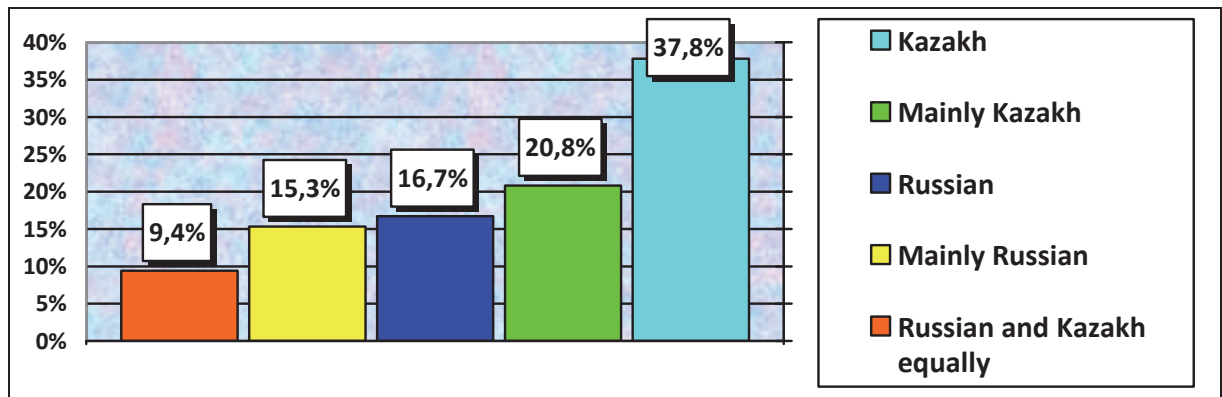


Figure 3 - The respondents' answers to the question: "What languages are used in office work of institutions where you study, work, apply?" (% of respondents)

According to opinion of the majority of citizens (92.1%), the Kazakh language actually corresponds to the status of the official language (see Figure 4).

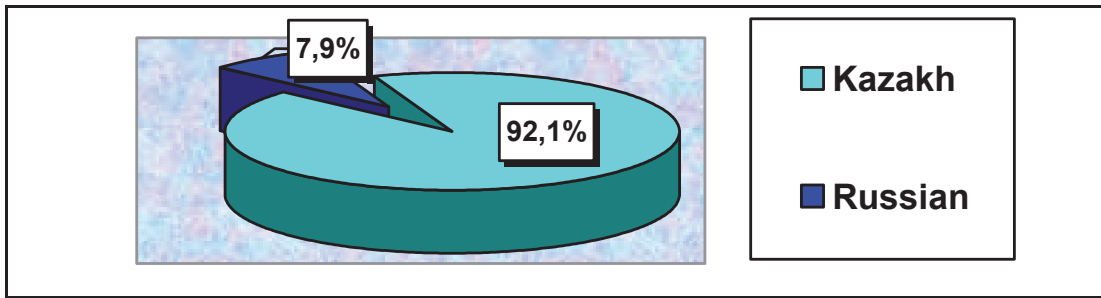


Figure 4 - The respondents' answers to the question: "What language actually corresponds to the status of the state one?" (% of respondents)

Along with this, in general, the majority of respondents (77.9%) positively assess the measures on implementation of the state status of the Kazakh language (see Figure 5).

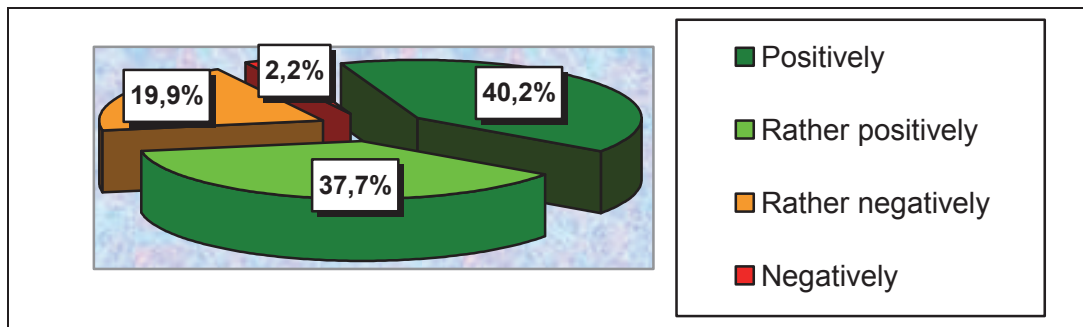


Figure 5 - The respondents' answers to the question: "How do you assess the measures on implementation of the state status of the Kazakh language?" (% of respondents)

In general, respondents positively assess the language policy in Astana (see Figure 6).

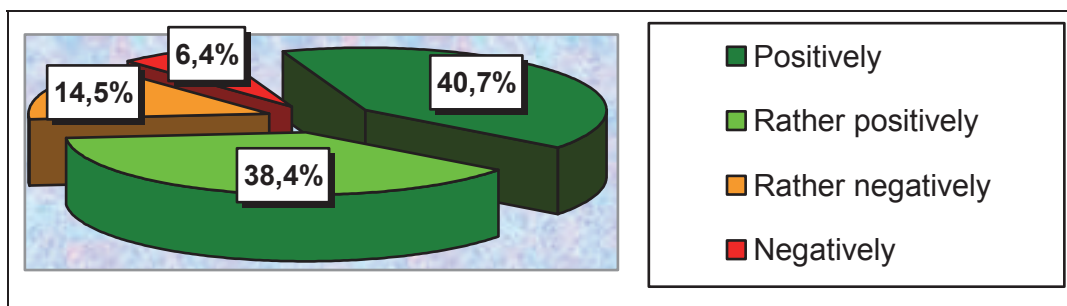


Figure 6 - The respondents' answers to the question: "How do you assess the language policy in Astana?" (% of respondents)

According to the majority of citizens (89.9%) in recent years the use of the state language has expanded in Astana (see Figure 7).

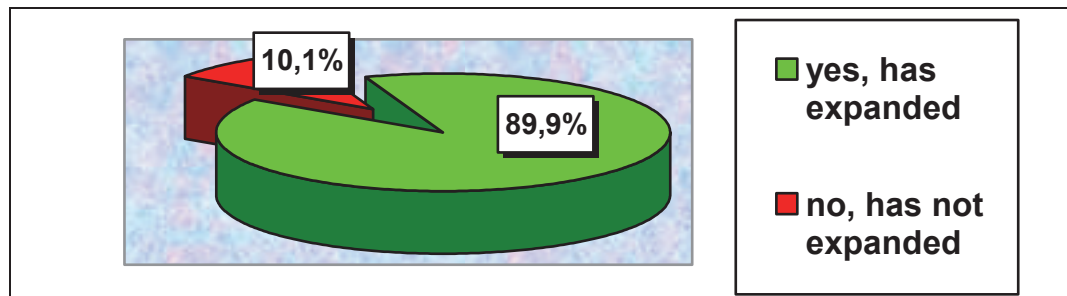


Figure 7 - The respondents' answers to the question: "Has implementation of the state language expanded in the recent years in Astana?" (% of respondents)

In general, respondents positively assess the work of Astana Akimat on expanding the scope of the state language (see. Figure 8).

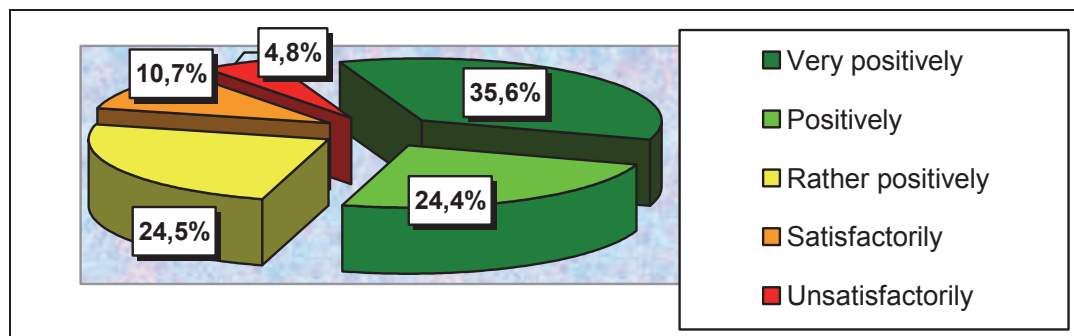


Figure 8 - The respondents' answers to the question: "How do you assess the work of Astana Akimat on expanding the scope of the state language?" (% of respondents)

Residents of Astana city observe the following trends in terms of expanding the scope of the Kazakh language:

- Record keeping in the state language - 43.2%;
- Most of the events are carried out in the state language - 34.4%;
- Purposeful implementation of the state policy on development of languages - 34.3%;
- The growth of patriotism among Kazakh people - 21.2%;
- Kazakh language has become a prestigious one - 14.5%;

- Increase of the quality of teaching in the state language - 12.1%;
- Increase of publications in the state language - 6.2%;
- All remained the same, nothing has changed - 7.8%.

The vast majority of citizens (87.3%) respondents indicate coverage by control of visual information (billboards, street signs, etc.) in the city of Astana (see Figure 9).

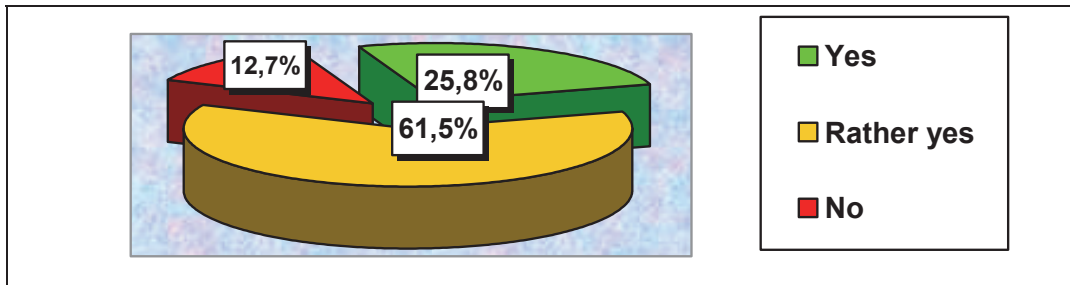


Figure 9 - The respondents' answers to the question: "Is visual information covered by control in Astana?" (% of respondents)

Most (generally 80%) residents note reducing of violations of the law on languages in the texts of visual information (see Figure 9).

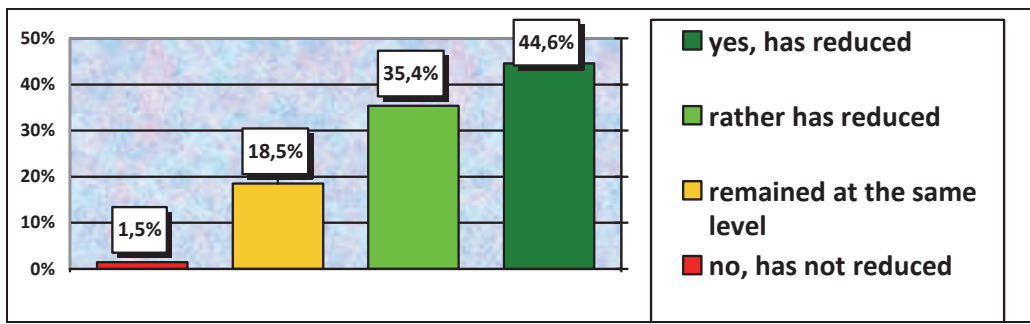


Figure 10 - The respondents' answers to the question: "Has a level of violations of the law on languages reduced in texts of visual information?" (% of respondents)

It should be noted that the majority of respondents (62%) is satisfied (43.4% completely and 18.6% partly) with conducted onomastic work in Astana. However, 38% of the population is not satisfied with this work (mostly due to the renaming of familiar streets).

According to the majority of respondents (81.5%) the state language is demanded in major spheres of social life (see Figure 11), being more preferred in various spheres of social life (see Table 3).

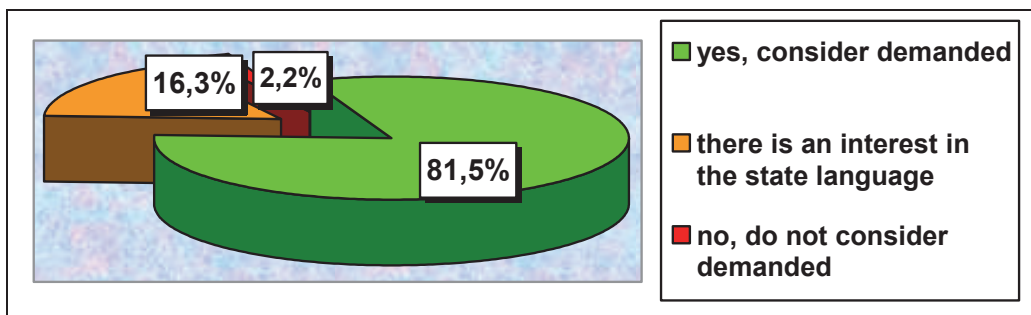


Figure 11 - The respondents' answers to the question: "Is the state language demanded in key areas of social life?" (% of respondents)

Table 3 - The respondents' answers to the question: "What language is used in the main spheres of social life?" (% of respondents)

	The state language			Russian		
	Often	Sometimes	Never	Often	Sometimes	Never
in state power and administration	72,7	27,3	-	50,6	37,6	11,8
In education	57,3	42,7	-	54,3	43,7	2,0
In science	57,2	42,8	-	56,4	42,1	1,5
In healthcare	57,0	43,0	-	63,4	34,2	2,4
In culture	56,3	43,7	-	58,9	41,1	-
In art	56,8	43,2	-	57,7	41,2	1,1
In transport	67,6	32,4	-	40,5	59,5	-
In information technology	34,4	65,6	-	80,9	19,1	-
In communication	40,8	59,2	-	78,7	21,3	-
In reference and information service	56,7	43,3	-	59,8	40,2	-
In trade	70,8	29,2	-	45,7	54,3	-
In service	45,6	54,4	-	58,7	41,3	-
At work (study)	67,7	32,3	-	63,2	36,8	-
On television	38,7	61,3	-	72,3	27,7	-
On radio	36,7	63,3	-	67,3	32,7	-
In newspapers	32,9	67,1	-	67,6	32,4	-

In the matter of basic secondary or higher education of children in a particular language in the socio-linguistic preferences of the adult population of Astana the Kazakh language is dominating, although Russian and English languages occupy an important place in the provision of higher education (see Table 4).

Table 4 - The respondents' answers to the question: "School, college, university with which language of study would you prefer to give your children to?" (% of respondents)

	Kazakh	Russian	English	Other
School	82,3	21,7	7,6	1,9
College	81,7	27,1	6,5	1,1
University	75,6	32,3	8,5	1,2

According to the interviewed citizens a choice of school, college, university with Kazakh language is associated primarily with the connectedness of the future of their children with Kazakhstan (56.7%), as well as the fact that it has an impact on their career development (36.7%). Judgments that the education in Kazakh language allows you to learn the preparation of documents (3.2%), and this makes it possible to communicate in Kazakh language (1.4%) are less common.

Two-thirds of residents (66%) of Astana already quite accustomed to using the Kazakh language in everyday life, and one-fifth (19.9%) gradually get used to it (see Table 5).

Table 5 - The respondents' answers to the question: "Have you got used to use the Kazakh language in the daily life?" (% of respondents)

	All	Kazakhs	Russians	Other nationalities
yes, have got used to	66,0	78,2	30,8	56,1
gradually get used to	19,9	18,4	23,3	24,2
have not get used to so far	10,6	3,4	30,4	19,7
No, have not get used to	3,5	-	15,5	-

However, the majority of respondents feel quite comfortable when the state language is used in different spheres of social life (see Table 6).

Table 6 - The respondents' answers to the question: "Do you feel comfortable when the state language is used in different spheres of social life?" (% of respondents)

	All	Kazakhs	Russians	Other nationalities
comfortably	35,5	47,7	3,5	15,2
very comfortably	46,1	50,8	20,3	84,8
uncomfortably	12,4	1,4	50,2	-
very uncomfortably	2,8	-	12,3	--
indifferently	3,2	0,1	13,7	-

Due to lack of knowledge or ignorance of the state language citizens mainly face with issues such as restrictions on the promotion - 48.2%, difficulties in finding work - 22.2%, and difficulties in communication - 19.7% (see Table 7).

Table 7 - The respondents' answers to the question: "What are the problems you face due to lack of knowledge of the Kazakh language?" (% of respondents)

	All	Kazakhs	Russians	Other nationalities
difficulties in finding work	22,2	18,5	30,4	33,3
restrictions on the promotion	48,2	48,7	45,8	51,5
difficulties in gaining education	9,9	9,2	10,6	15,2
difficulties in communication	19,7	23,6	13,2	-

As shown in Table 8, in the city of Astana there are in general all the conditions for the exercise of the constitutional right of every citizen to use their native language, in the exercise of free choice of language for communication, studying and creativity. In this case, now more fully realized the constitutional right of free choice for the language of studying, and less completely - a free choice for language of creativity.

Table 8 - The respondents' answers to the question: "To what extent the constitutional right of every citizen of the city of Astana is exercised?..." (% of respondents)

	Completely exercised	Partly exercised	Not exercised
for the use of native language	74,0	23,8	2,2
for a free choice of the language of communication	73,5	24,3	2,2
for a free choice of the language of studying	83,3	14,5	2,2
for a free choice of the language of creativity	67,4	30,4	2,2

At present, the linguistic demands of ethnic groups living in the city of Astana, with all the understanding of the significance of the Kazakh language, yet is more focused on the production of mass media in Russian (see Table 9).

Table 9 - The level of demand for the products of the media in the Kazakh and Russian languages in the national section of the respondents (% of respondents)

	In Kazakh				In Russian				In two languages			
	All	Kazakhs	Russians	Others	All	Kazakhs	Russians	Others	All	Kazakhs	Russians	Others
books	32,3	45,2	1,3	-	53,6	36,5	94,7	95,5	14,1	18,3	4,0	4,5
newspapers	32,3	45,2	1,3	-	53,0	35,6	94,7	95,5	14,7	19,1	4,0	4,5
TV	24,5	33,4	2,2	7,6	53,2	37,9	95,6	71,2	22,3	28,7	2,6	21,2
Radio	27,3	35,2	6,6	13,6	50,1	37,5	85,0	65,2	22,6	27,3	8,3	21,2

High and persistent public demand for the products in Kazakh of national media market can be attributed to the expansion of the scope of the state language and mastering them by the general public as Kazakhs, so non-indigenous people.

Along with this, it is also important to meet the specific linguistic requests from other ethnic groups (Germans, Tatars, Ukrainians, Koreans, Poles, Chechens, Ingush, Uzbeks, Uighurs, Jews, and others). Since the vast majority of them would like to learn their native language at the courses of native languages in Sunday schools (regularly - 51.5%, not regularly - 45.5%).

Mastery of the state language is not only

the duty and obligation of every citizen of Kazakhstan, but also a stimulus that determines personal competitiveness and active participation in public life. This is a key priority, the main factor of spiritual and national unity of the people of Kazakhstan.

Currently, about half (48.3%) of the respondents speak the state language, the other half is aware of the need for and availability of learning the Kazakh language for better fulfillment of professional responsibilities and professional growth. So 23.2% is currently studying the language of the state and 19.1% is soon going to start studying it (see Figure 12).

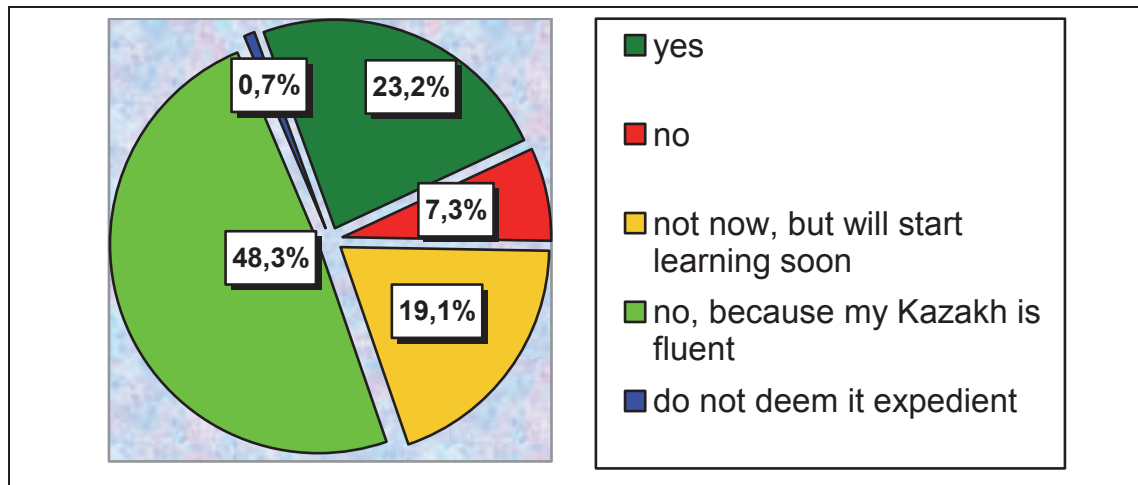


Figure 12 - The respondents' answers to the question: "Do you study the Kazakh language?" (% of respondents)

Of the total number of respondents: attend the Kazakh language - 23.2%; study by themselves - 8.9%, and study with a tutor - 3.8%.

For all surveyed residents of the city of Astana the main motives in the study of the state language are as follows:

- The native language - 64.5%;
- The intention to live in Kazakhstan - 17.9%;
- Knowledge of the language is necessary for a career - 16.5%;
- The desire to learn several languages - 8.7%;
- The need for linguistic integration - 7.8%;
- Civic duty - 6.3%;
- Are forced to learn the language - 3.8%.

In the study of the Kazakh language citizens face such problems as:

- The lack of learning and teaching materials for study of the language - 23.4%;
- The lack of qualified teachers - 18.8%;
- Lack of time - 16.6%;
- Lack of desire and perseverance - 14.5%;
- The lack of language environment - 6.7%;
- Can not study the language at the same time with the work (study) - 6.5%;
- Lack of ability - 3.3%;
- Age limit - 1.2%.

As shown in Figure 13, according to the residents of Astana, the most effective form of learning the Kazakh language is to communicate with native speakers - 45.6% and free classes at the place of work (or study) - 40.8%.

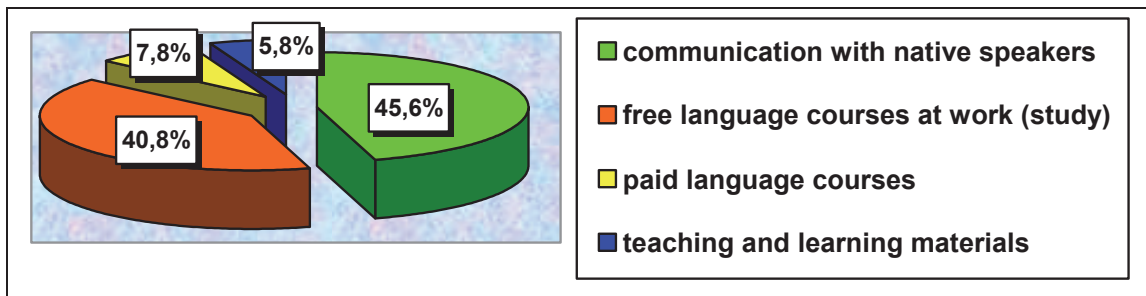


Figure 13 - The most effective forms of learning the Kazakh language (% of respondents)

The proportion of the adult population covered by courses on learning the state language at work is 37.2% (regularly visits - 24.5% and irregularly - 13.2%). Meanwhile, 30.6% of respondents noted the absence of free language courses at the place of work (study).

About a quarter of respondents (27.8%) reported that they had received some results by attending courses of the Kazakh language. Also, after studying at the language courses: 25.4% - are able to speak and read; 25.3% - understand the speech, and 16.5% - are able to prepare documents.

As probabilistic solutions to problems in the study of the state language citizens noted the need to have training materials. Since more than half of the citizens wish to have them, including:

- On paper and electronic media - 40.5%;
- On electronic media (CD-ROMs with tutorials) - 18.9%;
- On paper (books, brochures, etc.) - 10.7%.

The necessity of production of teaching manuals confirms the fact that their uselessness was indicated by only 29.9% of the respondents (26.7% - because of fluent Kazakh language and only 3.2% - because are not going to study Kazakh language).

State policy in the functioning and development of languages has the approval of the citizens of the country. With regard to the prospects of languages development in Astana, the vast majority (81.1%) of respondents said that the Kazakh language will be the main language in all spheres of public life. According to the forecast of 16.7% of citizens in the coming years in the Kazakh society such a language environment will be established where Kazakh and Russian languages are equaled by the degree of use. And a small percentage (2.2%) of citizens was identified, who naive to assume that in the future the Russian language will be used everywhere, despite the state status of the Kazakh language (see Figure 14).

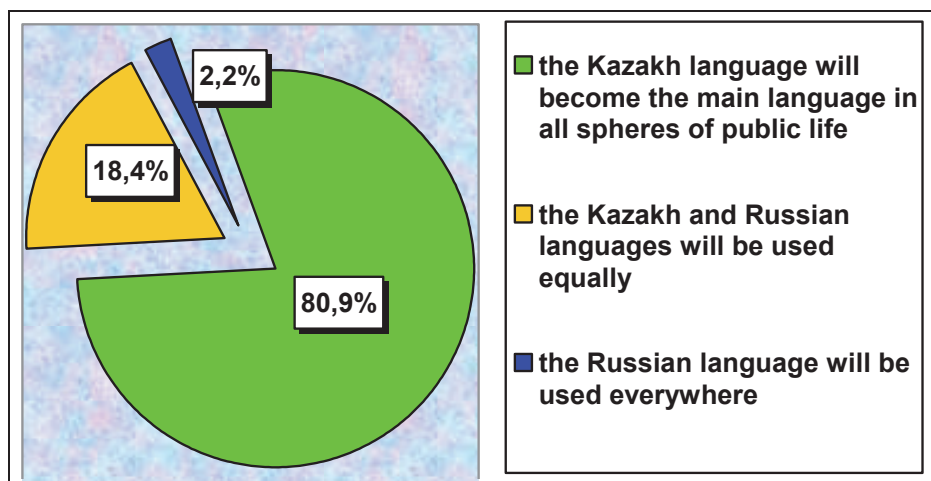


Figure 14 - The respondents' answers to the question: "How do you assess the prospects for the development of languages in Astana?" (% of respondents)

According to the results of the sociological and practical recommendations for the study, the author set out the main conclusions and improvement of language policy in Astana.

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Political Development and Constitutional Reforms in Contemporary Kazakhstan

MUKESH KUMAR MISHRA

Kazakhstan of today seems to be making steady progress so far as the political development of the country is concerned with constitutional reforms ensuring the presence of democratic polity. The current Constitution approved through a national referendum in August 1995 and ratified in September 1995 replaced the previous constitution of 1993. The Constitution provides for a democratic, secular state and a Presidential system of government. In October 1998, the Constitution was amended to provide for a 7-year Presidential term instead of 5 years. However, in 2007 the term of the President has reverted back to 5 years from the existing 7 years starting from 2012. This has had significant impact on Kazakhstan's politics.

The first election under the amended constitution was held in January 1999 which resulted in the re-election of President Nazarbayev. However, in January 2011, the lower house of Kazakhstan's parliament adopted a nation-wide appeal to President Nursultan Nazarbayev on holding a referendum to extend his presidential term until December 2020. Even the initiative group supporting the referendum to prolong the President's powers till 2020 submitted signature sheets with signatures of 5 million Kazakhstanis from all over the country to the Central Electoral Commission. This was considered to be more than a half of Kazakhstan's voters. In accordance with the Constitution of Kazakhstan, the first President was to run the post of head of state for an unlimited number of times. However, this referendum

was rejected by the Constitutional Court and Presidential election took place in April 2011 in which Nazarbaev was re-elected. Kazakhstan achieved success in building its national institutions and developing its economy.

Kazakhstan leadership understands that it is important to continue with the experience of a young democracy as it has also been playing a role on the global stage such as the Chairman of the OSCE in 2010 and OIC in 2011. Such developments in the democratization process of Kazakhstan have given the country a new identity in the post-Soviet world, which needs to be examined. It is against this background that this paper seeks to highlight the political development in post-1991 Kazakhstan, with particular focus on the constitutional reforms.

Background

The Central Asian elite belonged to the most conservative and hardline element of the Soviet political establishment which strongly resisted Mikhail Gorbachev's policy of Glasnost (openness) and democratisation. Even during the Perestroika period, the Central Asian leaders perceived the emergence of various opposition parties and groups in their Republics as a direct challenge to their position and power. They were preoccupied with the idea of preventing unproductive and damaging reforms' and of consolidating their power without democratisation and radical changes in political and state institutions. This, however, did not stop the discussion of possible 'models of development' for the Central Asian Republics (CARs), which

dominated the intellectual discourse in the region throughout the 1990s. It was especially intensive in Kazakhstan, Kyrgyzstan and Uzbekistan on the eve of the dissolution of the Soviet Union and during the very first stage of independence. A number of developmental models were floated around—the Turkish secular political model versus the Iranian theocratic model, the Chinese model of gradual economic reform versus Russia’s shock therapy model, etcetera—to mention a few.

In each of the five countries of Central Asia—Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan—political institutions of democratic government and market-oriented economies were adopted soon after these nations attained independence in 1991. As these countries entered into the first stages of transition, the leaders of each of the Central Asian countries favoured the establishment of democratic institutions and secular government. Following independence, each of them adopted a constitutionally limited, representative form of government and a legal and regulatory framework in accordance with international standards. Today Kazakhstan seems to be making steady progress towards the development of democratic polity. Kazakhstan can take pride in certain achievements, having avoided the bloody chaos of a civil war like that in Tajikistan and the dictatorial backsliding as in Turkmenistan and, to a lesser degree, in Uzbekistan.

Possessing abundant hydrocarbon resources and buoyed by high oil prices, Kazakhstan’s economy has out-performed its regional competitors (Olcott 1997: 211). When we talk about political development in Kazakhstan, it is about the process of democratisation. President Nazarbayev identifies seven fundamental elements of democratisation and political liberalisation which are necessary for political reform in Kazakhstan (Nazarbayev 1998):

- The electoral process must be honest, representative and encourage the fullest participation of candidates and voters. Free and fair elections are at the heart of any democracy and Kazakhstan should be no exception. Quoting a popular proverb Nazarbayev argues that ‘The people seldom speak but when they speak they never

make mistakes.’ Elections are the manifestations of people’s verdict. Our goal should be clear: to make the upcoming national elections a model for free and fair elections. According to Nazarbayev, Kazakhstan should develop ‘a comprehensive step-by-step programme of election of leaders at all levels’.

- The second major element underlined by the President in the political democratisation package is the strengthening of the role of parties in the country’s political system. Political parties are the basic building blocks of democracy and the need of the hour is to help them grow and develop. The President also encourages international groups and Non-Governmental Organizations to come to Kazakhstan to educate and train the political parties. Calling upon all parties, regardless of their political orientation, he urges them to respect and preserve political and inter-ethnic stability in the country as the future of the State system and democracy depends on this.

- For stability and succession of power in Kazakhstan strengthening and providing autonomy for Majilis and Senate seemed appropriate to the President. The President believes in the greater responsibility of the Parliament to build up a responsive government in the coming years. Representation by political parties according to proportional representation will make the Majilis better reflect the full spectrum of political views in Kazakhstan. The President proposes that to ensure representation of a broader range of ethnic and religious minorities of the country in Parliament, some of the Presidential appointees to the Senate shall be from candidates recommended by the People’s Assembly.

- A key element of democratisation is recognised as strengthening the role of Non-Governmental Organisations in building a civil society. A democratic structure does not in itself guarantee a democratic society. Democracy depends on private voluntary institutions which allow citizens to be politically involved, aware enough to volunteer their services and express their grievances to advocate their interests. To ensure

that civic groups can operate freely, the Ministry of Justice has been asked to simplify registration and supervision procedures for domestic and international Non-Governmental Organisations who wish to work in Kazakhstan, thus encouraging and accelerating operation.

- The President acknowledged an independent judiciary as the pillar of a democratic society. An autonomous judicial system is absolutely necessary, which would decide issues on their merits and would be free from corruption. The training process of judges should be improved. Vigorous enforcement of the recently enacted Anti-Corruption Law was stressed. It was also pointed out that the Higher Judiciary Council should not be headed by the President (Nazarbayev 1998).

- Nazarbayev emphasised the building of a free, uncensored and independent press. According to him the Government should consider the free access of journalists to information not as a favour of the Government but as its commitment to public opinion. The work to remove any remaining impediments to a free press from the nation is accorded importance. The privatisation process of many state publishing houses and the availability and increase in the number of independent mass media means the growth of openness in society.

- The progress of the society can be measured by its attitude to women. The President therefore intends to increase the role of the Council on Problems of Family, Women and Demographic Policy or reorganise it into a Special Commission on women's issues. It must become a Chief Advisor both to the President and the Government in solving important problems pertaining to this sphere. It is necessary to increase women's representation in all branches of authority. This is a question of social equality.

President Nazarbayev insists that his observations are based on a survey of the situation in his country and the world scenario. He is of the opinion that some forces including those who are skillfully hiding behind the mask of pseudo-democrats in public tend to become more authoritarian. He expressed his belief that 'Only

a free democratic society will be a guarantor of our stable and happy life in the near future. My nation deserves freedom in this terrible and bloody century' (Nazarbayev 1998).

Constitutional Reforms

The post-independence government was structured by the 1993 constitution with a strong executive parliament and judiciary. The constitution formalised the enhanced powers that President Nazarbayev assumed upon the dissolution of parliament in early 1995. It continued the previous constitutional definition of Kazakhstan as a unitary state with a Presidential form of government. The President is the highest state officer, responsible for forming the government, subject to parliamentary approval, and appointing all other republican officials. The 1995 constitution expanded the President's powers to introduce and veto legislation. The President has the powers to appoint the council of Ministers, headed by a Prime Minister and several state committees. In October 1995, Nazarbayev himself assumed the portfolio of the Ministry of National Security. In early 1996, after Nazarbayev had reshuffled the government in October 1995, the Council of Ministers included the heads of twenty-one ministries and nine state committees, the Prime Minister being Akezhan Kazhegeldin (Glenn 1996).

The President is the sponsor of legislation and the guarantor of the constitution and of the proper functioning of government, with the power to override the decisions and actions of local authorities and councils. The only grounds on which a President can be removed are infirmity and treason, either of which must be confirmed by a majority of the joint Upper and Lower House of the new parliament. The 1993 constitution created a unicameral parliament, which was to replace the 350 seat Supreme Soviet when the mandates of its deputies expired in 1995. The 1990 parliament, which was composed of the former communists, was dissolved early under the pressure of President Nazarbayev in December 1993 in order to pave the way for a smaller and presumably more flexible parliament. Under the 1995 constitution, the parliament consisted of two houses, the Senate and

the Majilis, both operating in continuous sessions.

The judiciary system is the least developed of Kazakhstan's three branches of government. The constitution retains the provision of Presidential appointment of all judges in the republic. Whereas the 1993 constitution specified the terms of service for judges, the 1995 document made no mention of length of service, suggesting that judges would serve at the discretion of the President (Glenn 1996). Under the constitution of 1993, lines of judicial authority were poorly defined, in part because the republic had three 'highest courts', the Supreme Court, the State Arbitrate Court and the Constitutional Court employing a total of sixty six senior judges. The 1995 constitution makes no provision for the State Arbitrate Court Provisions, for the new judiciary clearly subordinates all other courts to the Supreme Court, which has a consultative role in appointing senior judges (Glenn 1996).

It is to be noted that the reform period in Kazakhstan's political system began immediately after its independence. Transition to democracy commenced under difficult conditions: the country was then experiencing socio-economic crisis due to decline in industrial and agricultural production, hyperinflation (up to 3,000 per cent) and drastic decline in living standards. After the collapse of the USSR, former Soviet states experienced a crisis in situation. Kazakhstan too experienced the same and tried to overcome the problems related to democratisation of political institutions, so as to strengthen the political system in Kazakhstan. In accordance with the 1995 Kazakh constitution, the government exercises the executive power. The government is composed of the Prime Minister, the deputy ministers, heads of the government departments, ministers and Chairpersons of state committees.

According to Act 166 of the Kazakh Constitution (1995), the government works out the basic socio-economic directions of the state policy, its defense preparedness and security, ensures social order and organises their implementation. The government presents the state budget to the parliament. Among other functions performed by the government, mention may be made of tabling laws in the Majilis (Parliament) and administration of state

properties, working out measures for conducting foreign policy; guiding the activities of the ministers, state committees, other central and local executive organs, keeping vigilance on the actions of the ministers and state committees as well as on other central and local executive organs of the republic and the appointment and removal of the heads of the central executive organs not forming part of the government. In short, the government is liable to discharge functions entrusted to it by the constitution, laws and acts of the President (Galyamova 1998).

The new constitution of 1995 preserved the extensive executive powers of the President and also abolished the post of Vice President. The Supreme Kenges was replaced by a bicameral Parliament, comprising a 47 member Senate (the Upper Chamber with 40 members elected by Kazakhstan's regional administrative bodies and seven appointed by the President) and 67 directly elected members of Majilis (Galyamova 1998). The Constitutional Court was replaced by a Constitutional Council, whose decisions are subject to a Presidential right of veto. The Constitution retained Kazakh as the state language but guaranteed the development of all other languages, making Russian the language of inter-ethnic communication.

Notwithstanding the sufficient authority regarding the implementation of the executive powers, the government is extremely dependent on the President. A number of mechanisms are incorporated in the constitution through which the President is in a position not only to form the government in the manner he considers fit but also to influence its day to day functions. According to the constitution, the President of Kazakhstan being the head of the state, remains the key figure to which all executive powers are subordinated. The President, with the consent of the parliament, appoints the Prime Minister; removes him from his post, determines the structure of Government on the recommendation of the Prime Minister, appoints and terminates from the post all its members all implying to a high degree of personal influence of President on the composition of the government. In general, the level of participation of the President in the government formation in

Kazakhstan is compared with the prerogatives of the President of the Russian Federation in regard to the government formation.

In 2007, the Parliament of Kazakhstan underwent its most radical transformation over a decade when seats were added to both senate and Majilis, with the latter body elected exclusively through a system of proportional representation, with nine members elected from within the 400 member Assembly of Peoples (Bowyer 2008: 7). But it is noteworthy that the concentration of power in the hands of an experienced statesman and administrator like Nazarbayev during the critical years of transition has proved fruitful for Kazakhstan which has withstood the difficulties in its economic and socio-political transition. As an outcome of the 2007 amendments, the key powers are transferred from the President to the Parliament. The new changes were aimed at increasing Parliament's authority in forming the Government, thus reducing the powers of the President.

The Constitution also authorises ethnic groups to form 'National Cultural Centers' committed to protecting their cultural heritage. However, it prohibits the formation of public associations or political parties based on ethnic, religious, or nationalist agendas. Nazarbayev has used his personal patronage to create symbolic institutions of ethnic representation, such as the Assembly of Peoples of Kazakhstan, established in 1995. Its members are nominated by the officially recognised national cultural centres and by the President, who also serves as the Assembly's Chairman. Lacking juridical power or a representative base, the Assembly serves as an instrument for co-opting leading ethnic figures into the existing political system. Its members are encouraged to engage in cultural activities and steer clear of politics (Abbishev 2002).

Recent Presidential and Parliamentary Elections

Kazakhstan's Presidential election of 2005 became an important milestone in Kazakhstan's history with implications for the future and the wider region. In September 2005, Kazakhstan's President Nursultan Nazarbayev had declared his

commitment to ensure the forthcoming election to be 'free, fair and transparent' (OSCE/ODIHR 2006). US Secretary of State Condoleezza Rice, on a visit to Astana earlier in October 2005, said 'with the Presidential election in December 2005, Kazakhstan has an unprecedented opportunity to lead Central Asia toward a future of democracy and to elevate US-Kazakhstani relations to a new level'. Nazarbayev was re-elected for a new term in the Presidential election held on 4 December 2005 receiving the support of more than 90 per cent of those who voted.

It is believed that Nazarbayev drew lessons from the Presidential elections in other transitional countries in Central Asia. In other elections in democratic and semi-democratic regimes in the CIS, incumbent Presidents lost office. This happened to Kravchuk of the Ukraine and Shushkevitch of Belorussia in 1994 in spite of their emphasis on 'patriotism' and anti-Russian sentiments (Wolczuk 1997). And it was not possible to use the same jargon in multi-ethnic and multicultural Kazakhstan. Second, The Kazakhstani elite widely perceived the Russian Presidential elections as deceitful elections accompanied by a high level of corruption and a very expensive election campaign. Although Boris Yeltsin won the elections in Russia, he and his regime lost both moral and political grounds. Third, The experience of neighbouring Kyrgyzstan showed that the best way to assure victory is to follow some democratic procedures (like conducting relatively free elections). As such, the Kazakhstani ruling elite followed the Kyrgyzstan model during the December 1995 Presidential elections by banning strong potential and undesirable candidates from the registration process.

Like 2005, Kazakhstan's Presidential election of 2011 too proved to be a major boost to the political stability in the country. Nazarbayev was re-elected for a third term with 95% of the votes and 90% turnout, against three nominal candidates. It is to be noted that Nazarbayev called the early poll after rejecting parliament's vote for a referendum to extend his term until 2020, bypassing presidential elections scheduled for 2012 and 2017. It may also be recalled that at the time of his re-election in 2011, Nazarbayev gave indications that conditions were

ripe for moving from a single-party to a multi-party parliament. In order to achieve that goal, on January 15, 2012, pre-term elections were held for the 107-seat Majlis, the parliament's lower chamber. The country-wide voter turnout was recorded as 75.5 percent of all the registered voters. As per the report of the Central Electoral Commission, the final tally of the vote was as follows: The presidential party Nur Otan [Fatherland's Light] garnered 81 percent of the votes cast; the party Ak Zhol [Bright Path], 7.5 percent; and the Communist People's Party (CPPK), 7.2 percent (Kazinform, 17 January 2012). While these parties cleared the required 7 percent representation in the parliament, four other parties could not meet that benchmark. As such Nur Otan got hold of 83 seats, Ak Zhol eight seats, and the CPKK seven seats, out of the 98 contested seats in the parliament. On January 16, 2012, the remaining nine seats were allocated by the Assembly of the People of Kazakhstan (a consultative body of ethnic groups) to representatives of ethnic minorities.

To conclude, the technocratic model and the programme of reforms make Nazarbayev's regime quite different from the regimes of Turkmenistan and Uzbekistan, and from that of Russia. Nazarbayev did not ignore democratic procedure. However, he limited this 'procedure' within certain

framework and his 'rules of the game'. Nazarbayev and some other Central Asian Presidents have been emphasizing on 'Asian values' and the peculiarities of Central Asian democracy. Besides, the policy of manoeuvres and compromises with different social, ethnic, tribal and political groups, and the moderate technocratic programme of reforms, allows Nazarbayev to broaden the social and political base of the President of Kazakhstan (Abazov 1999). His flexibility has attracted wide social support in Kazakhstan and even the Russian ethnic community voted for Nazarbayev which is evident from his re-election as the President in both 2005 and 2011 elections. Further the recently concluded parliamentary elections point to a successful accomplishment of Kazakhstan's goal of moving from a single-party to a multi-party parliament. It can rightly be concluded that this political opening that has come about by decision of the state leadership marks one step ahead in an evolutionary process of broadening political representation, correlated with the diversification of Kazakhstani society itself. Undoubtedly, the credit goes to viable constitutional reforms in the country which keep the pace of democratic political development going.

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QUARTERLY ANALYTICAL REVIEW
No.3, 2014

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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.

The KazISS is the basis for both professional practice work of students from the leading Kazakhstan universities and fellowship of experts representing foreign research institutions.

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Казахстанский институт стратегических исследований (КИСИ) при Президенте Республики Казахстан

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.

Институт проводит семинары, конференции, «круглые столы», международные форумы по основным направлениям своих исследований.

КИСИ сотрудничает с зарубежными научными и аналитическими структурами, осуществляет международные исследовательские проекты по различным проблемам развития Казахстана и Центральной Азии.