

CONTENTS



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

Quarterly since 2003

Editor-in-Chief
Bulat SULTANOV
Director of the KazISS
under the President of the RK

Deputy Editor-in-Chief
Leila MUZAPAROVA

Responsible for publication:
A. Morozov
Design & Layout:
G. Khatkuliyyeva, A. Sadvakasov

Translation by LTD "ҚАЗАҚСТАН АУДАРМАСЫ"

Address:
87-b Dostyk Ave.
Almaty 050010, Kazakhstan,
The Kazakhstan Institute
for Strategic Studies under the President
of the Republic of Kazakhstan

Phone (727) 264-34-04
Fax (727) 264-49-95
E-mail: office@kisi.kz.
www.kisi.kz

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

None of these articles should be
reproduced without reference to the
magazine.
The opinion of the editorial board may not
coincide with that of the authors
of articles.

Printhouse of the
IE "Volkova Ye. V"
Address: 212/1 Raimbek Ave., Almaty

Circulation: 300 copies

CHIEF EDITOR'S NOTE

Bulat Sultanov
20 Years of Republic of Kazakhstan: Current State and Perspectives 3

INTERNATIONAL RELATIONS AND SECURITY

Murat Laumulin
20 Years of Independent Foreign Policy of Kazakhstan 12

Konstantin Syroezhkin
China's Soft Power (on the Sixth Plenum of the 17th CPC
Central Committee) 22

Gennady Chufirin
After the Soviet Union: from the CIS to the Eurasian Union 32

INTERNAL AND SOCIAL AFFAIRS

Yuri Buluktaev
A Culture of Peace and Stability in Models of Legitimation
of Political Regime 37

ECONOMY

Leila Muzaparova
Kazakhstan 1991–2011: Strategy of Economic Growth 43

Darya Mukhamedzhanova
Development of Foreign Trade of Kazakhstan 46

Bodo Lochmann
On Causes for the European Union Monetary Crisis 53

EDITORIAL COUNCIL

- Bulat Sultanov** – Editor-in-Chief, Chairman of Editorial Council, Director, Kazakhstan Institute for Strategic Studies under President of Republic of Kazakhstan, Doctor of History
- Leila Muzaparova** – Deputy Editor-in-Chief, First Deputy Director, Kazakhstan Institute for Strategic Studies under President of Republic of Kazakhstan, Candidate of Economics
- Maulen Ashimbayev** – Deputy of Majelis of Parliament of RK, Head of Committee of International Affairs, Defense and Security, Candidate of Political Science
- Murat Laumulin** – Chief Research Fellow, Kazakhstan Institute for Strategic Studies under President of Republic of Kazakhstan, Doctor of Political Science, Professor
- Marat Tazhin** – President's Aide, Secretary of Security Council, Doctor of Social Science, Professor

РЕДАКЦИОННЫЙ СОВЕТ

- Булат Султанов** – шеф-редактор, председатель Редакционного совета, директор Казахстанского института стратегических исследований при Президенте Республики Казахстан, доктор исторических наук
- Лейла Музапарова** – заместитель шеф-редактора, первый заместитель директора Казахстанского института стратегических исследований при Президенте РК, кандидат экономических наук
- Маулен Ашимбаев** – депутат Мажилиса Парламента РК, председатель Комитета по международным делам, обороне и безопасности, кандидат политических наук
- Мурат Лаумулин** – главный научный сотрудник Казахстанского института стратегических исследований при Президенте Республики Казахстан, доктор политических наук, профессор
- Марат Тажин** – Помощник Президента, Секретарь Совета Безопасности Республики Казахстан, доктор социологических наук, профессор

20 years of Republic of Kazakhstan: Current State and Perspectives

BULAT SULTANOV,

Director, Kazakhstan Institute for Strategic Studies under President of RK

This year, the newly independent states celebrate the twentieth anniversary of their independence. The Republic of Kazakhstan marks the 20th anniversary of its independence on December 16, 2011.

What are the changes occurred in the country and the world community over these two decades? What are the current trends and perspectives for Kazakhstan in the short and medium term?

New Global Trends and Geopolitical Changes

The second decade of the 21st Century is witnessing the qualitative global changes and the new paradigms of development. The fundamental problems that had led to the global financial and economic crisis in 2007—2009 have not been resolved. Consequently, the world is anticipating a new wave of global economic crisis which will come the next year according to some experts.

Therefore, there are attempts to avoid the global crisis, or, at least, to minimize its possible consequences through transformation of the structure of geopolitical and geoeconomic relations; a number of global structures that do not include Western countries have been established, BRICS for instance. The issue of the crisis of the international law is still relevant; Iraq and Libya are the perfect examples.

Iran, India and South Korea are increasingly involved into competition for the energy resources as well as the potential routes of transportation in Central Asia alongside with the global players. Apart from hydrocarbons, fresh water and food are to become the objects of competition in Central Asia and around the world in the medium terms.

Currently, China is increasing its presence in Central Asia in order to have the access to the markets of the European Union and the Middle East by land through the territory of the region

In the meantime, Central Asia is steadily transforming into a transit zone and subsequent spread of terrorism, religious extremism and drug trafficking. Unresolved social and economic issues and incomplete political reformation in most countries of Central Asia are the major factors. On the other hand, the situations in Afghanistan, Pakistan, Iran, Iraq, and Xinjiang have certain negative impact as well as the undeclared war in the North Caucasus in Russia.

Under these circumstances, the global and regional security system demonstrates its ineffectiveness. The situation is aggravated by climatic disasters on a global scale. Typhoon in Japan and the accident at the Fukushima nuclear power plant this year have once again revealed the vulnerability or even paralysis of humanity.

Therefore, Kazakhstan cannot afford to ignore new global trends and geopolitical changes as well as emerging threats and challenges.

Most importantly, the main actors of globalization are not nation-states, these are the transnational corporations (TNCs) controlling world finance, economy and trade. TNCs' self-interest behavior will result in the short and medium terms in regular financial and economic crises and permanent struggle for redistribution of resources. The military-industrial complex of the developed Western countries constitutes a serious threat to the global community drawing the states into unbearable arms race.

The role of energy resources is drastically changing; they are the instrument of strategic and geopolitical power game. According to the world energy prognosis for 2030, oil, natural gas and coal will remain the three main energy sources. Their share in the energy balance will not change much comprising about 80%. China, India and the European Union will become the biggest consumers of energy.

On October 1, 2011, the population of the earth reached seven billion. According to the UN it may reach 8.2 billion by 2030. Population in poor and developing countries in Asia and Africa will grow faster than elsewhere. Northward migration from the global South will subsequently intensify in numbers.

Therefore, a just, predictable and reliable international relations system is the imperative for the to-day's world. According to Kazakhstan President N. Nazarbayev the post-crisis world must be based on the just world order with a fair international financial system and common currency [1].

Social, Economic and Political Development of Kazakhstan

In the 1990s, on the background of social and economic crisis, the concept of Kazakhstan development was that the economic reforms should precede the political transformation. This strategic choice enabled the state apparatus to focus on economic priorities avoiding the drastic political turbulence. Subsequently, the radical measures for rehabilitation of the economy in the second half of the 1990s were taken; bankruptcy of unprofitable enterprises, privatization, establishing of the banking sector brought Kazakhstan economy on a trajectory of sustainable development.

According to the Report on Kazakhstan Socio-economic Development, the national GDP in the period of January—June 2011 at the current prices amounted to 10 trillion 108.6 billion KZT. Compared to the same period of 2010, real GDP grew by 7.1%. Foreign trade turnover of Kazakhstan in the first half of 2011 totaled \$615.59 billion, having risen by 44.7% compared with the first half of 2010, export totaled \$449.16 billion (51.8% increase), import amounted to \$16 64 billion (28.4% increase).

For 20 years, Kazakhstan economy has attracted \$131.9 billion in foreign direct investment. Gold and foreign assets in Kazakhstan on November 1, 2011 totaled \$75 billion (on May 1, 2011 it was \$73 billion). Kazakhstan is one of the leaders of the world gold mining industry. During the first half of 2011 the gold production in Kazakhstan increased by 48.3% over the same period of the last year and amounted to 21.5 tons. The gold production shall increase to 70 tons per year with the full state redemption. Kazakhstan is introducing the state control over the import and export of gold.

Today Kazakhstan is ranked 9th in the world in terms of hydrocarbon reserves. In 1991, the oil production in Kazakhstan amounted to 25 million tons, in 2011 it amounted to 80 million tons and by 2020 it shall increase to 132 million tons. In 1991, Kazakhstan extracted 7.8 billion cubic meters of natural gas. In 2011, the gas production will reach 40 billion cubic meters including 26 billion cubic meters of commercial gas. By 2020 Kazakhstan is planning to produce 92 billion cubic meters of gas.

Volumes of oil supplies to the world markets via the 'Atyrau-Samara', CPC, and 'Atyrau-Atasu-Alashankou' pipelines are growing. Oil tankers deliver oil to the 'Baku-Tbilisi-Ceyhan' pipeline, as well as to the north of Iran. The newly built 'Central Asia-China' gas pipeline goes through the territory of Kazakhstan, the second gas pipeline is being constructed.

The issue of hydrocarbons refinery infrastructure is actual for Kazakhstan. Modernization of the three largest oil refineries, namely in Atyrau, Pavlodar, Shymkent, will enable to meet the domestic demand for high-octane gasoline. A plastic manufacturing plant and bitumen manufacturing plant are being built in Mangystau region. The construction of an integrated chemical complex to produce polyethylene and polypropylene started in Atyrau region.

Kazakhstan is the world's largest uranium producer, it possesses the second largest world proven uranium reserves (21%). Uranium mining is carried out on sixteen fields in Kazakhstan. Exploration, production, refining and enrichment of uranium are performed by the National JSC 'Kazatomprom' with its three plants (uranium, tantalum, beryllium) producing materials for nuclear, aerospace, electrical engineering industries. Ulba Metallurgical Plant

has a full vertical integrated nuclear fuel cycle. The joint venture with the 'Toshiba' company established on September 21, 2011 for development, production and marketing of rare-earth metals will start operating in November 2011.

On October 1, 2011 global population number reached seven billion. In the meantime, one billion people worldwide are starving according to the UN and twice as much food will be needed worldwide in 2050.

Positive dynamics in the agricultural sector of Kazakhstan should be noted against this alarming background. The total area of agricultural land in Kazakhstan is 89.6 million hectares, 23.4 million of which are arable land. The amount of arable land can be increased significantly provided the proper management and technologies are introduced.

In 2011, cereal production in Kazakhstan amounted to 29.7 million tons. Kazakhstan domestic demand is 9 million tons. The capacity of the grain market in the neighboring countries is estimated at 15 million tons. Traditionally, the main consumers of Kazakh wheat are Central Asia, Afghanistan and Iran. Kazakhstan is the world's leading exporter of flour for the latest four years and in terms of wheat export it is one of the 10 biggest world exporters. Cotton and rice are traditionally grown in the south along with fruit and vegetables as well as melon crops. All the cotton and much of the rice is exported. According to experts' opinion, Kazakhstan has all capacities to double all types of livestock in the short term.

Positive changes in the economy ensured Kazakhstan breakthrough in the socio-economic development. Income of Kazakhstan people increased a seventeen-fold. For four years, cash income, public sector salaries, students' scholarship rose two-fold. Average monthly nominal wages in June 2011 amounted to 88,296 KZT. The spending on healthcare from Kazakhstan budget decupled from 2001 until 2011 [2]. The number of unemployed in July 2011 was 5.3% of the economically active population (461.7 thousand) [3]. In 1994, gross domestic product (GDP) per capita in Kazakhstan amounted to \$700, whereas in 2006, it was \$4500, then on January 1, 2011 this figure exceeded \$9000, national GDP increased 12 times.

The 2010—2020 National Program of Rapid Industrial and Innovative Development of Ka-

zakhstan provides for the accelerated economic modernization based on the technological development of the economy, implementation of social modernization in order to achieve comprehensive improvement the quality of life. By 2014, 294 investment projects will have been launched amounting to 8.1 trillion KZT. By 2020, GDP growth must be 30% with 40% share of small and medium-sized businesses and 30% increase of domestic and foreign investment in non-oil sector of Kazakhstan economy [4].

The National Program emphasizes the significance of small and medium-sized businesses being the driving force of economic modernization and increasing role of the middle class as these people are traditionally the most active supporters of democratic values.

Political Modernization

Strong presidential power is the major stabilizing factor for Kazakhstan during the transit stage of its development similarly to the other former Soviet countries. Vast majority of people are clearly aware of the fact. According to a survey conducted by the 'Strategy' Center of Social and Political Studies, 89% of the respondents positively assess Kazakhstan President N. Nazarbayev [5]. Not surprisingly, President N. Nazarbayev won the presidential election held on April 3, 2011 with overwhelming majority of the votes.

According to the polls conducted by the 'Institute for Democracy', the level of electoral activity in Kazakhstan is currently 61.3%. Provided the Parliamentary elections were scheduled next Sunday, 75.7% of the respondents would vote for the 'Nur Otan' party, 7.5% would vote for the 'Akzhol, the 'Azat' would have 2.1% of votes, and the Communist People's Party of Kazakhstan (KNPC) would have 2%, whereas 0.9% of the voters would support the Democratic Party 'Adilet', 0.8% would vote for the 'Aul' Patriots Party and 0.1% would cast their votes for the 'Rukhaniyat' [6]. These numbers speak for themselves.

Kazakhstan Foreign Policy in Current Geopolitical Realities

After the collapse of the USSR, Kazakhstan had to find its place in the global system of international relations, define its national interests, formulate a

foreign policy strategy, establish diplomatic relations with other countries, and engage itself into the dialogue with leading international organizations in order to have the favorable external conditions for social and economic development and domestic political reforms.

It is clear today that the diplomatic service of Kazakhstan succeeded in all foreign policy tasks of the young independent state. Over 20 years of its independence, Kazakhstan has had its rightful place in the world political and economic system, consolidated its sovereignty and territorial integrity. Kazakhstan has established the diplomatic relations with 138 countries worldwide having its diplomatic missions in 73 countries. 107 states accredited their diplomats in Kazakhstan, the regional and international organizations also have their representative offices in the country.

At the press conference held on 2 December 1991, the day after the presidential elections, N. Nazarbayev presented his vision of the main directions of Kazakhstan foreign policy. According to N. Nazarbayev, Kazakhstan, occupying a middle position between Europe and Asia, had to become a bridge between the continents. When asked about the priorities of international relations, N. Nazarbayev said that Kazakhstan would be an open country having good economic and political relations with all countries of the world. Therefore, Kazakhstan international focus should be not only on the Asian continent, the country would maintain reasonable balance between Europe and Asia. N. Nazarbayev emphasized the deep roots of the Kazakhs with the other Turkic peoples [7].

Foreign policy of Kazakhstan was based on two principles: multi-vector and Eurasianism. According to President N. Nazarbayev, the multi-vector should be understood as developing of friendly and predictable relations with all the countries that play a significant role in world affairs which are of practical interest of Kazakhstan. Therefore, Kazakhstan being geographically a Eurasian state with multiethnic and multireligious composition of the population would not narrow to the regional issues due to its geopolitical position and economic potential [8].

The multi-vector principle proved quite appropriate for the last 20 years making Kazakhstan an independent and authoritative Eurasian state.

The Eurasian Economic Community of Kazakhstan, Russia, Belarus, Kyrgyzstan and Tajikistan established in Astana on October 10, 2000 shall be regarded as a practical realization of the Eurasian strategy of President N. Nazarbayev. The Customs Union of Belarus, Kazakhstan and Russia, being a logical move forward in the direction, was established on January 1, 2010.

According to President N. Nazarbayev, macro-economic effect of the Customs Union is already obvious; only through the first half of 2011 the total trade turnover between Belarus, Kazakhstan and Russia grew by one third. Kazakhstan export to Russia increased by 60%, and more than 2.3 times to Belarus. As a result, the turnover of the three countries is forecast to reach \$100 billion by the end of 2011, it is 13% more than the last year. The volume of border trade between Kazakhstan and Russia grew by more than 40% [9].

On November 18, 2011, in Moscow, the Presidents of Belarus, Kazakhstan and Russia signed a tripartite document on establishment of the Common Economic Space (CES) beginning the next stage of integration which shall eventually lead to the establishment of the Eurasian Economic Union. According to President N. Nazarbayev, the new structure is another guarantee of our independence strengthening considerably our economic and regional security [10].

After the collapse of the Soviet Union, amidst the difficult period, President N. Nazarbayev decided in favor of elimination of the huge nuclear arsenal inherited from the USSR; thereby the country led the global movement for non-proliferation of weapons of mass destruction.

Kazakhstan argues that there is no any effective system of international control over nuclear arms race in South Asia and the Middle East. Moreover, individual nuclear states and the 'threshold' countries confront each other over the matter. Possible seizure of the nuclear technology and materials by international terrorists is also a threat. The international community fails to observe the provisions of the Nuclear Test Ban Treaty due to delays in its signing and ratification by a number of nuclear and 'threshold' states. The world powers are very reluctant to abandon their nuclear weapons neither they are willing to give security guarantees to the non-nuclear states. In the result, nuclear weapons

may penetrate into the most dangerous regions of the world. However, the nuclear-weapon free zones have been established in Central and South America, Australia and Oceania, Africa, Southeast and Central Asia.

Kazakhstan has made a number of initiatives to create regional integration in Central Asia. Unfortunately, the initiatives of the Central Asian Union in 1994, the Central Asian Economic Forum in 2001, and the Central Asian Cooperation Organization in 2002 have not been realized. Kazakhstan is the least to be blamed for failure to realize the initiatives that the ordinary people living in the region are immensely interested in.

In the meantime, Kazakhstan supports the countries of the region. After the tragic events in 2010 in Kyrgyzstan, \$20 million humanitarian aid of construction materials and fuel was provided. On September 28, 2011 Kazakhstan began delivering 240 million cubic meters of gas to Kyrgyzstan for \$195 per one thousand cubic meters. For comparison, Uzbekistan supplies gas at a price of \$305 per cubic meter [11]. On September 28, 2011 the Majilis ratified the agreement on the provision of free military-technical assistance to Kyrgyzstan these were armored cars, mortars costing \$3 million.

Kazakhstan succeeded to build the equal and mutually beneficial relationship with the leading nations of the world, namely the USA, Russia, China. Strategic partnership with the European Union is one of the priorities of the foreign policy of Kazakhstan since the EU is the leading trade and investment partner of our country. 50% of Kazakhstan foreign trade and a third of investment currently are related to the EU. Only in the first half of 2011 the foreign Kazakhstan-EU trade turnover totaled \$26 billion. From 1993 until 2010 the gross inflow of direct investment from the EU to Kazakhstan exceeded \$62 billion; in 2010 alone it totaled more than \$10 billion [12].

Kazakhstan is the first and the only post-Soviet state to chair the OSCE. During its OSCE chairmanship, Kazakhstan managed to change the attitude of the developed countries and the international community as a whole towards Central Asia. A new concept of Eurasian security was included into the international relations vocabulary.

Kazakhstan chairmanship of the OSCE in 2010 coincided with its presidency in the SCO. Guided

by the 'Shanghai spirit' meaning mutual trust, equality, respect for cultural diversity and desire for common development, Kazakhstan concentrated its efforts not on the national priorities, but on the issues of common interest of all members, those of security, trade, economic, cultural and humanitarian cooperation. Today, the SCO is an important factor to maintain security in the region. Over 500 terrorist attacks were prevented in 2004—2011 by the law enforcement agencies of the SCO member states. The Anniversary SCO Summit was held in June 15, 2011 in Astana, where the 2011—2016 Anti-Drug Strategy was adopted.

At the Summit of the OIC Foreign Ministers hosted by Astana on June 28—30, 2011, Kazakhstan headed this influential international organization. Kazakhstan considers the presidency of the Organization of Islamic Cooperation as a good opportunity to continue the dialogue between the East and the West, Islam and Christianity. Kazakhstan President N. Nazarbayev, speaking on April 13, 2010 in Washington at the 'Peace and Preventive Diplomacy' Award ceremony said that Kazakhstan, chairing the OIC, would strive to strengthen the dialogue with the Muslim world and rapprochement between the East and the West [13].

Since Afghanistan is the major destabilizing factor for the security in the region, Kazakhstan stands for rapid rehabilitation of the country taking a number of practical steps in the direction. On September 29, 2011, it was decided to supply 500 thousand tons of Kazakh wheat to Afghanistan. There is the project to complete the construction of the 'Kazakhstan-Turkmenistan-Afghanistan' railway. Flight connection between the two countries is scheduled to be open in 2012,

Political, Social and Economic Situation in Central Asia

Political and Social Situation in the Region

According to the President of Kazakhstan N. Nazarbayev, being united within a single space, the Central Asian countries will be able to create a 'zone of economic prosperity' that will barrier the region from international terrorism, religious extremism, drug trafficking and illegal migration. But the regional interaction can only be based on understanding of the common problems both in

terms of economic and trade ties and security. In the meantime, the joint projects are delayed despite the mutual assurances of geographical, transit, resources, human capacities as well as common history, culture, linguistic, ethnic and religious factors [14].

The increase in unemployment in Central Asia except for Kazakhstan is alarming. In 2008, the unemployment rate in Central Asia was 10.6%, in early 2011 it was already 13%. The fact that 27% of youth are unemployed is that of particular concern. This is an additional factor of growing tensions.

More than 28 million people live in Uzbekistan. Each year over 600 thousand people leave school and face difficulties in finding a job. According to independent experts, 1.5–2 million Uzbeks work abroad. Their remittances account for 10–15% of the national budget. Most Uzbek migrants go to Russia, although the number fell from 80% in 1994 to 60% in 2004, in the meantime, the number of the Uzbek migrants to Kazakhstan increased comprising 25% of the total in 2004. In Tajikistan, the figure is 40–50%, in Kyrgyzstan it is over 50%. The significance of migrants' contribution to the national economies of Central Asian countries can be illustrated by the following example; in 2009, Tajikistan received 30% less remittances from its migrant workers; it slowed the Tajik economy by 3.5% [15].

Failure of the Central Asian states to cope with poverty in the region increases the effect of radical Islamism.

Unsettled territorial border disputes between Uzbekistan and Kyrgyzstan, Uzbekistan and Tajikistan, Kyrgyzstan and Tajikistan complicate the situation in the region. Uzbekistan and Kyrgyzstan have not reached the agreement over 58 disputed areas and the access to the notorious enclaves. Kyrgyzstan and Tajikistan have 71 disputable issues.

The situation is complicated by the fact that some parts of the boundary between these states are mined. According to the Center for Mine Affairs in Tajikistan, about 450 km the Tajik-Uzbek border is currently mined. At the same time, Uzbekistan refuses to provide the maps of the minefields. According Kyrgyz authorities, in 2010 there were more than 20 collisions of Kyrgyz villagers with Uzbek border guards and a similar number of clashes occurred on the Tajik-Kyrgyz

border [16]. Border clashes in Central Asia at any time can escalate into interstate conflicts with unpredictable consequences. Besides, the clashes often involve the militants of international terrorist groups.

Trade and Economic Cooperation in the Region

One of the main factors deterring economic integration in Central Asia is the lack of communication between regional states in the real economy.

The relations of the states in the region are characterized by low level of investment cooperation. The economies of Central Asian countries (except for Kazakhstan) suffer from being incomplete and the market reforms are low efficient.

Different scale and extent of economic liberalization and insufficient economic interaction among the countries in the region are the main factors hampering the development of mutual trade.

Trade and economic relations among the Central Asian countries are limited mainly to the energy supply and transit of goods. Export and import of manufactured goods and food are not enough. Interaction of the regional states in the real economy, mutual investment and joint projects remains problematic.

Therefore, further development of regional integration is still relevant. On the background of increasing crisis in the global economy, priority should be given to the coherent industrial policy, interaction of financial institutions and conditions for sustainable growth in the countries of Central Asia.

At this stage, the cooperation is mainly maintained on bilateral basis, multilateral projects face disagreements over the use of the available natural resources and their transit.

The priority areas of economic cooperation are mining, nonferrous metallurgy, machine-building, agriculture, energy, light industry, transport and communications.

The projects aimed at extraction and processing of uranium ore in Kazakhstan and Kyrgyzstan, gold in Kyrgyzstan and Tajikistan as well as aluminum in Tajikistan, coal mining in Kyrgyzstan and Tajikistan are the most perspective. The most complicated issue is that of joint investment in the construction of hydropower stations in Kyrgyzstan and Tajikistan.

Given the state of the global food market, agricultural projects are increasingly important. Construction, reconstruction and upgrading of transport corridors, pipelines and power lines are also needed. The problems of labor migration could be solved through implementation of these projects when the number of new jobs increases and professional training is enhanced.

Prospects for Regional Integration

Central Asia has great potential for economic growth primarily due to the rich natural resources and cheap labor.

The Republic of Kazakhstan has repeatedly made the initiatives of regional integration; the Central Asian Union in 1994, the Central Asian Economic Forum in 2001, the Central Asian Cooperation Organization in 2002. Unfortunately, none of the initiatives have been practically implemented.

The following factors impede regional integration:

- uneven levels of development and different models of economic modernization;
- inadequate infrastructure and weak economic ties;
- ambitious of the political elites, short-term priorities and different vectors of political modernization.

Despite repeated assurances made by Central Asian political leaders of the utter interest in finding the approach aimed at the joint solution of the common problems, nothing has been done to realize the claims.

Situation in Kyrgyzstan and Tajikistan as well as escalating crisis in Uzbekistan make the launch of the regional integration even more unlikely.

Real Threats

In the short and medium term international terrorism, religious extremism, drug trafficking will remain the major global threats.

Most of the national and international organizations rely on the use of force in countering these threats ignoring the fact that terrorism, extremism, and drug trafficking are rooted in socio-economic and political conditions as well as the policy of 'double standards'.

Meanwhile, Central Asian states suffer from the activities of international terrorists and other

criminal groups. Radical separatist organizations pose potential threat undermining the independence and territorial integrity of the states in the region. Extremist groups, using false and distorted interpretation of Islam, are trying to impose their values on the secular societies of the countries of the region. These organizations are aimed at loosening of the political systems of the Central Asian countries and establishment of the theocratic state of Islamic Caliphate and, ultimately, changing the political map of the region.

Continued attempts by international terrorist groups and organizations to penetrate into the territory of the region, including that of Kazakhstan, are particularly alarming as they try to recruit the people living here and spread radical ideology. Since the beginning of 2011, the guards on Kazakhstan border have detained more than 33 thousand infiltrators [17], seized about 600 kilograms of drugs including 93 kilograms of heroin.

In this regard, having a united anti-crime area is of particular importance. Along with the expansion of the drug trafficking, human trafficking, illegal migration, arms smuggling, financial fraud, these groupings are establishing transnational shadow networks. Their organizational and financial capabilities increase. Globalization of economy, free movement of capital, goods and services make international borders increasingly transparent facilitating criminal movement of from one state to another while the law enforcement agencies, acting strictly within the sovereign territory of the state, have limited resources and power.

The joint fight against drug trafficking from Afghanistan is the issue of particular relevance. In my opinion, the problem of combating drug trafficking still receives a one-sided consideration. Insufficient attention is paid to the precursor import into Afghanistan. It is easier and cheaper to prevent the import of precursors into Afghanistan than the heroin export from the country.

According to official data, there are half a million of drug addicts in Russia. The Federal Service for Drug Control says that the number of opiate addicts exceeds the abovementioned figure four times. Factually, there are 6 million drug addicts in Russia. Under the WHO criteria, 7% of addict population makes a country enter into a stage of irreversible damage. 70,000 Russians die every year

from drug overdoses and the related diseases such as hepatitis, AIDS; the death toll is approaching 200 thousand people [18].

Illegal migration is a major source for political and economic instability in some countries and the demographic crisis in the others. In the regional terms, the post-Soviet migration trends are the following: Russia and Kazakhstan are the receiving states whereas Kyrgyzstan, Tajikistan and Uzbekistan are the sending.

Unfortunately, military, political and socio-economic situation in Afghanistan is steadily deteriorating. Increasing dependence of the internal processes in Afghanistan on those in the other areas, namely the Middle East and particularly Iraq, cannot be ignored when assessing the prospects of having a stable Afghanistan. Most experts believe that the Taliban, provided they are able to regain power in Afghanistan, will not stop there and try again to break into Central Asia as they did in 1999—2000.

In my view, resolving the situation in Afghanistan is possible only after the withdrawal of the foreign troops from that country, therefore, the multi-ethnic Afghan people will have the right to decide their own fate, including the issue of the country's political set-up, whether it will be a unitary, federal state or confederation. Accordingly, the Central Asian states will have to build the 'security zone' along the border with Afghanistan. Effective coordination of the efforts of the international organizations such as the UN, OSCE, EU, OIC, and regional structures, namely the CICA, SCO,

EurAsEC, is crucial for peaceful socio-economic reconstruction in Afghanistan.

Today, Kazakhstan faces the new challenges in socio-economic and political development in accordance with the National Program of Rapid Industrial and Innovative Development issued in January 2010. It stipulates accelerated economic modernization on the basis of industrialization and technological development of the national economy as well as social modernization to improve the quality of life of Kazakhstan people in order to maintain peace and harmony in the multiethnic and multiconfessional Kazakhstan. In particular, by 2014, 294 investment projects amounting to 8.1 trillion KZT shall have been implemented. By 2020, the GDP growth will have increased by 30%, the share of small and medium-sized businesses in the GDP will have reached 40% and the domestic and foreign investment in non-oil sector of Kazakhstan economy will be no less than 30% [3].

Particular importance for the future development of Kazakhstan is laid on justice in its broadest sense. According to Kazakhstan President N. Nazarbayev, a new development agenda for Kazakhstan is the fair education and health systems, fair social protection, fair youth and housing policy [10].

Effective and timely actions taken by the leadership of Kazakhstan are to ensure sustainable and successful development of our country despite the rapidly changing geopolitical and geoeconomic realities.

SOURCES:

1. Назарбаев Н. Выступление на XIV съезде НДП "Нур Отан". Астана, 25 ноября 2011 // Казахстанская правда. — 2011. — 26 ноября.
2. Информационное сообщение // Казахстанская правда. — 2011. — 30 сентября.
3. www.stat.kz, 12 августа 2011.
4. Назарбаев Н. Построим будущее вместе!: Послание народу Казахстана. — 2011 8 февраля // <http://www.akorda.kz/ru>
5. Данные Общественного Фонда Центр социально-политических исследований "Стратегия" / Выступление на пресс-конференции в Национальном пресс-клубе. — 2010. — 26 апреля // <http://nomad.su>
6. Институт демократии: 61,3% казахстанцев готовы идти на выборы // Казахстанская правда. — 2011. — 25 ноября.
7. Жигалов К., Султанов Б. Первый Президент Республики Казахстан Нурсултан Назарбаев. Хроника деятельности (1.12.1991—31.5.1993). Алматы, 1993 г. — С. 8—9.

8. Назарбаев Н. Укреплять международные позиции Казахстана // www.president.kz
9. Назарбаев Н. Евразийский Союз: от идеи к истории будущего // Известия. — 2011. — 25 октября.
10. Назарбаев Н. Выступление на XIV съезде НДП “Нур Отан”. Астана, 25 ноября 2011 // Казахстанская правда – 2011. — 26 ноября.
11. Информационное сообщение // <http://www.fergananews.com> — 2011. — 28 сентября.
12. Казахстан-Евросоюз: стратегия сотрудничества // Казахстанская правда. — 2011. — 25 ноября.
13. Президент Республики Казахстан. Выступление на церемонии вручения премии “Мира и превентивной дипломатии”, учрежденной Институтом “Восток-Запад”. — Вашингтон, 2010. — 13 апреля // <http://www.america.gov/ru>
14. Назарбаев Н. Выступление на IV Евразийском медиа форуме. Алматы, 2007. — 19 апреля // www.akorda.kz
15. Эксперты называют одной из главных угроз региональной безопасности неконтролируемую трудовую миграцию // Панорама. — 2006. — 2 июня.
16. Хамидов А. Закрытая кыргызско-узбекская граница способствует обострению напряженности // <http://www.centrasia.ru/news>
17. Информационное сообщение // Казахстанская правда. — 2011. — 26 ноября
18. Соколов-Митрич Д. Песня о наркомане // Известия. — 2010. — 20 ноября.

20 Years of Independent Foreign Policy of Kazakhstan

MURAT LAUMULIN,

Chief Research Fellow, Kazakhstan Institute for Strategic Studies under President of RK, Doctor of Political Science, Professor

Since gaining its independence, the Republic of Kazakhstan has entered into the system of international relations, developed its own foreign policy, formed a well-defined foreign policy doctrines and concepts, and realized its national interest. It is worth mentioning that the prominent role in shaping of the foreign policy of Kazakhstan belongs to the First President N. Nazarbayev.

Kazakhstan's participation in the international community facilitated conceptualization of the foreign policy course in all major areas which are currently regarded as traditional. Kazakhstan engaged itself in international and regional organizations such as the UN, OSCE, CIS, EurAsEC, SCO and established steady cooperation with a number of the others, namely NATO, OIC and ECO. The republic of Kazakhstan has been successfully maintaining bilateral relations with Russia, Central Asia and the other CIS member states, the USA and the EU countries as well as China and the Middle East, Asia Pacific and Southeast Asia. The foreign policy of Kazakhstan is structured in three main dimensions: international law, multilateral relations and bilateral relations.

In 2010—11, Kazakhstan chaired the three reputable and influential international organizations, namely the Organization for Security and Cooperation in Europe (OSCE), the Shanghai Cooperation Organization (SCO) and the Organization of Islamic Cooperation (OIC). This experience strengthened not only the international position of Kazakhstan, but also its reputation of a responsible and authoritative member of the international community.

Kazakhstan and International Community

The Republic of Kazakhstan became a subject of international law with the declaration of its independence and sovereignty on December 16, 1991. However, recognition of Kazakhstan as a sovereign state is much more significant from the standpoint of international law. The process of Kazakhstan's recognition by the UN and its member states as a full-fledged subject of international relations took some time and was successfully complete in the end.

The term of 'multi-vector diplomacy' is officially used in Kazakhstan. It was first included into political vocabulary in the mid-1990s. Multi-vector character as a systematic principle of Kazakhstan foreign policy began to emerge in the first half of the 1990s.

In the yearly 1990s the initial concept for defining Kazakhstan foreign policy strategy was that of the 'Eurasian Bridge' emphasizing its geographic, cultural, historical and civilizational identity related both to Europe and Asia. Later, in the second half of the 1990s, this concept evolved into the doctrine of so-called 'multi-vector diplomacy'. This doctrine was aimed at conducting foreign policy in all important directions: the CIS, Central Asia, the East and the West, Europe and Asia, the Muslim world, Asia-Pacific, industrial powers and regional states.

In the early 2000s, the most serious challenges facing the multi-vector policy of Kazakhstan were to strengthen its security in the dramatically changed geopolitical environment, maintain balance between Russia and the United States, on the

one hand, and between Russia and China, on the other. The most important, however, was the task to prevent external influence on the domestic political situation and which could have had negative effect on its internal stability.

Kazakhstan has had different priorities and goals while pursuing its foreign policy in different periods. From 1992 until 1995 the nuclear issues were the crucial ones in the relationship with Russia, the USA and the West in general. In the second half of the 1990s, the most pressing were the issues related to the Caspian Sea including those of the delimitation and the transportation routes of Caspian oil. The issues of national and regional security, combating international terrorism, drugs trafficking and other non-traditional threats have been particularly important since the beginning of the 21st century. It shall be noted that the foreign policy of sovereign Kazakhstan has always been aimed at promoting the integration in the post-Soviet space within the CIS, EurAsEC and the Central Asian Economic Community. The relations with Central Asian states have been equally important.

Kazakhstan entered the world community with its membership in all most significant international organizations of global, regional and subregional levels. Kazakhstan is a party to the considerable number of universal international agreements and treaties being an integral part of the international legal space.

Kazakhstan became a party to the Conference on Security and Cooperation in Europe (CSCE) on January 30, 1992. In 1992, Kazakhstan signed all the basic CSCE documents, including the 1975 Helsinki Final Act and the Paris Charter for New Europe.

Goals and Objectives of Kazakhstan Foreign Policy

The most urgent foreign policy objectives of the Republic of Kazakhstan at the present stage are:

- successful and effective chairmanship of the OIC in 2011;
- Kazakhstan being an international mediator in the dialogue between civilizations of the East and the West;
- fulfillment of the ambitious transport and logistics projects in the Eurasian continent;

- activation within the Customs Union and establishment of the Common Economic Space (jointly with Russia and Belarus);

- implementation of the regional integration projects in Central Asia;

- building of a CIS integration core together with Russia, Belarus (and possibly Ukraine) with Kazakhstan's significant place in it;

- turning Kazakhstan into a major international player in energy security (hydrocarbons, nuclear industry);

- inclusion of Kazakhstan in the formation of a global system of international security embracing Europe and Eurasia with access to Asia in which Astana would play a key role.

The challenges and issues in foreign policy and international affairs as a whole that Kazakhstan will face in the near and medium term were outlined by President N. Nazarbayev in his Annual Address to the Nation in January 2011. The main foreign policy directions are the following: the effective development of the Customs Union of Russia, Kazakhstan and Belarus, enhanced cooperation with the CIS countries, concluding Energy Charter Kazakhstan — EU: 2020, conducting the special donor conference on Afghanistan, the Stability Pact on the Caspian Sea, continuations conflict-resolution efforts commenced during Kazakhstan OSCE chairmanship, strengthening the global nuclear security and support to the UN Universal Declaration of Nuclear-free World, developing an inter-state assistance program for Kyrgyzstan, strengthening the dialog between the West and the Islamic World (during Kazakhstan chairmanship in the OIC), promoting the Asian vector of Kazakhstan foreign policy, hosting the SCO anniversary summit and consolidation of the organization*.

The main objective of foreign policy of the Republic of Kazakhstan is to provide and maintain favorable external conditions for the successful Kazakhstan's posture as a sovereign state, increase its competitiveness that would enable the Republic to enter into the club of the 50 most competitive countries in the world, sustain national development through economic and political reforms

The geographic location of Kazakhstan between Europe, Russia, China and the Muslim countries determine the priorities of its foreign policy as well

* President N. Nazarbayev made this point while addressing the nation in January 2011.

as its multi-vector diplomacy. Therefore, Kazakhstan is interested in a stable, predictable and just world order.

There is no doubt that Kazakhstan has long been a part of the globalization process. The global trends affected its financial, economic and trade relations, political affairs within the international community, social and cultural cooperation. Kazakhstan participation in the globalization process is emphasized by its interactions within international organizations; Astana chaired a number of them in recent years (CICA, OSCE, SCO, OIC).

2010 and 2011 are a new phase of Kazakhstan foreign policy. Kazakhstan successfully passed the major political test, the OSCE chairmanship and Astana summit. In 2011, the country is taking two more exams: it will chair the OIC and the SCO and holding the summits of the OIC and SCO.

The example of the OSCE Summit held in December 2010 demonstrated that this kind of events should not be regarded as pure formality. Such forums are rather important facilitators for actual solution of problematic issues of international affairs. In this context, the foreign policy of Kazakhstan is undergoing a critical period.

To see the transformation of foreign policy and international position of Kazakhstan in its dynamics one shall refer to the recent experience. 2010 will be remembered in the history of Kazakhstan and its foreign policy for a number of important events. The most prominent is Astana OSCE Summit. However, the establishment of the Customs Union of Kazakhstan, Russia and Belarus is probably equally important. There have been a number of others that are significant in terms of international politics and external economic developments.

Kazakhstan OSCE chairmanship affected the logic of entire foreign policy in 2010. As one of expert rightly noted, the challenge for Kazakhstan was not to meet the OSCE standards, but to create the new ones that would be relevant in the contemporary realities and the interests of its members, the task was to turn the organization into an effective mechanism for maintaining stability and security. In 2011, Astana has continued its international activity as the chairman of the OIC.

Kazakhstan in International Organizations

Kazakhstan has successfully entered the world community having become a member in numerous international organizations of global, regional and subregional level, namely the UN, OSCE, ECO, OIC, UNESCO, IAEA and others. Kazakhstan joined most of universal international agreements and treaties and is fully integrated into the international legal space. Kazakhstan signed the NPT, START-1, ABM, CST and other treaties on international security as well as all the fundamental documents of the UN and the OSCE.

Kazakhstan became a full member of the international community on March 3, 1992, when it was admitted to the United Nations at the 46th session of the General Assembly. Since then, the Republic of Kazakhstan has had its Permanent Representative at the UN Headquarters in New York and participated in the sessions of the UN General Assembly and the special meetings. The UN Office in Almaty was opened in 1992. Kazakhstan actively participates in a number of the UN programs, organizations, foundations, and committees. Thus, from 1992 until 2011, the Republic of Kazakhstan turned into a genuine subject of international law, becoming a member of the UN as well as most of its agencies. Kazakhstan has joined all major international conventions that enabled it to regulate its international relations at multilateral and bilateral levels according to the norms of international law.

In September 2011, President N. Nazarbayev took part in the 66th session of the General Assembly of the United Nations; he proposed the adoption of a global energy and environmental strategy and made an ambitious environmental initiative 'Green Bridge' on protection and common use of transboundary rivers and lakes.

In New York, Kazakhstan pointed at those issues that the UN should pay attention to. Astana was concerned that the principle of national sovereignty and territorial integrity was increasingly violated, undermining the trust between the nations. President N. Nazarbayev said that international law needed reconsideration regarding the norms of national sovereignty and the new realities required a clear definition of the limits for legitimate interference of the international community while resolving internal conflicts.

Kazakhstan, like the other former Soviet republics, became a party to the Conference on Security and Cooperation in Europe (CSCE) on January 30, 1992. This automatically meant the recognition of Kazakhstan by all 48 CSCE members. In 1992, Kazakhstan signed all the basic CSCE documents, including the 1975 Helsinki Final Act and the Paris Charter for New Europe, and thereby assumed all obligations arising from the membership in the organization.

In 1994, in the course of Budapest Summit, the CSCE was renamed into the Organization for Security and Cooperation in Europe (OSCE). Kazakhstan has been always supportive towards strengthening of security agenda in the CSCE/OSCE. As yearly as in 1992 at Helsinki summit, President N. Nazarbayev proposed to establish the CSCE Special Forces in order to prevent regional conflicts and peacekeeping operations in Eurasia. At the same time, Kazakhstan leader presented the idea of an Asian equivalent of the CSCE which would be later turn into the CICA.

Kazakhstan participated in all CSCE/OSCE summits. Budapest Summit was very significant for the security of Kazakhstan; the country officially abandoned its nuclear weapons on voluntarily basis and was given security guarantees by the nuclear powers, the members of the CSCE/OSCE.

Astana summit was impressive completion of 2010 and of the whole era in the history of Kazakhstan foreign policy. Our country proved to be a responsible member of the international community. The OSCE Declaration adopted in the course of the Summit is the document of extraordinary geopolitical importance integrating the Euro-Atlantic and Euro-Asian security in a single unit.

Kazakhstan, along with the other former Soviet states, is the founder of the CIS, which was established in December 1991. Kazakhstan's participation in the Commonwealth of Independent States (CIS) was of great importance to its foreign policy as a sovereign state, particularly in the first half of the 1990s. Later, bilateral relations prevailed multilateral cooperation. The CIS evolved over time and its significance was steadily decreasing. N. Nazarbayev proposed five key reforms of the Commonwealth: a) improvement of migration policy, b) strengthening of cooperation in transport issues, c) enhancing of cooperation in

education and science, d) joint efforts to confront contemporary challenges and threats, e) mutual humanitarian assistance.

The idea of the Conference on Interaction and Confidence-Building Measures in Asia (CICA) was first introduced by Kazakhstan President N. Nazarbayev at the 47th session of the UN General Assembly in October 1992. The essence of the initiative was the idea of creating a comprehensive and universal system of Asian security. The CICA was supported by 16 Asian countries. Azerbaijan, China, Egypt, India, Iran, Israel, Kyrgyzstan, Pakistan, Palestine, Russia, Tajikistan, Turkey, Uzbekistan expressed their intention to enter the organization. Australia, Indonesia, Japan, Korea, Mongolia, Ukraine, USA, Lebanon, Vietnam, Thailand, Malaysia obtained the observer status in the CICA as well as a number of international organizations, namely the UN, OSCE, and Arab League.

In 1992, Kazakhstan started its cooperation with NATO that meant additional security guarantees for Kazakhstan. On May 27, 1994, Kazakhstan signed the 'Partnership for Peace' framework document and became the 19th state party to the program. In 1996, Kazakhstan and NATO signed the agreement on security at the NATO headquarters in Brussels. The two-year Individual Partnership Program (IPP) was concluded by Kazakhstan and NATO which was approved by the Security Council of the Republic of Kazakhstan and the NATO Council.

Major Partners of Kazakhstan in International Arena

Russia, China, the United States and European Union, (Germany in particular) are the main foreign partners of Kazakhstan.

Russia is the principle partner for Kazakhstan. Russia and Kazakhstan are the cofounders of the CIS, Customs Union and EurAsEC, they interact within the framework of the CSTO, SCO, and CICA, participate in the multilateral talks on the legal status of the Caspian Sea. Thus, the Kazakhstan-Russian relations have clear multilateral character.

The Republic of Kazakhstan and Russia are strategic partners and closest allies in the former Soviet Union. Cooperation between the two countries covers almost all areas possible: from economics

to cultural and humanitarian. The cooperation is currently actively developing in political, military, technical, economic and humanitarian spheres, which is crucial for the internal development of the two countries and their cooperation in the international arena.

The Kazakhstan-Russian relations intensified after the election of V. Putin the President of Russia. High dynamics of Kazakh-Russian relations continued during the term of the next president of Russia D. Medvedev, who paid his first official foreign visit to Kazakhstan on May 22—23, 2008. Further meetings of the leaders of Kazakhstan and Russia have been held on the regular basis.

The cross-border cooperation of regions of Kazakhstan and Russia appears very promising. Implementation of the agreements on establishment of the three joint ventures of extraction and enrichment of uranium is very important as well as the development of nuclear power reactor facilities with low and medium power. Currently, priority is given to the construction of the Caspian gas pipeline and nuclear power plant in Aktau as well as to intensification of the transit trade between Western Europe and Western China.

Cooperation of Russian and Kazakhstan is developing in bilateral and multilateral formats within the CIS, EurAsEC, CSTO, SCO. Beyond that, in 2010, Kazakhstan, Russia and Belarus established the Customs Union which has a key importance for further development of integration processes in the CIS.

The aftermaths of the global financial crisis were eased considerably due to close interaction between the two countries. Both Kazakhstan and Russia witness today the fall of demand for bank credits. In terms of uranium production, the national atomic companies of the two countries united in dealing with external partners. The Russian Atomprom is the main partner of Kazakhstan providing a full cycle of processing and enrichment of Kazakh uranium. It can be argued that there is no country the world that would be so closely cooperating with Kazakhstan as Russia.

Throughout the years, independent Kazakhstan has had the relations with Russia which can be characterized by stability and mutual willingness to cooperate. The two countries have a solid legal, economic, political and cultural base for coopera-

tion. In fact, the foreign policy of Kazakhstan towards Russia is based on the fact that the Russian Federation is a critical partner for Kazakhstan in all spheres of cooperation. At the same time, Russia did not seek to influence the independent foreign policy of Kazakhstan or pressure on its relations with the other states.

The United States recognized the Republic of Kazakhstan as a sovereign state on December 25, 1991. On the same day, President G.H. Bush sent the letter to President of Kazakhstan N. Nazarbayev informing on the establishment of the diplomatic relations between Kazakhstan and the USA. President N. Nazarbayev paid his second visit to Washington in 1994. The visit resulted in signing of the Charter on Democratic Partnership between the Republic of Kazakhstan and the United States of America on February 14, 1994. Intensive cooperation between the two countries resulted eventually in remove of all nuclear warheads from Kazakhstan on April 21, 1995.

A new stage of bilateral relations coincided with the dramatic events of September 11, 2001. The United States launched a massive struggle against international terrorism, virtually the militant Islamic radicals and started the military operation in Afghanistan and deployed a number of military bases in some Central Asian republics.

By 2002, the United States had become the largest foreign investor in Kazakhstan. In 2004, the USA officially recognized Kazakhstan as a country with market economy. By 2005, Washington and the West as a whole had factually legitimized Kazakhstan and its political regime. Therefore, Kazakhstan was included into the 'club non-failure states'.

In January 2009, the White House power passed to the Democratic administration headed by B. Obama. The new administration proclaimed extension of the antiterrorist operation in Afghanistan and its escalation as one of the top priorities of its foreign policy. This automatically meant increasing of strategic importance of Central Asia to the United States and its NATO allies.

Generally, Astana intends to maintain friendly and constructive relations with Washington, develop the strategic dialogue on all the main areas of cooperation including political, economic, military, security issues and further democratization.

Relations of Kazakhstan with China, the second largest neighbor, are obviously important for the foreign policy including a wide range of issues of political, economic, trade, inter-ethnic, border and military nature. China is a permanent factor having its impact on foreign policy of Kazakhstan.

The diplomatic relations between Kazakhstan and China were established on January 3, 1992 by signing the Memorandum of Understanding. The two neighboring countries had to resolve numerous issues relating to legal, border and transport problems inherited from the Soviet Union. In October 1993, during the first official visit of President of Kazakhstan to China the two countries signed a number of documents on cooperation in culture, the consular agreement, the agreement on air services, that on the visas procedures, international road transport, business traveling. The most significant was the Joint Declaration on Principles of Friendly Relations. Thus, the relations of Kazakhstan with China started dynamically having a solid legal basis.

In September 1995, during his second visit to China, N. Nazarbayev and President Jiang Zemin signed the Joint Declaration on Further Development and Deepening of Friendly Relations between Kazakhstan and China. Since 1996, oil has been a new principle subject of economic cooperation between the two countries. In 1997, Kazakhstan and China signed the agreement to build the 'Western Kazakhstan — Xinjiang' pipeline. In early July 2005, N. Nazarbayev and Hu Jintao signed the Declaration on Strategic Partnership. The heads of the states agreed on further deepening and development of bilateral cooperation in trade, economy, energy, transport and finance.

At the present stage, the Kazakhstan-Chinese relations can be characterized as consistent and dynamic. The two leaders meet regularly; the two countries have similar positions over a certain number of international and regional issues. It must be emphasized that the new 'fourth generation' of Chinese leaders headed by Hu Jintao in tandem with Prime Minister Wen Jiabao, who came to power in autumn 2002, did not change policy of China toward Kazakhstan.

The bilateral agreements on nuclear energy cooperation enable Kazakhstan to move from exporting raw materials to participation in the joint

construction of the nuclear power plants. Beijing, in its turn, has direct access to raw materials necessary for meeting its domestic demand for nuclear energy.

The cooperation between Kazakhstan and China is not limited to the bilateral format; the two countries maintain good coordination within the framework of international organizations such as the UN, SCO and CICA. In terms of security, the relations of Kazakhstan and China are based on strong consensus and cooperation; the both countries have made significant contributions to maintaining international peace and stability.

During the years of its independence, the Republic of Kazakhstan has been developing its cooperation with the European Union (EU) as one of the priority directions of its foreign policy course. The role of the EU in international arena of the contemporary world determines the perspective and necessity for maintenance of the relations for Kazakhstan. The EU is an important trade partner of Kazakhstan and the biggest investor in Kazakhstan economy. Kazakhstan is also interested to some extent in European experience in legal, scientific and technological development.

The basis for cooperation of Kazakhstan and the European Union was laid in the first month of its independence. On December 31, 1991, the EU member states made the joint statement recognizing the legal personality of the newly independent states that emerged from the former Soviet Union. Subsequent development of the relations in 1993-1994 led to establishment of the full-scaled diplomatic relations and created favorable conditions for further strengthening of bilateral cooperation of Kazakhstan and the EU. The logical consequence of the initial phase in the relations of Kazakhstan and the EU was the Partnership and Cooperation Agreement (PCA). This Agreement was signed on January 23, 1995.

The second phase lasted from 1996 to 2000; it was marked by intensification of the relations on the basis of the previously reached agreements. The main focus was made on the cooperation in the petroleum and energy sector, transport and communication, mutual trade and investment. Significant point was the official opening of the Representative Office of the European Commission in Kazakhstan on April 10, 1996. The relations

between Kazakhstan and the European Union are of paramount importance to develop and strengthen the bilateral trade. The European Union is the biggest trade partner of Kazakhstan.

The European Union is primarily interested in Kazakhstan and Central Asia as a stable source of natural resources. At the same time, Brussels is willing to spread its normative values in this region. On the other hand, the European states, being NATO members, play an important role in the fight against the threats from Afghanistan. In these circumstances, the policy towards Kazakhstan (as well as the other Central Asian countries) is aimed at stabilizing Afghanistan and the situation in the entire region. Objectively this is a policy that protects the interests of the EU primarily in the area of security.

At the same time, the EU will remain dependent on Eurasian energy. In 2008, Kazakhstan adopted the 'Path to Europe' Program. That is the greatest possible political and economic integration with the European Union. Addressing the nation in January 2011, Kazakhstan President N. Nazarbayev articulated the idea of the Energy Charter signed by the EU and Astana so that it could be used to solve the problem of transit of Kazakh oil to Europe.

Over the past 20 years of mutually beneficial cooperation of Kazakhstan and the EU, the both sides achieved positive results in almost all spheres of cooperation enabling to conclude the PCA. Kazakhstan assesses positively the prospects for further cooperation and looks forward to deepening the dialogue with the European Union.

Kazakhstan in Integration Processes

Central Asia has objectively principle importance for the foreign policy of Kazakhstan. Although Central Asian states have not so big share in the foreign trade of Kazakhstan as Russia, China or the USA, potentially they are able to take a more significant position.

Establishment of the Central Asian Economic Community (CAEC) refers to the period when the Presidents of Kazakhstan, Kyrgyzstan and Uzbekistan signed the Treaty establishing the single economic space on April 30, 1994. The new organization became known informally as the Central Asian Union (CAU). In July 1994, the CAU members established the Councils of Prime and Foreign

Ministers and the Executive Interstate Committee and formed the Central Bank for Cooperation and Development. In February and December 1995, Kazakhstan hosted two meetings of the CAU Heads of States. The CAU considered not only economic but also political issues such as establishment of the Centrasbat, joint efforts to prevent drug industry. The CAU in 1995-1996 was focused on the problems of energy and water resources. In 1996 Russia joined the CAU as an observer.

In March 1998, at the summit in Tashkent, the CAU considered the issue of Tajikistan accession. In June 1999 it was renamed into the Central Asian Economic Union. However, in 2003, it officially joined the EurAsEC.

The largest integration association in the CIS was the Eurasian Economic Community (EurAsEC) which was established on October 10, 2000. The Treaty was signed by the Presidents of Kazakhstan, Belarus, Tajikistan, the Kirghiz Republic and the Russian Federation and. It was an important step of genuine integration of the five states promoting the development of a mutually beneficial cooperation among them with the prospect of formation of the Common Economic Space.

The Customs Union Treaty signed by Kazakhstan, Russia and Belarus in January 1995 was first step towards the EurAsEC. In 1998, Kazakhstan, as Chairman of the Interstate Council of the Customs Union initiated the simplification of legal and visa procedures in the framework of the CIS (known as the Ten Steps towards Common People). The focus of the EurAsEC has always been on the problems of poverty and migration, energy and water use as well as development of transit potential. An important factor in the integration cooperation of the EurAsEC countries is the adoption of the Concept of the Common Transport System

Increasingly alarming scale of migration has always been threatening stability in the region. President of Kazakhstan N. Nazarbayev has repeatedly stressed the need for the Community to agree over the policy in this area. Realization of the joint innovation projects is another important sphere of the cooperation of the EurAsEC countries.

Kazakhstan initiated the establishment of the Eurasian Club of Economists in order to consolidate the scientific potential of the EurAsEC countries, which will effectively participate in

the development of the Community. Sustainable development of the Community shall be enhanced by the coordinated economic policy, formation of the Customs Union, and successful implementation of the joint research programs. Currently, the EurAsEC is an effective regional bloc becoming the locomotive of integration within the CIS.

The Customs Union of Belarus, Kazakhstan and Russia established on January 1, 2010 has been officially functioning since July 1, 2011. In early December 2010, the Customs Union members agreed to introduce the common rules and standards for oil and petroleum products within the Common Economic Space. Kazakhstan is willing to increase the capacity of the pipeline up to 67 million tons per year.

The Collective Security Treaty (CST) is crucial for maintenance of security of Kazakhstan. The treaty was signed in Tashkent on May 15, 1992 by six post-Soviet republics, namely Armenia, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan being an important move towards an effective regional security system. In 1999, Uzbekistan, Azerbaijan, Georgia refused to renew its participation in the CSTO.

Kazakhstan, having relatively large army, pursues an independent policy mainly coordinated with Russia. At the anniversary summit held in Moscow in May 2002, Kazakhstan supported the idea of V. Putin to transform the CST into an international organization, in other words, into the military-political bloc. An important result of the Moscow Summit was the decision to intensify military-technical cooperation among the parties to the Collective Security Treaty. On February 4, 2009, at the CSTO Summit in Moscow, it was decided to form the Collective Rapid Reaction Force (CRRF). This force must become an effective and versatile tool to maintain security throughout the CSTO, to prevent military aggression, eliminate terrorism and extremism, organized crime, drug industry, and, if necessary, perform emergency relief operations. The backbone of the CRRF is a division and a brigade of airborne troops of Russia, and an airborne brigade of Kazakhstan.

The main objective of Kazakhstan is to strengthen the collective security system in Central Eurasia. That is the solution of Afghan issue and more broadly elimination of the threat posed by radical

Islam. It is also meant to strengthen cooperation between the security forces in Central Asia, namely NATO, CSTO, OSCE and the SCO, possibly the CICA. Astana OSCE Summit was aimed at achieving of this goal as well.

Kazakhstan, which gives paramount importance to the issues of maintenance of stability and security in the Eurasian area, pays great attention to strengthening and developing cooperation with the Shanghai Cooperation Organization (SCO). The SCO currently comprises six countries: Kazakhstan, Kyrgyzstan, China, Russia, Tajikistan and Uzbekistan. Since 1996, there has been a group of States — so-called Shanghai Five — united by the agenda to settle the border and territorial issues along the former Sino-Soviet frontier.

The 10th anniversary SCO Summit held on July 5, 2005 in Astana was a significant international event. Iran, India and Pakistan obtained the observer status in the organization. Seven documents were signed during the SCO Summit including the concept for cooperation in combating terrorism, separatism and extremism. The SCO member states agreed to organize and conduct joint military exercises, training and expertise exchange. The main outcome of the Summit of great geopolitical importance was the SCO Declaration, where the question about the deadline for the US bases in Central Asian was raised.

Kazakhstan supports the expansion of cooperation with the observer countries and partners in the SCO in the political, economic, cultural and humanitarian spheres.

The Kazakhstan diplomat B. Nurgaliyev has headed the SCO Secretariat since January 2007. The participation of Kazakhstan in the various structures of the SCO is the factor that raise the political image of the Republic, enhance its prestige in the international arena.

In 2010 and 2011, Kazakhstan chaired the SCO. The SCO Summit in June 2011 was a perfect completion of its chairmanship. Kazakhstan has consistently insisted on further institutional enhance of the SCO, the development of its security potential, expansion of its partnerships. The issues of water management are increasingly important for Central Asian region.

Kazakhstan, being the chairman of the Shanghai Cooperation Organization, has made new impulse

for development and approval of the SCO Action Plan. The Plan is based on the initiatives of President N. Nazarbayev in political regional security, trade, economic, cultural and humanitarian cooperation, expansion of international contacts, optimization of the SCO permanent organs

Being one of the initiators of the 'Shanghai process', Kazakhstan has always considered the SCO is an important element for stability and security in Central Asia. The objective reasons connected with the need to solve the problematic issues of the region resulted in establishment of the organization.

On June 15, 2011 Astana held the meeting of the Council of Heads of SCO Member States, dedicated to the 10-year anniversary of the organization. The following documents were passed in the course of the Summit; the 10th Anniversary Declaration of Shanghai Cooperation Organization outlining the joint work for the near future within the framework of the SCO, the SCO anti-drug Strategy for 2011—2016 and the Action Plan for its implementation, the Memorandum of Commitment of the States Applicant for the Status of the SCO Member and the Agreement on Cooperation in Health between the Governments of the SCO member states.

Kazakhstan OIC Chairmanship

Since gaining its independence, Kazakhstan has sought to establish friendly relations with the countries of the Middle East being intended to maintain closer cooperation. Kazakhstan has considered these states as potential partners in economic, political and cultural terms as all the necessary conditions and prerequisites had been present to maintain successful cooperation.

In 2011 and 2012, the Republic of Kazakhstan is chairing the Council of the Foreign Ministers of the Organization of Islamic Cooperation (OIC). The developments in several Arab countries in late 2010 and yearly 2011 should not affect the OIC and Kazakhstan chairmanship.

Kazakhstan joined the OIC in 1995. Since gaining its independence, interaction with the Islamic world has been one of the priorities in foreign policy of Kazakhstan. For its part, the Islamic world considers Kazakhstan as an integral part of the Muslim community.

Since joining the OIC, Kazakhstan has been progressively developing its cooperation with

the General Secretariat and the subsidiary organs and institutions of the Organization. Kazakhstan delegation participated all the major OIC events, such as 8th OIC Summit in December 1997 in Tehran, the 9th OIC Summit in November 2000 in Doha, the 10th OIC Summit in October 2003 in Putrajaya, an Emergency Summit in Mecca in December in 2005, the 24th Ministerial Council in December 1996 in Jakarta, the 33rd Council of Foreign Ministers in June 2010 in Dushanbe, as well as the Annual Coordination Meeting of Ministers of Foreign Affairs of the OIC in the UN General Assembly.

Activation of the relations of Kazakhstan with the Muslim countries obviously meets long-term interests of our country and complies with the points made by President N. Nazarbayev that development of cooperation with Islamic countries is a priority of the foreign policy of Kazakhstan. The active participation of Kazakhstan the OIC, along with other major regional and global organizations, is increasingly important.

A special significance within cooperation of the OIC and Kazakhstan is given to the Islamic Development Bank (IDB) and the companies and firms working in finance, consulting and industries. Work continues to implement the previously signed agreements with the IDB. A number of projects with the IDB are being realized. The IDB has developed a program for 2003—2006 stipulating the launch of the projects of great importance for national economy of Kazakhstan, mostly those on development of infrastructure.

Cooperation with the OIC in education, culture, science and technology is particularly important. Closer cooperation with the Islamic Organization of Education, Scientific and Cultural Cooperation will enable Kazakhstan to implement the national projects aimed at preservation and restoration of its cultural heritage, exchange of experience in learning the languages, history and culture of Islamic countries.

In terms of its national security, Kazakhstan's main agenda is stability in Central Asia, Afghanistan, Xinjiang, Iran, the Caspian and Caucasus, the regions of immediate proximity and national geopolitical interests. Another important factor is that a number of other republics of Central Asia and the CIS are the OIC members and Russia is an observer.

Chairing the OIC, Astana takes considerable responsibility. The Islamic world is extremely diverse and volatile region. The main problem that affects both internal situation of most Muslim countries and the entire system of international relations is uncertain limits for Islamization of politics in these states.

As the OIC Chairman, Kazakhstan proposed the following documents: 1) resolution to celebrate the 29th of August the International Day of Action Against Nuclear Testing and the Comprehensive Nuclear Test Ban, 2) resolution on the joint efforts of the OIC countries to combat drug trafficking from Afghanistan 3) resolution on cooperation between the OIC and other regional organizations. There is a certain implications for possible strengthening of the ties between the OIC and the OSCE given Kazakhstan chairmanship in there. Also, the emphasis was placed on the interaction between the OIC and the CICA which was also initiated by Kazakhstan.

Kazakhstan's leadership was proved by the fact that Astana received numerous requests from the EU countries willing to participate in the OIC Summit. It was attended by Chairman of the Parliamentary Assembly of the Council of Europe, Foreign Ministers of Austria, Thailand, Slovenia, Special Envoy of US President at the OIC, High Representatives of Great Britain, Russia and many other countries and international organizations.

Kazakhstan OIC chairmanship gave a chance to strengthen the bridges between the two structures as well as to promote intercultural dialogue in order to counter xenophobia and Islamophobia, racial intolerance, facilitate socialization of the Muslims in the Western societies. It should be noted that a number of previously adopted OIC resolutions supported a number of Kazakhstan initiatives, in particular the Conference on Interaction and Confidence-Building Measures in Asia (CICA), assistance to the residents of the Aral and Semipalatinsk regions affected by nuclear testing.

The increased role of the Muslim countries in the world, strengthening of cooperation of Kazakhstan and the OIC and its institutions provides new opportunities to address better the problems of international security, improve trade and economic cooperation, cultural and information exchange.

Overall, 2010 and 2011 was the time of renewal of Kazakhstan foreign policy, its guidelines, goals and objectives have been revisited. That indicates the transition of Kazakhstan from regional power into the club of major international players. In fact, Kazakhstan is looking beyond the scope of Central Asia. The international community regards Kazakhstan as a Eurasian state pursuing its lawful national interests and having healthy ambitions.

However, despite certain success and achievements of the recent years, there are still a number of problems related to security in Central Asia and the international position of Kazakhstan. The country is constantly under geopolitical pressure from elsewhere which has not been reduced but moved to a new level.

Thus, the long term goals of Kazakhstan foreign policy include: interaction and integration of the security systems within the OSCE, NATO, CSTO and the CICA, becoming an international mediator in the dialogue between civilizations of the East and the West, implementation of the ambitious transport and communication projects in the Eurasian continent, successful participation in the Customs Union and establishment of the Common Economic Space (jointly with Russia), regional integration in Central Asia (with its possible leadership), establishment of the integration core of the CIS together with Russia, in which Kazakhstan would have an significant position, becoming an important international player in energy security (hydrocarbons, nuclear industry); participation in the process of shaping the global international security system embracing Europe and Eurasia having been linked to Asia where Astana would play a key role.

China's Soft Power

(on the Sixth Plenum of the 17th CPC Central Committee)

KONSTANTIN SYROEZHKIN,

Chief Research Fellow, Kazakhstan Institute for Strategic Studies under President of RK, Doctor of Political Sciences, Professor

Using of soft power by China within its foreign policy course is not something new. The analysis of ancient treatises on the art of war and the 36 Chinese stratagem shows that the strategy then was based on soft power. Although they did not reject military power, the best way to achieve the result was in taking advantage of the enemy's weaknesses.

These are the principles the 'fourth generation' of Chinese leadership relied on having realized that the concept of 'peaceful rise' was negatively perceived internationally. As a result, they returned to the 'peace and development' slogan of the 1980s claiming the fundamental principle of China's external strategy to be a 'peaceful development'.

The term of soft power in its contemporary sense* gained the public attention one again after Qian Qichen, Vice-Premier of China, made his publication in the 'Guojia Wenti Yanji' (№1,

2004). He argued that after September 11, the US worldwide anti-terrorism policies got them into a difficult situation in Iraq. The strategy of preventive use of hard power proved to be ineffective. Having underestimated the role of soft power and international institutions, the USA deprived itself from some important tools needed for realization of the national security strategy [1, p. 46].

Chinese leadership objectively had all reasons to switch the focus on soft power. For 30 years, China had demonstrated rapid economic growth and the living standards had improved making it more attractive for the other developing countries not only in terms of its economic course but as a model of political development**. Not surprisingly, the Beijing Consensus*** had been dominating the Washington Consensus by the early 2000s****.

In May 2004, the Foreign Policy Center, based in London, issued a report on the Beijing Consensus which went beyond the effectiveness of the

* The concept of soft power was introduced by Joseph Nye at the end of the 1990s. It involves the use of 'intangible power resources' of culture and political ideals for influencing the behavior of people in other countries, in contrast to hard power of weapons or money. — See: *Най Дж. Гибкая власть: Как добиться успеха в мировой политике. Пер. с англ. Новосибирск; Москва: Фонд социопрогностических исследований "Тренды", 2006.*

According to Chinese literature soft power typically includes the strategy of a state development; identification power of its ideology and values, attractiveness of its social system and development model, the state's ability to implement its development strategy, the national idea and creative force of the nation, attractiveness of the culture and its influence in international affairs. — See: *Лю Цзайци. Мягкая сила в стратегии развития Китая // Полис, 2009, №4. — С. 149.*

** In its most general sense it includes: a) 'coordinated, comprehensive development with scientifically sound ground' that does not require large public and environmental costs, b) 'stability' of government, institutions and society as a whole, c) 'harmony' meaning desire to minimize damage to the relations between individuals, society and environment as well as to interstate affairs. It is antithesized as a rule to the Western emphasis on democracy, freedom and equality.

*** The term of Beijing Consensus, introduced by the former Joshua Cooper Ramo (editor of the Time magazine), means attraction of the Chinese experience. In contrast to the liberal visions that the state must emerge from the basis of democracy and the international financial involvement, the Beijing consensus focuses on political stability and free choice of the nations of their development model based on experimentation and specific conditions.

**** The principle of the Washington Consensus was formulated in 1990. It includes privatization, tight monetary policy, rejection of the budget deficit, trade liberalization and openness to foreign investment.

'Chinese model'. According to the authors, the Washington Consensus 'resulted from the desire to make the bankers happy' whereas the Beijing Consensus was about the interests of common people. Its purpose was determined as growth with preserved independence. The distinctive feature the Beijing Consensus was a 'strong commitment to innovation and experimentation' (special economic zone), 'protection of the national borders and interests,' 'accumulation of tools of asymmetric force' (including foreign exchange reserves) [2].

In November 2006, Hu Jintao, meeting with writers and artists, spoke on his attitude towards soft power and culture as the tools to strengthen the soft power of China. He pointed out the culture as 'a hot topic' and called to search for the direction of Chinese cultural development, to give it a new shine and to enhance its international competitiveness in order to increase the soft power of the state [3].

In January 2007, in the course of the workshop of the CPC Central Committee on the Internet governance issues, Hu Jintao referred to the soft power again saying that a properly formed and controlled Internet culture was 'beneficial for building up of the soft power of China [1, c.49]'

In his report at the XVII Communist Party Congress, Hu Jintao included soft power into the section on cultural development. It was emphasized that culture was 'increasingly important to aggregate national strength' and domestic cultural development should be simultaneous with increase of its international influence.

According to Hu Jintao, there were four main ways to build up soft power: 1) the core system of socialist values and increase of their attractiveness as well as cementing force of the socialist ideology, 2) harmonious culture, cultivation of civilized manners and customs, 3) raise of Chinese culture as common spiritual basis for Chinese nation, and 4) promotion of cultural innovation, increasing the constructive force of cultural development [4].

China has been rather successful in using soft power in its foreign policy. New initiatives such as 'smiling diplomacy', 'public diplomacy' and 'good neighborhood diplomacy' are important for Beijing's integration into international processes and realization of its ambitions to become an informal regional leader.

To increase the propaganda effect of its foreign policy (especially in the Asia-Pacific and South-East Asia), Beijing has referred to the traditional Confucian values, above all the value of 'harmony.' The corrected and amended strategy of 'harmonious world' was presented by Hu Jintao in April 2005 at the Asian-African Forum in Jakarta and several months later at the 60th UN Anniversary Summit.

Foreign economic policy is increasingly important for China's concept of soft power. China is willing to credit the economies of the other developing countries. But unlike its Western counterparts, it usually does not impose any political and ideological requirements in exchange for its loans. Beijing has been improving supervision over the behavior of Chinese companies abroad and encouraging efficient production in order not to trigger its 'neo-imperialist' image.

China has made undeniable progress promoting Chinese culture and language internationally. 357 Confucius Institutes and 476 Confucius Classes had been functioning by the end of 2010 in 104 countries. 100 million people are currently studying Chinese as a Foreign Language [5].

Confucius Institutes' mission is to promote understanding of China and Chinese culture throughout the world, develop friendly relations between China and other countries. They are focused on the specifics of cooperation with China. The institutions fulfill at least two tasks: education, using the structure and organization experience of Cervantes Institute of Spain, the British Council and German Goethe Institute and, although it is less advertised, promotion of Chinese culture and thereby strengthen the soft power of Beijing [6].

The number of foreign students in China increases. In 2008, more than 200 thousand students came to China for the first time mostly from South Korea, USA and Japan [7].

China has been actively improving the quality of its education provided to international students. The Ministry of Education of China adopted a series of measures enabling Chinese universities to accept foreign students with higher level of academic performance and the Confucius Institutes around the world contribute into fulfillment of the task conducting tests on knowledge of Chinese language and providing the grants for further education in China.

Another thing aimed at increased attractiveness of China among foreign students is the government grants. Thus, according to the Head of the Department of International Cooperation and Exchanges of the Ministry of Education Zhang Syutsin, in 2010, 20 thousand foreigners received Chinese government scholarships; that was 500 million yuan (about \$73.5 million) [8].

Nevertheless, impressive progress in spread of Chinese language in most cases shows only that foreigners, recognizing economic weight of China, learn the language to enhance their business or employment opportunities. This means that increased interest in the Chinese language cannot be considered as an indicator of strengthened soft power of China. It can not be said about the Chinese culture either; its influence is limited mainly to Asia-Pacific and Southeast Asia and even there it would be right to say that Chinese cultural impact is visible in terms of the traditional Confucian, Buddhist and Dao values. As for ideology, particularly socialism, it is not condemned but it is not warmly welcome either.

Chinese economic model is more popular. However, increasing social problems of recent years impedes its popularity and has a negative impact on the international image of China.

Moreover, Chinese experts are aware that the current status of a 'world factory' working for multinational corporations does not contribute into building up the soft power of the People's Republic. China imports foreign expertise, technology and culture while its own expertise, technology and culture are hardly exported and is even withering due to strong foreign competition. Therefore, strategic development of China's soft power shall rest of proper adjustment of its economic structure based on external trade and foreign capital with considerably increased support of its sovereign economy and technological innovation as well as development of an open system of knowledge that would have Chinese character [1, p. 51].

Promotion of socialist values in China faces even more difficulties. In the last three decades the mind set of the Chinese, particularly the young people, has seriously changed. The collectivist values and Confucian cultural tradition have been replaced

by the values of individualism and the elements of Western popular culture being actively promoted especially on television. The traditional system of clans has been virtually destroyed along with the traditional family institutions and particularly respectful treatment of the elders. Young people prefer not to have a formal marriage commitment and increasing number the elderly can not rely on the assistance provided by the young.

Dominance of individualism and the famous slogan of Deng Xiaoping of the 1980s and 1990s that 'some people or groups can get rich faster than others' have distorted the socialist ideals. Very few believe in them; the recent public opinion polls and the CPC Central Committee resolutions prove that. Moreover, the number of people who claimed via the Internet their withdrawal from the Communist Party of China has exceeded ten million [9].

Rapid development of the Internet in China enables larger number of bloggers to have the access to WWW. This limits significantly the capacities of official propaganda*. Bloggers in the social networks of Chinese Internet have become significantly proactive. Protest sentiment and the number of protestant actions have sharply increased. The developments in the Maghreb have had a negative impact showing that the new Internet-based technologies facilitating socialization; there are more virtual 'social networks' and the network of information transmission via mobile telephony and SMS as well as the Facebook and Twitter. The CPC Central Committee, being well aware of the effect, has decided to prevent the possible negative outcomes.

The sixth Plenum of the 17th CPC Central Committee held on October 15—18, in 2011 in Beijing considered cultural issues at such a high level for the first time in the history of the Communist Party of China [10]. Its main result was the 'CPC Central Committee Resolution on Some Issues of Extended Cultural Reform, Promotion of Glorious Development of Socialist Culture' [11] that expanded the previous resolutions made at the 17th Congress of the CPC aimed at soft power build-up. It also made a number of clear points about improving of the cultural policy and tighter control over the media, especially television and the Internet.

* By the end of March 2011 the number of the Internet users in China reached 477 million people, recorded total of websites is 3.82 million. — See: *The number of Internet users in China reached 477 million // Xinhua. — 2011. — 17 May.*

Premises, Goals and Objectives; General Course of Cultural Reform

The abovementioned Resolution highlighted an increased significance of soft power as well as the influence of Chinese culture in the contemporary world of greater development, changes and ordering on the background of multipolarity and economic globalization, rapid development in science and technology, convergence of different cultures and ideologies. Therefore, culture is increasingly important in the competition for the state power; the cultural security of the state is becoming a vital issue.

The Resolution enumerates the eight reasons for the CPC Central Committee to give such a serious attention to the issues of culture.

1. A number institutions and regions lack understanding of importance and relevance of cultural development, therefore, a strengthened role of culture is required to increase qualities of the nation in terms of its civility.

2. There is a certain moral decline, lack of sincerity; some people are confused in terms of their values. Enhance of socialism, as a leading ideological trend, has become more urgent, the task of building a common ideology and morality is complicated in the struggle for unity of the Party and all ethnic groups.

3. Public opinion management needs improving, the construction of information networks and their management needs strengthening and reform.

4. There are not enough products of refined cultural character that would have the force of influence; the creative forces of the cultural production have to be strengthened.

5. Public culture service system is not perfect; the development of culture in urban and rural areas as well as in different regions of the country is uneven.

6. The cultural production is not developed enough, the structure is irrational and the productive cultural forces are still restricted.

7. External cultural influence of China is weak and needs steady strengthening.

8. Considerable enhance of the potential of the cultural pool is greatly needed.

Member of the Political Bureau of the Communist Party of China Central Committee Li Changchun, speaking at the Plenary Session,

stressed that Chinese culture does not fully meet the economic development requirements and growing spiritual and cultural needs; it does not fully encourage promotion of scientific development, social harmony; it does not fully meet the requirements of the expanded 'open doors' policy; there are still a number unsolved problematic issues in the sphere of propaganda, ideology and culture [12].

Given all the abovementioned problematic issues and the need for a 'strategic analysis' as well as a gradual preparation for cultural reform, the Central Committee of the Communist Party of China resolved that the reform shall be focused on the following:

1. Comprehensive introduction of the letter and spirit of the Resolution made at the 17th Congress of the CPC to promote the glorious development and prosperity of socialist culture.

2. Comprehensive introduction of the concept of scientific development to achieve the goals of the 12th Five-Year Plan and encouragement of the process of building a 'xiaokang' society.

3. Enhancement of the cultural content of the state soft power for successful participation in intensified competition among nations.

4. Solution of the emerging problems in the cultural development.

The Plenum identified the major tasks of the forthcoming reform in cultural affairs as the following:

1. To increase awareness of importance and relevance of cultural reform among the Party leaders and as well as general public.

2. To enhance the value core system based on socialist ideology and to provide unity of the Party and people as well as national unity based on common ideology and moral standards.

3. To encourage cultural production in order to meet spiritual and cultural needs of the people.

4. To support cultural production and enhance all-round cultural capacity of China.

5. To improve the system and mechanisms in cultural affairs to speed up the dynamics of cultural development.

6. To improve considerably the proficiency of cultural labor force and increase their numbers.

7. To enhance and change the cultural management capacities of the Communist Party.

The main strategic objective of the reform in cultural affairs is to build a powerful state with a socialist culture by 2020 with harmonious cultural, economic, political, social, environmental and civilizational development.

Additionally, the Resolution provides for the achievement of the following objectives:

- comprehensive value system based on socialism, enhanced ideological and moral profile of the population and gradual raise of traditions and customs among them;
- enriched cultural production of the significant pieces of cultural work meeting the needs of the people;
- comprehensive cultural revival providing the basis for the system of national cultural service on the principles of equality and universal availability;
- making cultural production a principle branch of national economy, increasing cultural power and its international competitiveness based on public property with simultaneous inclusion of private producers;
- establishment of the cultural management system; control over cultural production shall be intensified and diversified, the major emphasis shall be given to national culture with greater openness to the major achievements of the world culture and bigger exposure of Chinese culture in the world;
- increase of the number and professionalism of the people involved in cultural production in order to provide guaranteed favorable conditions for cultural development.

Speaking on the expectations of the cultural reform, Li Changchun stressed that its essential meaning could be described as the 'four gains', 'four stages' and the 'three links'.

Culture shall become a major source of creativity of people and national consolidation. It shall become a major factor in the competition for national power and the basis for social and economic development. Living in rich cultural environment shall become an utter desire for entire Chinese people.

At the current stage of historic development the cultural reform and promotion of flourishing socialist culture is crucial for building a comprehensive 'xiaokang' society, steady maintenance and development of Chinese socialism and revival

of the great Chinese nation (Zhonghua Minzu Wade Fuxing) [13].

To realize the abovementioned points, Chinese leadership are determined to move in the following directions:

- being loyal to Marxism, stimulate its Sinitization to make it more adjusted to the contemporary realities and universally applied; to encourage work and advance the cultural reform in the right direction according to the theory of Chinese socialism;

- to promote the most advanced trends of socialist culture so that it would serve the people and socialism, adhere to the 'let a hundred flowers blossom and hundred schools contend' course, keep the traditional and modern in unity; be loyal to the main course, promote diversity; introduce people to the scientific theories and right outlook; lead people and mold human personality with high morality; inspire people by providing the access to fine works of art; encourage active spiritual aspirations among people and healthy desire to live a civilized life;

- adhere to the 'individual is above all' course and be more involved into the life of common people; encourage mass inclusion into the cultural development; be committed to the 'culture of the people and for the people' principle; stimulate comprehensive personal development; mold the citizens of socialist society with a high cultural, ideological and moral profile and respect for law.

- adhere to the principle that the public interest is the priority to maintain the unity of social and economic interests; comply with the laws in the cultural development meeting the requirements of socialist market economy, strengthen the legal component of culture; stimulate development and control, maintain perfect harmony in culture and cultural production;

- adhere to the principle of the reform and openness, promote the renewal of cultural systems and mechanisms; stimulate development and prosperity through the reforms, allocate constantly and develop the productive power of culture, raise the level of cultural openness, encourage the wider exposure of Chinese culture in the world, introduce actively the most advanced cultural achievements from beyond, maintain cultural security of China.

Major Direction of the Reform

The Resolution outlined the seven directions of the cultural reform. The first is to maintain the system of values based on socialist idea and strengthen the common ideological and moral ground for further enhanced unity of the Party, state and all ethnic groups. The major premises here are the following:

- adhere to the ruling principle of Marxism*;
- adhere to the principle of Chinese socialism**;
- raise spirit of the nation based on patriotism and spirit of modernity based in innovations and reform***;
- impose and maintain the socialist attitude towards personal merits and wrong-doings****;

The second direction is 'to serve the two' and 'Competition of the two hundred'***** to widen popular exposure to the pieces of cultural of work

of the highest quality to give the people spiritual repast. This direction shall rest on the following:

- to adhere the determined course for innovation*****;
- to promote development of philosophy and social science*****;
- to enhance work in the field of information and public opinion*****;
- to encourage the production of greater number of the literary and artistic works of the highest quality;
- to develop decent and quality Internet culture*****;
- to improve the evaluation system for artistic works and the proper reactivate mechanisms*****;

The third direction is comprehensive development of the mass culture and observation

* The Resolution emphasized that the Party needs to adhere to theoretical foundations of Chinese socialism and subsequent massive education. It also underlined the need for creative development of Marxism; making it closer to every-day practice of common people, national identity and contemporary realities.

** The Resolution calls 'to deepen the awareness that Chinese socialism is an immutable path of socialist modernization and revitalization of the great Chinese nation, unalterable way to create a beautiful life to the people.' Therefore, 'while studying the internal and external political situation according to the revolutionary traditions of teaching and education it is necessary to focus on modern and contemporary history; special attention must be given to the period when, under the leadership of the Communist Party, common people participated in the revolution, construction and reforms in order to enhance the faith and conviction in Chinese socialism'.

*** According to the CPC Central Committee, 'universal revival of the national spirit is needed, the Party must by all means raise patriotism, collectivism and socialist ideology, enhance national dignity, self-confidence, self-consciousness', to 'strengthen the spirit of national consolidation, universal awareness of the greatness of the country and Chinese nation, the consensus of different nationalities for the unity and common prosperity'.

**** The CPC Central Committee calls upon cultivation of traditional morality and sense of justice among people, responsibility before society and family, 'to stimulate customs and traditions of harmony', to promote love for country, respect for work, honesty and friendship, equality of men and women, respect for the elders and love of children, community spirit. It has also been resolved to carry out the work aimed at correction of style (chzhenfen) and avoid over-administration (sinfen), to counter the golden calf worship, bliss and pleasure, extreme individualism; misconduct and malfunctioning of public administration officers as well as fraud, deceit, greed must not be tolerated.

***** The course 'to serve the two' means that culture should serve the people and socialism. The 'completion of the two hundred' refers to the 'let a hundred flowers blossom and a hundred schools contend' slogan made by Mao Zedong in 1957 and the cultural revolution of 1966—1976.

***** The Resolution emphasizes 'the right innovative course as the fundamental for the cultural creative production, as all the innovations come from the people, are for people and of people. In this regard, the Resolution requires 'to strengthen the understanding that the people are the creators of history and to adhere to the innovation course whereby the people are the essence of all, to celebrate the great achievements of the reform, openness and socialist modernization'.

***** The Resolution emphasizes that 'for the steady development of Chinese socialism special attention must be given to philosophy and social sciences to improve the popular outlook of the world, to become more civilized, to conduct the theory revision, to raise critically-minded people, and to serve the community'.

***** It has been resolved to maintain properly the party publications and information infrastructure, news agencies, radio and television as well as the Internet. Secondly, propaganda and promotion of socialist values must be enhanced, the authorities must intensify the analysis of the critical feedback received from public, pay more attention to the 'hot' and 'difficult' issues.

***** The Resolution underlines that the strengthening of cultural and ideological positions in the Internet is an urgent task of socialist cultural building. 'In this regard, the CPC Central Committee proposes to support the development of online news sites and revision of some most influential domestic and international sites with general and special content, launching of commercial sites, professional training of online information and services specialists.

***** Additionally, it has been resolved to enhance the legal basis for the Internet operation in order to increase administrative and popular control. The management and control of social networks and on-line news shall be strengthened to maintain law and order in the Internet, to create a civilized and law-abiding environment.

of fundamental cultural rights and interests of people. The Plenum emphasized that 'meeting of the basis cultural needs of people is the major task of socialist cultural development'. The fundamental premises for the third direction are the following:

- to build the system of cultural service*;
- to build the system of propaganda adjusted to the current realities**;
- to build the system of succession of the best achievements of the traditional culture***;
- to encourage joint development of urban and rural culture****.

The fourth direction is rapid development of cultural production and making culture a basic branch of national economy. The major premises here are the following:

- to build the appropriate system of cultural production*****;

- to provide the cultural development based on public ownership with simultaneous development of other forms of property*****;

- to encourage hi-tech innovations in cultural production;

- to enlarge spending on culture*****.

The fifth direction is gradual extension of the reform and openness, intensified development of the mechanisms to stimulate cultural revival. The fifth direction is based on the following premises:

- expanded reform of the public cultural entities*****;

- reorganization of the market system of the to-day's culture*****;

- cultural management reorganization*****;

- improvement of the mechanisms of political guarantees*****;

- encouragement of the wider exposure of the Chinese culture in the world*****;

* It is required to build culture and patriotic education through intensified functioning of the facilities such as museums, cultural centers, libraries, art galleries, polytechnics museums, pantheons, etc.

** In order to increase the influence and leadership of socialist culture, contemporary system of propaganda is required in terms of its technological innovation, speed of information transmission, completeness and coverage. Secondly, the Resolution requires more active work of Party publications, news agencies, radio and television. Thirdly, it is necessary to have a linked system of television, radio and the Internet; a new state propaganda system; the role of cultural propaganda in various information networks shall be intensified.

*** According to the CPC Central Committee, traditional culture is not only the deepest foundation for modern socialist culture it is the essential pillar of the overall spirituality of Chinese nation.

**** From the CPC Central Committee perspective, it is necessary to address the challenge of economic and cultural gap between rural and urban areas of China as well as between its regions. In this regard, the focus of cultural reform shall be drawn on rural areas as well as Central and Western China.

***** To speed up the cultural production a modern system is needed with a rational structure, diversity, high scientific and technical content, rich semantic and innovative components, and strong competitive capabilities.

***** To speed up cultural production, the state or state-controlled enterprises should be properly maintained and expanded, development of cultural enterprises of other forms ownership shall be promoted and guided. Competitive cultural pools of the state or those under the state control shall be established, managed and supervised. Maintenance and administration of cultural industries of non-public ownership shall be enhanced, their functioning shall be directed to independent performance of publicly significant activities.

***** Li Changchun in his report noted that in 2004—2010 the annual growth of cultural production reached 23%, in 2010 it exceeded 1.1 trillion yuan or 2.75% of GDP. The share of cultural production in GDP in the long term shall reach be 8—10%.

The Plenum emphasized that increase of spending on culture as the major condition for successful cultural production development but did not specify the sources of the spending, expect tourism.

***** It has been resolved to transform the cultural institutions and market structures, to change organization, management and methods of public cultural institutions and to stimulate new mechanisms for recruitment, income distribution and social welfare, to establish a new mass culture service.

***** The main task is gradually improving of organization of international exhibitions and fairs, exchange and trade through promoted production of books, films, concerts and entertainment shows meeting the highest market requirements.

***** Firstly, human resources and financial systems in public culture institutions must be improved, the administrative and planning systems must be changed. Secondly a new legislation on cultural affairs is needed to guarantee for mass culture service. Thirdly, the authority of government to organize political, management and social control shall be enhanced.

***** Firstly, the growth in investment from the budget for cultural development must exceed the growth rates of public investment in other sectors, the share of budget spending on culture shall considerably increase in order to provide for implementation and improvement of economic policy in the field of culture, the State Fund for Cultural Development is to be established; other cultural funds shall be granted with preferential tax policy as well as innovative industries in the cultural field.

***** First, expansion of forms and methods of cultural exchange and dialogue between civilizations, promotion of mutual cultural exchange, increase of prestige and influence of Chinese culture in the world, encouragement of cultural diversity. Second, advertising the best examples of Chinese civilization, its democracy, openness and progress. Third, improving the policy measures to support international recognition of Chinese cultural production and establishment of the hubs of Chinese culture abroad, launching competitive cultural projects focused on cultural export to facilitate the access to the global cultural market. Fourth, strengthening Chinese cultural centers and Confucius Institutes in foreign countries, support for cultural exchange organizations.

- greater use and import of cultural achievements from abroad*.

The sixth direction is training a large pool of cultural labor force to provide human resources for glorious revival of socialist culture. The major premises to implement the abovementioned tasks are the following:

- training of senior leadership and further professional development within the cultural pool**;
- development of cultural labor force on the ground;
- enhance of professional, moral and conducive level of the cultural labor force***.

The seventh direction is change and enhance of the cultural management of the Communist Party. Rise of the level of culture and encouragement of cultural reform.

This direction is considered not only as the major condition for further cultural development but also as 'the essential requirement for enhanced political and administrative potential of the Party in its leading role of comprehensive development'. The major premises for the seventh direction are the following:

- comprehensive and responsible realization of the political tasks of the cultural reform****;
- increase the power of the leading groups in the cultural and partisan entities*****;
- reorganization of the working mechanisms of the universal cultural development*****;
- stimulation of the creative capacities of the mass population in cultural development.

When the other points are only planned to be realized, the administrative direction has already had a number of measures taken. A few days after the Plenum, the State Administration for Radio, Cinematography and Television Affairs ordered the 34 satellite television stations to reduce gradu-

ally or even abolished the 'vulgar' and 'utterly entertaining' content including the reality shows since the beginning of 2012. The Regulation has a special reference to the programs on family discords, matchmaking, competitions of the talented and witted, talk shows. In addition, the Regulation prohibits the surveys and audience ratings as the sole criterion to determine whether a show shall be broadcast. Satellite channels are required to concentrate on news programs, increase the share of economic, cultural, scientific, educational, documentary and children's programs.

Presumably, the similar measures will be taken to the Internet space that is the second 'Achilles heel' of CCP's propaganda machine. However, it would be more problematic to limit the access to the Internet and control the recent boom in social networks. In any case, the CPC Central Committee is well aware that the control over the 500 million of active bloggers is a rather difficult undertaking.

Conclusion

The Chinese experts identify the external and internal aspects of the cultural reform which must 'enhance state power' [14].

The external dimension has several factors; contemporary world is witnessing extended economic globalization and political multi-polarization where soft power is becoming increasingly significant in international relations, perhaps even more important than hard power.

Firstly, being one of the world powers, China must take the responsibility to preserve world peace. Thus, the People's Republic must pay more attention to strengthening of soft power along with increase in hard power.

* The basic principle is to apply all international expertise that would be beneficial to enhance the experience of socialist cultural construction, enrich the cultural life of the people of China, contribute to the development of Chinese culture and cultural production.

** The Resolution emphasizes 'strengthening of cultural labor force, establishment of state cultural institutions, assistance and support of young talented people. Creative abilities, desire to learn new techniques, methods of economic management shall be supported in order to intensify domestic cultural development and promote Chinese culture abroad.

*** 'We need to encourage masses of cultural workers (especially those who are well-known) to develop the conscious and value system based on socialism, strengthen their sense of responsibility, raise scientific spirit and work ethic and stimulate the desire to learn, humility and respect for law; by all means we must fight hunger for fame and profit, strongly oppose the lack of respect for learning, the propensity to sordid manners'.

**** Party Committees and local authorities at all levels are recommended to focus on cultural development, to deepen the ideological positions and approaches towards propaganda and ideological work, to create a system of values based on socialist idea.

***** Executive staff at all levels is recommended to pay more attention to the cultural affairs, study theories of culture and other cultural issues, raise their cultural level in order to become genuine leaders of the cultural construction.

***** Unified leadership by Party Committees of the organizational structure of the institutions of propaganda and a system of shared responsibility in these institutions is needed to strengthen all the social forces in a powerful coalition for cultural development.

Secondly, soft power build-up of China is important to increase its international competitiveness. Interstate competition is not only the rivalry with regard to the national resources but also the wisdom of their use. The soft power is wisdom while hard power is used.

Thirdly, contemporary China has become the main rival of the capitalist West. And, 'to avoid the mistakes of the Soviet Union', it is necessary to accumulate soft power along with increase in hard power.

The internal aspect is not less important. The current situation in China and the world requires not only transition to a new model of economic development. Serious internal social and political problems have recently aggravated.

First, rapid development of the Internet and social networks made it a factor capable to mobilize popular masses and therefore requires greater control over the blog sphere to limit the negative impact on the consciousness of the Chinese people, especially the younger generations.

Secondly, Chinese leadership is concerned that young people are heavily influenced by the Western movies, namely American, their standards of conduct and entertainment. Not only the revolutionary tradition, but also the Confucian values are forgotten.

Thirdly, rapid development of market relations has increased social inequality, alienation of people from the Party, crisis of confidence. The disagreements within the Party have also intensified. That is why strengthening of the belief in socialist ideals, social consolidation around the Party is particularly relevant.

While it is all well understood the questions are: what values is the Communist Party adver-

tizing? How will they be perceived domestically and, more importantly, how are they going to be promoted abroad?

The values of revolutionary struggle and the 'Great Leap' are unlikely to be welcome by the younger generation. Those who grew up in a China of rapid economic growth and were brought up in single-child families, the sixth and the next generations are unlikely to accept those values. As for Confucianism, it can and does its good in China. In this context, return to Confucian rhetoric, even by the CPC Central Committee, is not surprising.

Outside China however, expect probably South-east Asia and Asia Pacific, the Confucian values, despite being in some fashion, are not in great demand. Although the two core Confucianism values of political meritocracy and social harmony seem rather attractive, they, in contrast to the liberal democracy, are not universal and acceptable to the general public.

This means that the transformation of China (in terms of its total power) into a global player in the short or medium terms is very unlikely, although the myth is actively supported by some Chinese experts.*

Firstly, China is still a regional power, and the region is dominated by Confucianism and Chinese Buddhism. But the area is very narrow; mainly Southeast Asia. Secondly, China does not have any ideology which could be attractive globally; neither Chinese socialism, nor updated Confucianism are capable to be so. Thirdly, China has not accumulated total power sufficient for global dominance (it is definitely growing, but it is still not enough). Fourthly, China does not have any messianic idea of global scale (their values are influential only

* This approach is more common among a new generation of Chinese international relations and political experts. Accordingly, a 'joint dominance' (Gong Zhu) of China and the USA is possible and desirable. 'Long-term stability, therefore, requires the cooperation between the two to provide stable equilibrium as it is relatively unlikely that the two states determined to protect the world order may simultaneously experience a cycle of power decline. Therefore, since the order is provided multilaterally and there is no a state with overpowering advantage, all issues would be solved through consultation. Accordingly, in order to maintain international public interest the leading countries will allocate money and human resources. For Beijing cooperation with Washington in the leadership of the world order is an expression of 'the inner needs of economic development in a peaceful and stable international environment'. — See: Хуан Хэ, Чжун Ши. Лунь чжун мэй 'гуни чжун' ды кэнэнсин (О возможности "совместного господства" Китая и США) // Сяньдай гоцзи гуаньси. — 2008. №2. — С. 28—32.

Even more radical approaches can be found in the book 'China unhappy. The great epoch, great goals and our inner and outer turmoil' published in 2009 where the authors address their theses mostly to young people and future generations. — See: Сун Сяоцзюнь, Ван Сяодун и др. Чжунго бу гаосин. Да шидай, да мубяо цзи вомэнь ды нэй ю вай хуань (Китай недоволен. Великая эпоха, великие цели и наши внутренние и внешние неурядицы). — Наньцзин: Цзянсу жэньминь чубаньшэ, 2009; Галенович Ю.М. Китайские сюжеты: Чем доволен и недоволен Китай. — М.: "Восточная книга", 2010; Он же. О чем пишут авторы сборника "Китай не доволен!". — М.: ИДВ РАН, 2009.

in regional scale). Finally, there are no attractive mechanisms of propaganda and ideology to promote messianic idea (the Confucian and Buddhist cultural area is the only target group for the Chinese TV and cinematography, this is not Hollywood).

Beijing is obviously well aware of it, this is the main reason why until recently China has used its soft power primarily in the external economic contacts and diplomacy.

The challenge to-day is bigger. Firstly, Beijing has to counteract the negative effects of the Western ideology and Western values on public opinion and behavior of the people especially the youth. Secondly, by cultivating of the traditional Confucian values, it has to succeed in national consolidation

and renaissance of the great Chinese nation and its culture. The third challenge is to increase, via the state support, the influence of Chinese culture, ideology and values in the world and thereby enhance soft power content in the total power of the state.

This is quite an ambitious task to fulfill. However, Chinese leadership seems not to have any choice. It is well aware that in the near future China will be ruled by the elite of so-called 'little emperors', the generation who, being brought up differently than their parents, have a different system of values. And this is a serious threat not only to the CPC, as a guiding force, but also to the development of China in a particular paradigm of Chinese socialism.

SOURCES:

1. Борох О. Ломанов А. Скромное обаяние Китая. // Pro et Contra — 2007. ноябрь—декабрь. — С. 46.
2. Ганшин В. Прочность китайской «мягкой силы». // Проблемы Дальнего Востока, 2009. №6 — С. 40.
3. Информационное сообщение // Жэньминь жибао. — 2006. — 11 ноября.
4. Hu Jintao. Report of the XVII National Congress of the Communist Party of China. October 15, 2007 // People's Daily. — 2007. — 25 October.
5. 100 млн. иностранцев изучают китайский язык // Жэньминь жибао онлайн. — 2011. — 28 ноября.
6. Мишина С.И. Говори мягко... // Азия и Африка сегодня. — 2011. №3. — С. 23.
7. Информационное сообщение // Жэньминь жибао. — 2009. — 26 марта.
8. Информационное сообщение // Жэньминь жибао. — 2009. — 31 марта.
9. Скосырев В. Миллионы членов КПК заявили через Сеть о выходе из партии. // Независимая газета. — 2011. — 28 октября.
10. Лю Юйчжу. Цзяншэ шэхуйчжуй вэньхуа цянью да цзун ганлин (Генеральная программа построения мощного государства социалистической культуры) // Чжунго гунчан дан синьвэнь ванн (Портал «Новости КПК»). — 2011. — 18 октября // <http://theory.people.com>
11. Чжунгун чжунъян гуаньюй шэнхуа вэньхуа тичжи гайгэ туйдун шэхуйчжуй вэньхуа да фачжань да фаньжун жогань чжунда вэньти ды цзюэдин (Решение ЦК КПК по некоторым важным вопросам углубления реформы культурной системы, стимулирования великого развития и расцвета социалистической культуры). Принято VI-м пленумом ЦК КПК 17-го созыва 18 октября 2011 // Жэньминь жибао. — 2011. — 26 октября.
12. Ли Чанчунь. Гуаньюй Чжунгун чжунъян гуаньюй шэнхуа вэньхуа тичжи гайгэ туйдун шэхуйчжуй вэньхуа да фачжань да фаньжун жогань чжунда вэньти ды цзюэдин ды шомин (Разъяснение Решения ЦК КПК по некоторым важным вопросам углубления реформы культурной системы, стимулирования великого развития и расцвета социалистической культуры) // Жэньминь жибао. — 2011. — 27 октября.
13. Ibid.
14. Чжан Иу. Лю чжун цюаньхуй тушилэ чжунго вэйлай фачжань ды синь шицзяо (Шестой пленум ЦК КПК высветил новый взгляд на будущее развитие Китая) / Чжунго гунчан дан синьвэнь ванн (Портал «Новости КПК»). — 2011. — 21 октября. // <http://theory.people.com>; Чжун сюань бу лилунь цзю юань фу цзю чжан Чжан Гоцзо тань вэньхуа цянью чжаньлюэ (Бывший заместитель начальника департамента теории отдела пропаганды ЦК КПК Чжан Гоцзо обсуждает стратегию усиления государства за счет культуры) // Чжунго гунчан дан синьвэнь ванн (Портал «Новости КПК»). — 2011. — 20 октября. // <http://theory.people.com>; Чэнь Шаофэн. Цзяншэ вэньхуа цянью ши дуй го нэй вай и гэ сюань бяо (Строительство мощного государства с помощью культуры) // Чжунго гунчан дан синьвэнь ванн (Портал «Новости КПК»). — 2011. — 20 октября // <http://theory.people.com>

After the Soviet Union: from the CIS to the Eurasian Union

GENNADY CHUFRIN,

Deputy Director, Institute of World Economy and International Relations, Russian Academy of Science, Corresponding-Member of Russian Academy of Science, Doctor of Economics, Professor

The greatest geopolitical catastrophe of the twentieth century occurred at the turn of the 1980s and 1990s; the Soviet Union disintegrated due to long-accumulated problems of economic, social, ethnic and political character.

Half a dozen new states emerged on the territory that recently had been united in a single power. The next day after declaration of political independence these newly established states faced critical challenges of economic survival and development, they had to meet social requirements and prevent political chaos.

At the same time, the starting economic conditions of the former Soviet republics, then young sovereign states, were very different in terms of natural resources, including fuel and energy as well as food resources, development of the national industries, economic relations with the outside world. Therefore, the optimal choice seemed to find a mutually acceptable and beneficial model of interstate relations of the newly independent countries, which would recognize the new political realities in post-Soviet space but preserved (and accelerate in the future) the positive results of long-term economic cooperation and interdependence within a single economic complex of the USSR.

The majority of former Soviet republics joined the Commonwealth of Independent States (CIS) in order to give an adequate response to these challenges. The CIS was supposed to preserve unity in the new environment, but being very amorphous, failed to do so. Moreover, as E. Primakov rightly

noted those people (namely B. Yeltsin, L. Kravchuk and S. Shushkevich) who signed the CIS Treaty on the same day when the Belavezha Accords effectively dissolved the USSR (December 8, 1991), pursued very different purpose to conclude a civilize divorce, they confronted those who opposed termination of the 1922 Treaty on the Creation of the Soviet Union implying that they had not just dissolved the USSR but found the substitute for it [1, p. 75]. Additionally, dissolution of the USSR significantly exacerbated separatism and cross border disputes in the former Soviet Union, which led to serious conflicts even open military clashes and wars in a number of post-Soviet countries including Russia.

Given that, the failure to maintain closer interstate relations, including economic, among the former Soviet Union the 1990s is quite understandable. The Treaty on Economic Union signed in 1993 stipulating successive stages of establishment of the common free trade zone, customs and monetary union to form eventually the common market for goods, services and capital has never been implemented.

Establishment of the Central Council on Economic Cooperation also failed, so did the agreement signed by the heads of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia and Uzbekistan to maintain the ruble as the single currency and on the principles of establishing the common central bank. In the military sphere, the newly independent states could not agree on estab-

lishment of the common armed forces and the post of the commander-in-chief of the armed forces was abolished [1, pp. 76—77].

The effectiveness of the CIS was minimal even at the moment of its establishment and declined even more with time. Without any supranational authority at its initial stages, the organization is now just a negotiating platform and its members decrease in numbers. Uzbekistan, unlike quite recently, is notably less interested in the CIS and its projects such as the Eurasian Economic Community. Turkmenistan deliberately limited its participation in the CIS to the status of an associate member and Georgia withdrew from the Commonwealth after the events in the Caucasus in August 2008. As for the rest of the CIS members, their resolutions are in fact recommendatory in nature and are not binding; as there are no mechanisms to enforce their implementation.

Only at the beginning of the first decade of the new century, disintegration tendencies in the former Soviet Union shifted to closer integration. Bilateral relations between the former Soviet states in economic, political, international and regional security spheres enhanced.

Multilateral format was less affected by these tendencies. Although the establishment of the Eurasian Economic Community (EurAsEC) in 2000 of Russia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan (Uzbekistan participated in 2006—2008) was a significant move in the direction. Establishment of the Collective Security Treaty Organization in 2003 is another example. The organization comprises the same members and Armenia. Therefore, multilateral cooperation was gradually considered as increasingly important along with the further development of bilateral ties between the former Soviet countries.

Increasing number of new independent states realized the need to strengthen their interstate economic cooperation at multilateral level largely dictated by the continuing instability in the global economy that had not overcome the devastating effects of global crisis of 2008—2010. They had to confront the recession in domestic production and lower export revenues as a result of a new wave of global crisis including that in the international financial sector.

A coherence policy on labor migration was also needed as well as the assistance to the neighbors

to reduce social tensions, which intensified in a number of post-Soviet countries, and to overcome its consequences. Multilateral coordination and cooperation to address transnational issues such as control over water resources and their use and environmental degradation had become considerably more relevant.

Accordingly, by the end of the first decade of the twenty-first century, increasing tendencies of rapprochement of the former Soviet Union resulted in the common position of Russia, Kazakhstan and Belarus favoring progressive strengthening and development of multilateral economic cooperation which had definitive integration character. The abovementioned countries (along with Ukraine) are the largest in the post-Soviet space in terms of GDP. The leaders of Russia, Kazakhstan and Belarus decided to start with establishment of the Customs Union (CU), which should then be transformed into the Common Economic Space (CES), with the ultimate goal to establish the Eurasian Economic Union (EEU) being motivated by major internal and external factors affecting national economies.

Russian Prime Minister V. Putin, President of Kazakhstan N. Nazarbayev and President of Belarus A. Lukashenko provided the analysis of these processes in October 2011 on the pages of the Russian newspaper 'Izvestia'. The articles, which were in fact programmatic in nature, outlined the previous experience of the complicated process of integration in the post-Soviet space. More importantly, the authors described the main strategic guidelines for further development of integration initiatives with the ultimate goal of establishment of the Eurasian Union. Their articles, although they deferred quite naturally in emphasis, outpointed the shift from disengagement policy and practice pursued by the former Soviet Union during the first two decades after the collapse of the USSR to enhanced multifaceted cooperation between the countries concerned.

According to V. Putin, establishment of the Eurasian Union approximately by 2015 as powerful supranational union may form one of the poles of the contemporary world. It should enable the members to maintain closer coordination of economic and monetary policies, to create a proper economic union [2]. N. Nazarbayev referred to his initiative to establish the Eurasian Union on the basis of the

CIS made in March 1994. Kazakhstan President reaffirmed his commitment to the ideals of integration in the post-Soviet space and expressed his firm intention to continue the development and specification of various aspects of the project [3]. A. Lukashenko, in his turn, stressed unconditional recognition of the fact that Belarus need for 'deep and productive' integration with the closest neighbors. 'It was, is and will remain the natural way of development', Belarus President added. According to A. Lukashenko, the integration course was approved by an absolute majority population during the two referendums held in the yearly 1990s. [4]

The movement towards closer economic cooperation was started by the establishment of the Customs Union in 2010 by Russia, Belarus and Kazakhstan. The member states started to implement the provisions of these interstate agreements although with deferent degrees of intensity. However, the experience has shown that maximum realization and coordination of the interests of the member states requires constant adjustments of the regulatory measures and procedures.

Any move of integrative character should have carefully accounted the interests of the entrepreneurs and producers in each state within the Customs Union. The impact on the prices of consumer goods and services rooted in the changes in national economies should have been also considered. This should have been done to prevent the slow down of national production and inflation. More importantly, the drastic consequences should have been considered to avoid those that could have lead to social and political tensions.

In other words, despite the fact that the process of post-Soviet economic integration proceeds, it would be a grave mistake to underestimate the difficulties and challenges facing the Customs Union member states. Besides, the popular attitude towards the CU in the member states is still ambiguous. The debate over the advantages and disadvantages of the Customs Union continue after it has been officially launched. Political and business figures as well as those from academia still question its feasibility and viability. Critical remarks on the CU come from abroad, namely from the USA and EU. The most implacable critics believe that the Customs Union hampers the national interests of its members.

It must be admitted that the arguments of the Customs Union skeptics, being considered impartially, reflect some issues that deserve closer attention and should be addressed. However not all critical remarks can be accepted.

All criticism of the Customs Union can be of the following characters.

The post-Soviet countries are allegedly not interested in maintaining economic and business relations not mentioning their expansion. The argument is supported by the fact that in the post-Soviet period there was a noticeable reduction in mutual trade, economic and investment ties, the share of the CIS countries fell in the foreign trade of individual economies.

This argument, however, ignores the fact that the economic ties of the former Soviet republics (now sovereign states) had a very long history they had been functioning very successfully within a single national economy for decades. And unlike the countries of the European Union, the post-Soviet states had not to create some new mutual economic ties, but revive the previously existing ones. The destruction of economic ties in the 1990s resulted from tumultuous political sovereigntization of the republics, which had led to the collapse of the Soviet Union some years earlier, but not due to the lack or loss of mutual economic interests.

Moreover, the experience of the past two decades shows the result of the consequences of mutual economic relations which was substantial damage to the national economies, destruction of the most advanced branches of national industries in all post-Soviet countries. As a result, all of them, including Russia, are facing the very real prospect be remain in the periphery of the global economy. The hopes that they would manage to overcome the degradation, restructure and modernize the national economies and start the economic and technological advance alone or with foreign investments were overwhelmingly illusory. In these circumstances, new interest in reviving pre-existing mutual industrial, technological, trade and other economic relations was a logical response to global challenges.

This is a common tendency for most post-Soviet economies, including Russia, to be increasingly interested in the access to the markets of the post-Soviet countries, productive cooperation with

them, as well as in meeting the growing domestic demand for energy, raw materials and agricultural resources produced by these countries.

The upward trend of mutual economic interest was most visible during the period from 2000 to 2008 when the bilateral trade between Russia and the CIS countries increased in value by 4.2 times — from 25 327 to 106 263 million. While in 2009 there was a significant decline (36%) resulted from the global financial and economic crisis, however, in 2010 there was almost complete recovery of the size of Russia's trade with CIS countries.

In the first half of 2011 the foreign trade turnover of Russia with the countries of the Eurasian Economic Community was 38.6%, according to the Federal Customs Service and with members of the Customs Union it was 41.3% exceeding by 2.7 and 5.2% points respectively the trade turnover of Russia with the other foreign countries [5].

According to the head of the Russian Ministry of Industry and Trade V. Khristenko, the Customs Union greatly influenced the growth of trade between its members. 'At the end of 2011 the three countries will come with have \$100, probably \$110 billion of bilateral trade. These are serious figures', he said at the meeting of the supreme body of the Customs Union at the level of Heads of Government and the EurAsEC Interstate Council in St. Petersburg on October 19, 2011 [6].

Summing up, it should be stressed that such a rapid growth in the size of mutual trade of the CIS countries was largely possible due to the revival of commercial, industrial, technological and other business relations, especially in cross-border and interregional trade between the producers in neighboring areas and regions. The agreements on the matter, concluded by the Customs Union member states, have obviously contributed in the process.

The second argument of the CU opponents is significant differences in the interests of its members both on general and more specific issues such as trade of certain products or product groups; they differ in their positions on cooperation in specific areas of economy such as the energy sector.

Unfortunately, since its establishment, the Customs Union, as it was repeatedly noted, faced rather serious problems caused by the differences in national and group interests because for the 20 years after the collapse of the Soviet Union the

national republics, being sovereign states, pulled away from each other quite significantly. They formed independent economic groupings with their own interests that did not always coincide with national ones. Development of integration ties with former Soviet republics often was not considered (and it is not these days) a priority as they were focused on other countries and markets such as the European Union.

To overcome the abovementioned national and group economic differences, which have already been formed in individual countries would mean to solve a very complex problem, therefore the process must not be forced artificially, at the same time, we shall not let things drift.

It is, therefore, important to promote steadily and consistently the coordination of positions between the CU members as it is mutually beneficial and find the most effective solutions, not to exaggerate the process skipping the stages in favor of publicity to the detriment of achievable and desirable results.

However, the Customs Union practice has demonstrated the willingness of its members to find the best forms of economic cooperation and their readiness for compromises.

The third argument against the Customs Union is that it allegedly will obstacle the WTO entry for its members. However, Russia's bid to join the WTO was back in 1993 when the Customs Union of Russia, Kazakhstan and Belarus had not been even the question. Nevertheless, Russia's WTO accession has not taken place either then or in the next 18 years. Moreover, despite the seemingly benevolent rhetoric of the leaders of the USA and other Western countries about Moscow's WTO entry, they issued new demands and economic concessions. Georgia generally blocks the entry of Russia into the WTO unless the customs status of its border with Abkhazia and South Ossetia is revised. However, the second wave of global financial crisis which is very likely has increased interest of the Western countries in the Russian market and, consequently, weakened their pressure on Russia in the matter of its WTO accession. At the same time the pressure on Georgia increased to achieve a compromise about the customs and border control with Abkhazia and South Ossetia, thereby the major obstacle was

eliminated, making Tbilisi less reluctant to see Moscow in the WTO. As a result, Russia still has a chance to be admitted to the WTO before the end of 2011. The Customs Union of Russia, Belarus and Kazakhstan has nothing to do with these developments.

The arguments of the Customs Union critics are rather inconsistent as Russia, Kazakhstan and Belarus had made their WTO bid long ago. At the same time, V. Putin stressed that removing the barriers within the Customs Union did not mean that at the external borders the CU would turn into some insurmountable barriers. In contrast, the main task was that by being united our countries would be more efficiently and harmoniously integrated into the global economy. 'It is about being integrated

into the global economy, not isolated' [7]. The CU members from the very beginning agreed that the Customs Union (and later the Common Economic Space) should be based on the WTO principles.

It would be naive and even counterproductive to deny or underestimate numerous problems and difficulties facing the Customs Union, some more will arise in the course of its functioning as well as before the future CES. Recognizing this, it is important to emphasize however that within the post-Soviet space 20 years after the dissolution of the Soviet Union there are objective prerequisites for closer interstate cooperation. The process is based principally on economic integration and the related projects such as the Eurasian Union that are the vehicles to achieve the goal.

SOURCES:

1. Примаков Е. Мысли вслух. — М, 2011. — С. 205.
2. Путин В. Новый интеграционный проект для Евразии — будущее, которое рождается сегодня // Известия. — 2011. — 3 октября.
3. Назарбаев Н. Евразийский Союз: от идеи к истории будущего // Известия. — 2011. — 25 октября.
4. Лукашенко А. О судьбах нашей интеграции // Известия. — 2011. — 17 октября.
5. <http://www.customs.ru>
6. <http://www.newskaz.ru>
7. <http://government.ru>

A Culture of Peace and Stability in Models of Legitimation of Political Regime

YURI BULUKTAEV,

Chief Research Fellow, Kazakhstan Institute for Strategic Studies under President of RK, Doctor of Political Science

The 20-year transformation of Kazakhstan's society shall be regarded as a process. The legitimation of the political regime has been the most important part of this process. The term of legitimacy is the crucial for stability of any political power. It specifies the reasons for which the majority of the population support or reject it, preserve or change it.

Legitimacy, in the socio-political sense, is recognition of the lawfulness of the current government from within and by the other states. The problem of legitimacy is a problem of recognizing the power by the society.

Definition of the objectives of social development is important for the models of legitimation of the political regime. Historical experience shows that overcoming the acute systemic crisis of society and the transition to a sustainable economic and social development always begins with a definition of the long-term goals by the political regimes. This methodology was common for the post-war German and Japanese miracles, breakthrough of the Asian tigers such as Singapore and Malaysia, the current success of China.

Obviously, overcoming the devastating effects of a systemic crisis requires the implementation of such a large-scale qualitative change in all structures of society that cannot be realized within the short or medium-term programs. The long-term strategy maintains continuity of the course regardless the results of the election cycles. It is important to preserve the stability of the political system and social accord.

Contemporary Kazakhstan seems not to have the problem with goal determination by the political regime. There is a 2030 Development Strategy, the strategy to bring Kazakhstan into the club of the 50 most competitive countries in the world, the National Program for Rapid Industrial and Innovative Development and other modernization initiatives. They are primarily aimed at going beyond the 'catching up' development framework to the model of 'advanced' development. They formulate the long-term goals and outline the ways to achieve them.

Kazakhstan is susceptible to the successful experience of the other developing countries. Strategic programs, such as the Malaysian 2020 Vision, Strategic Plan of China and South Korea, Roosevelt's New Deal to overcome the economic depression of the 1930s were considered while drafting of Kazakhstan Development Strategy. At the same time, it focuses not only on economic issues, it is a complex approach to solve all the problems and eventually insure a comprehensive development strategy. The main task here was to identify the priorities based on the resources and time allotted for implementation of the strategy [1].

The Strategy for Establishment and Development of Sovereign Kazakhstan was an attempt to identify the strategic objectives and conceptual model of development. Democratization, reform of economic relations towards full market were recognized as the only possible means to overcome the deep crisis of the national economy and

create a favorable climate for emergence of the nation-state.

In terms of politics, the main objective was development of the young sovereign state in the direction of a strong presidential republic. The document proclaimed equal opportunities for all citizens and equality before the law regardless their ethnic background, although it was emphasized that the interests of the Kazakhs, being the core ethnic group, sometimes might be considered separately. It was decided, however, that this provision referred to the revival of the national culture and language, restoration of spiritual and cultural ties with the Kazakh diaspora, favorable conditions to return to their homeland those who had been forced to leave Kazakhstan.

Consistent implementation of the 2030 Strategy defined the current state of Kazakhstan. The model of a culture of peace and political accord was repeatedly refined and concretized in the short and medium-term strategies and programs designed by the political regime. For example, President N. Nazarbayev articulated the program of democratization and political reform on September 30, 1998.

Kazakhstan model of legitimation of the political regime assumed that the new quality system is achievable through political stability, civil accord, constant expansion of the social base of transformation with various forms of democratic expression within the structures of power. A policy of national consensus, an environment for civilized competition of ideas was needed amidst the polarization of the political forces [2]. That is why President N. Nazarbayev focused on the issues of stability and harmony. For example, one of his writings is entitled 'Social Consensus as the Basis of Democratic Development' [3].

Various mechanisms of social dialogue have a special place in the model of legitimation of the political regime, namely The People's Assembly of Kazakhstan, National Council, Standing Conference on Democratization, State Commission for Development and Concretization of Democratic Reforms, Public Council on Information Policy, Ombudsman, Civil Forum, Congress of World and Traditional Religions and others. The dialogue was focused on the discussions on the structure of the political reforms including the constitutional

issues, with extensive use of social and political forces. As a result, the specific mechanisms were developed for implementation of the democratic reforms which covered virtually all aspects of political life.

For example, on September 13 2007, in Astana, the National Advisory Council of Experts on Democratic Reforms in Kazakhstan had its first meeting. The aim of the Council was to build a dialogue between the public authorities and civil society. The recommendations of the Council were conveyed to the government and the expertise was successfully applied by the parliamentarians.

Another form of the public dialogue was the first Congress of World and Traditional Religions held in Kazakhstan in September 2003 at the initiative of President N. Nazarbaev who saw it as a platform of constructive interactions of civilizations. The initiative was received with enthusiasm worldwide. The congress brought together 17 religious organizations representing Islam, Christianity, Buddhism, Judaism, Hinduism, Shintoism, Taoism and others. The event promoted the idea of cooperation and unity of different religions of the world in the name of a peaceful and dignified life for all people on the planet.

The Congresses of World and Traditional Religions considered the pressing issues of the contemporary globalized world such as religious freedom, respect of other religions and the role of religious leaders in strengthening of international security in the light of new threats and challenges. The Congress outlined the principles of interfaith dialogue in the contemporary world which could be described as the principles of mutual understanding.

In 1991 — 1996, social partnership was recognized as an effective mechanism for consolidation of society in the context of complex economic transformation. In December 2000, the Law of the Republic of Kazakhstan 'On Social Partnership in the Republic of Kazakhstan' defined the legal framework, objectives and functioning of the systems of social partnership (tripartite) in the Republic of Kazakhstan, established the procedure for the conclusion, amendment and termination of the general, sectoral and regional agreements to achieve the common socially significant goals

based on the principles of equality and mutual responsibilities of the parties concerned.

Researchers of the transformation processes argue that the prospects and pace of Kazakhstan development is directly dependent, along with the democratization of society, on the idea that could unite it. This was the idea of Kazakhstan patriotism and pragmatism, idea of consolidation and social partnership, internal peace and inter-ethnic harmony, communality and cooperativeness. The public authorities realized that these indisputable values should be implemented through positive, healthy policies [4].

One of the main factors determining the nature of such policies and the pace of transition is the factor of socio-cultural nature. In other words, it is the type of personality, its national character determining the degree to which the universal norms and the goals of political development are accepted. Historical experience shows that political transformation can be realized only if broad popular masses change their values overcoming the crisis of political culture. The transition of Kazakhstan to a civil society was simultaneous with radical modernization of the social sphere as well as economic and political relations that entailed change in values at all levels: social, group, and personal.

The models of legitimization of the political regime take into account the abovementioned factors. President N. Nazarbayev understands modernization of the mass consciousness as a necessary requirement for the whole nation. According to N. Nazarbayev, the problem is that the current state of national consciousness is a complex mixture of the socialist and traditional views with quite a superficial assimilation of some liberal ideas. N. Nazarbayev argues that the modern consciousness does not contradict the national. In contrast, only a modernized national conscience guarantees the survival of the national 'selfnesses'. The difference between the contemporary Korean and Englishman or between Japanese and Frenchman is easily seen. Meanwhile, over the past decade, both Japanese and Korean nations has successfully modernized their national consciousness. This is the consolidating nationwide challenge the Kazakhs face at the end of the century, N. Nazarbayev argues [5].

Specific conditions of Kazakhstan being a multiethnic state require the unity and social stability. It is necessary to keep inter-ethnic peace, but also nation-wide consensus in order to strengthen the sovereignty of Kazakhstan, its national security and territorial integrity.

In order to fulfill the task, the political regime needs the national idea which aims to eliminate the uncertainty of life and values of Kazakhstan people and promote a holistic social consciousness [6]. The generator of Kazakhstan national idea was the Head of State N. Nazarbayev. The core components of the national idea can be drawn from official documents such as the Constitution, political parties programs, Annual Presidential Addresses as well as N. Nazarbayev's writings:

1. State-nationalist component provides consistent defense of the political and economic sovereignty of Kazakhstan, preservation of its territorial integrity, an independent pragmatic foreign policy, increasing the national (Kazakh) components in the government, while respecting the legitimate interests and rights of the other ethnic groups. State-nationalist component is closely related to the Eurasian idea which can be implemented via integration of the Eurasian countries where establishment of certain supranational bodies is also possible. In this case, the authors argue that the Kazakhstan identity should not be dissolved in a would-be Eurasian Union.

2. Developmentalist component means that the main objective is transformation of Kazakhstan into a highly developed state both politically and economically (the concepts of Kazakhstan Snow Leopard, or Kazakhstan—2030) capable to reach the same level of development of the Asian Tigers, namely Singapore, Malaysia. The task identified by the Head of State as struggle to enter the club of the 50 most competitive countries in the world that shall facilitate achieving this goal.

3. Democratic component stipulates that at this stage the predominant role is given to the state having a leading role where the public relations shall be promoted. According to N. Nazarbayev, the national model should reflect the convergence of different models of social development. According to the Constitution, Kazakhstan is build-

ing a social-market economy. This is exactly what the country needs. 'Our model will determine our own path of development combining the elements of other models but relying primarily on our specific conditions, history, new citizenship and aspirations taking into account specific stages of development' [7].

Kazakhstan as a state has its own unique history, a specific path of transformation and evolution, national traditions. Ignoring them, neglecting the memories of the younger generation can only adversely affect the process of choosing the direction of development. 'The foundations of intercultural dialogue are found in human nature; these are openness, understanding, love and creative self-actualization' [8]. Therefore, the prerequisites for the successful unity of the cultures are individual willingness and ability of consolidation within a particular model of statehood.

The most important factor of legitimacy of the political regime is political stability that is understood as a comprehensive system of the relations between the state and society.

The influence of political stability on the legitimation of the political regime is manifested in predictable governance, ability of the authorities to resolve social contradictions without infringing the rights of people, sustainable socio-psychological climate in the country.

While assessing stability of the political system (political stability), the functioning of the system with its realities must be taken into account. The flowing features of the system worth special mentioning:

- extraction capacity, i.e. mobilization of material and human resources (finance, support, attraction of the talented);
- controlling capacity, i.e. retention under the control the behavior and activity of various social groups and institutions;
- distributive (distributive) capacity i.e. distribution and allocation of the available resources in the society in accordance with the actual needs;
- reactive capacity, i.e. timely response for the differently directed demands coming from the society as a whole or the individual groups in particular;
- communication capacity, i.e. to improve the efficiency of interaction of all elements of the system using popular social ideas, slogans, symbols.

The basic characteristics of stability are the following:

1. Political position and role of individual leaders in socio-political situations of the present and past;
2. The ability of critical analysis of social reactions and the own role in the political practice;
3. The ability to express and defend the national interest (group interests);
4. the values, moral rules and motives for political participation.

A political regime possessing considerable power is able to maintain stability, and more importantly, to encourage the necessary changes. Balance between stability and change is one of the most important indicators of effectiveness of a political regime.

Massive and rapid changes as that of comprehensive transformation experienced by Kazakhstan usually require the conditions under which the social system would retain the necessary degree of stability. Therefore, the government agencies are supposed to be especially efficient in the following areas:

1. Concentration of forces of attraction to maintain the entire systems;
2. Minimization of destructive impulse;
3. Generally accepted rules of conduct by the all parties for normal functioning of the system.

A certain level of interaction between the political regime and civil society is crucial for political stability and legitimacy of the former. Managerial impulses from the political structures of power are addressed, as a rule, directly to the people. In fact, they are changing while contacting the civil society according to the current state of the latter. The civil society, in its turn, accumulates, transforms and intensifies the impulses coming from the individuals.

The legitimacy of political power depends on numerous factors including popularity of the leaders and compliance of the goals of the elite, its principles and methods with the traditions. The society forms the attitude towards the power, correlating its performance with the main consciousness stereotypes. During the crisis, when social changes are not smooth but very sharp, the process of stereotype reflection lags the rapid pace of changing reality. Old stereotypes are reconsidered and replaced by the new ones. This is a long-term

process. Moreover, people are most concerned who leads then where and how. Usually, people's perception of the power has three levels of legitimacy: personal, ideological, structural. To be legitimate, the government must be recognized by the society in terms of its goals, regime and leaders, they shall fit into generally the accepted standards of morality, ideology and law.

Kazakhstan's choice is democratic development. Sustainable and lasting character of democratic reforms is a prerequisite for massive support to the current regime in Kazakhstan.

Political stability can be maintained only when inevitable changes are implemented in compliance with the dominant political culture. Political culture is also an important factor of social activism and affects indirectly the social space of national consensus. In this regard, it should be emphasized that there is certain interdependence between political stability, stability of the political regime and social security.

Social security is usually understood as sustainability of all structures that support sustainable (stable) development of society. This requires the modernization of the outdated social structures and institutions or their adaptation to the new realities. In the contemporary Kazakhstan society the issue of social security is one of the most important. Despite the fact that the majority of population is focused on adaptation to the new social and economic environment and social order, there are certain social groups who are frustrated. Interestingly, these are not only those who do not see the ways to change their lives, but also those capable to unite because they do not tolerate the current state of things.

According to some members of the Parliament of Kazakhstan, surveyed the VI Problem Group in June 1999, the issues destabilizing Kazakhstan society included: poverty (92%), unemployment (78%), high levels of crime (62%), degradation of small towns and villages (60%), environmental conditions (51%), lower cultural level, marginalization (48%), democratization of social processes (16%) [9]. These data suggested that the political regime in the 1990s failed to cope with unemployment, poverty, social protection of vulnerable classes, crime, degradation of small towns and villages and marginalization.

Consequently, solution of these problems (which are the challenge to the current regime) requires closer attention from the government bodies, flexibility of the political system and its adequacy for the reforms, development and implementation of the measures to maintain social security. However, the poll was conducted just after quite a long period of economic crisis of the 1990s. The fact that since the early 2000s Kazakhstan economy has been booming suggests that the political regime made considerable efforts which prevailed over the crisis tendencies in the economy.

Political stability in Kazakhstan can be explained by the fact that the change of the political process is achieved through a gradual resolution of the accumulated contradictions and conflicts rationalization. Analyzing the political developments in Kazakhstan during 2001—2004 — change of the government, the arrest of the opposition leaders, restriction of free media, more severe legal framework for the political parties — one may conclude that absolute stability of any system is impossible because it lead not only to stagnation of its constituent elements, but isolate it from external influences. The desire to achieve and maintain absolute stability makes the ruling elite resist any change both from within and outside.

Therefore, stability should not be regarded as a static but as a dynamic process providing for permanent changes both of the state and society. The problem of stability of dynamical systems is primarily a problem of the optimal balance between continuity (identity) and modification due to internal and external stimuli. The degree of the balance (in the sphere of internal development) can be determined by the pace and direction of the changes.

At low speed and synchrony of changes the balance of the system can remain stable for quite a long time. Rapid modification within the multidirectional processes, on the contrary, makes the system permanently instable. The pace of change in political and public spheres in Kazakhstan did not satisfy some of the political elite. That made the political process during 2001—2004 extremely dynamic.

The power structures, realizing the principle importance of maintenance of political stability, had to provide the conditions where the social

system would retain necessary degree of stability, namely the measures taken to accumulate the forces of attraction to consolidate the system, minimize the negative and maximize the positive impulses.

Thus, one of the basic conditions for the stable political system of Kazakhstan was its ability to fulfill the tasks in a period of socio-political transformation. The dynamic type of the political stability was dominant; managing the conflicts through state power organs, political technolo-

gies and supervised socio-cultural environment. It also assumed realizing that the mentality and national character impacted directly the political conflict.

Political regime in Kazakhstan, for the last twenty years has been forming a model of social consensus with its most important goals defined as consolidation of the society on the task of preservation of stability and internal peace [10]. This was and is the principle condition for sustainable progressive development of Kazakhstan.

SOURCES:

1. Харитонова Н. Стратегия как элемент имиджа. Чему еще можно поучиться у Казахстана? — 2007 // <http://www.ia-centr.ru>
2. Нысанбаев А., Кушербаев К., Сулейманов Д. Политика стабильности в Казахстане // Современный Казахстан: экономика, политика, общество. Алматы, ИРК, 2 том, 1997. — С. 21—31.
3. Назарбаев Н. Общественное согласие — основа демократического развития // Назарбаев Н. Пять лет независимости. Из докладов, выступлений и статей Президента Республики Казахстан. — Алматы: Казахстан, 1996. — С. 442.
4. Романова Н. Политическая система Республики Казахстан: между прошлым и будущим // Восток — Запад: диалог культур. — Алматы, 1996. — С. 116.
5. Назарбаев Н. В потоке истории. — Алматы: Атамұра, 1999. — С. 52, 54.
6. Капышев А. Национальная идея и смысл жизни // Хабарлары/Известия Национальной Академии наук Республики Казахстан. Серия общественных наук, сентябрь-октябрь 2005. — №5. — С. 33.
7. Назарбаев Н. Евразийский Союз: идеи, практика, перспективы. 1994—1997. М.: Фонд содействия развитию социальных и политических наук, 1997. — С. 418.
8. Колчигин С. Глубинные основания межкультурного диалога // Хабарлары/Известия Национальной Академии наук Республики Казахстан. Серия общественных наук, сентябрь-октябрь 2006, №5. — С. 34.
9. Еженова К., Жусупов Б., Жусупов С. Активизация политических процессов: ответ на вызов времени или политический маневр // Panorama. — 1999. — 18 июня.
10. Сейдуманов С. Основные задачи политической работы государственных органов в период выборов в Мажилис // Международный летний университет “Менеджмент избирательной кампании”. Мат-лы международной научно-практической конференции (г. Алматы, июнь 2004 г.). — Алматы, 2004. — С. 193.

Kazakhstan 1991—2011: Strategy of Economic Growth

LEILA MUZAPAROVA,

First Deputy Director, Kazakhstan Institute for Strategic Studies under President of RK, Candidate of Science (Economics)

This year Kazakhstan celebrates 20 years of its independent development. The country has made considerable achievements, in economic development particularly, in such a short period of time in terms of historical perspective. The paper deals with the question what made the country's success and what are the plans for the future.

In the beginning (1991—1997)

The first years of Kazakhstan independence coincided with the difficult time of transition to the market economy and market relations. During this period, the national economy experienced a severe crisis. As a result, in 1991—1996 the production in all sectors significantly reduced (28—30% in metallurgy and up to 80—85% decline in construction, petrochemical and light industry).

Hundreds of industrial enterprises were closed down and thousands of others were working in half-capacity. Hundreds of thousands of workers were forced into unpaid leave. The living standards sharply deteriorated, unemployment rose; by the mid-1997 there were 300 thousand unemployed in Kazakhstan.

The crisis affected the agriculture. The number of cattle drastically reduced, in particular the number of sheep and goats decreased 3 times from 1991 until 1997 (from 35.5 million to 13 million). The state agricultural sector was privatized; the collective farms and kolkhozes were disbanded. The unemployed rate in rural areas reached 40%.

Environmental situation was catastrophic. Depletion of fertile land and lack of biological resources was a nationwide problem. The Irtysh, Syr

Darya, Ili and other rivers grew shallow; quality of drinking water was poor.

Economic Development: Strategic Choices and Implementation

Since Kazakhstan gained independence amidst the extreme crisis of the economy, the construction of efficient market mechanisms was the main task at that time. It was also crucial to stabilize financial and credit system, to slow the decline of production.

The main directions of economic reforms were liberalization of economic relations, privatization, development of entrepreneurship, attraction of foreign investments.

Stabilization of the financial system was possible due to introduction of the national currency tougher with monetary policy of the 1990s. In the result, the inflation reduced from 3,200% in 1994 to 7—8% at present. By the end of 1996 and early 1997, the economic system stabilized, the decline in industrial production was significantly slowed.

The strategy for economic development Kazakhstan—2030 designed by the national leadership outlined the new direction and horizons for national development and motivated Kazakhstan state and society for economic breakthrough. That strategic document formulated the key areas of state policy in the consistent implementation of the reforms in the all spheres of economic and social life.

Kazakhstan—2030 Strategy was the hallmark of a new Kazakhstan. For the last 14 years, the government have been guided by this strategic document while implementing large-scale economic and social programs. The following programs were ad-

opted in the framework of the Kazakhstan—2030; the Strategy of Industrial Innovative Development, the State Agricultural and Food Program, the Program for Rural Development and the Cultural Heritage, the government has been implementing comprehensive efforts aimed at development in such spheres as healthcare and education, social security system reform, housing etc.

Kazakhstan—2030 Strategy affected primarily the work of state bodies which were forced to re-structure in accordance with the new requirements and demands. The state affairs became more transparent improving significantly the cooperation with international organizations. New institutions of government were formed, the relations between the citizens and the state acquired a new more liberal character. However, the state remained committed to strong social policy.

Effectiveness of Kazakhstan's strategy is proved by the all positive changes in our economy forwarding us to the leaders of the former Soviet Union.

Kazakhstan's significant economic achievements shall be recognized without false modesty. Kazakhstan was the first country in the CIS which in 2003 managed to raise its industrial production to the pre-1991 level. Kazakhstan has been demonstrating high rates of economic growth over the last 14 years. The volume of Kazakhstan's economy has grown by more than twice and the number of non-primary sector enterprises has increased tenfold.

Meanwhile, high rates of economic growth is not an end in itself it serves as the means to improve the living standards in Kazakhstan. For the last 20 years, GDP per capita increased 12-fold from less than \$700 to \$9000.

Reduce of state ownership in the economy of Kazakhstan up to 15% was very significant. This was achieved largely by eliminating of the administrative-command system and providing the legal framework of the market infrastructure.

Today, Kazakhstan has the most liberal tax regime compared to the other CIS states. The new Tax Code was adopted and the tax burden considerably reduced; corporate income tax rate cut to 20%, VAT — to 12%.

The pension system in Kazakhstan, despite fierce criticism, is the best in the CIS space providing an example of successful transition from solidarity pension system to the fully funded one.

Gradual implementation of the Kazakhstan—2030 Strategy enabled the country to achieve significant progress in economic modernization; the country has developed a socially oriented market economy, formed a powerful class of entrepreneurs who have successfully developed small and medium businesses, the middle class is rapidly developing.

Kazakhstan: Today and Tomorrow

The current economy of Kazakhstan is open to new ideas and investments. We invest in a diversified and innovative economy with modern infrastructure and highly skilled professionals gaining good education in order to maximize the great potential of our people.

The private sector in Kazakhstan currently comprises about 700 thousand small-and medium-sized businesses where 2.5 million people are employed. Over the past two decades, GDP per capita increased 12-fold — from less than \$700 to \$9000.

Over the past 10 years the country has become one of the ten fastest growing economies in the world, according to the World Bank. We are the nation with per capita income above average.

Despite the global economic uncertainty and risks, Kazakhstan faces the future with optimism. The country's leadership puts a new ambitious goal; by 2020, Kazakhstan has to become one of the 50 countries with the most favorable business climate*. In particular, it is planned to reduce business operating costs to 30% by 2015. The appropriate measures must result in considerable rise of the share of small and medium businesses in GDP from 30% (as in 2008) to 40% by 2020. The domestic and foreign investment in non-primary sectors (manufacturing and services) is expected to increase in not less than 30%.

In order to improve the business climate of Kazakhstan the anti-corruption measures are taken. The task is to take a position among the first third of the countries in the Transparency International Corruption Perception Index by 2020**.

* In 2010, Kazakhstan took the 59th position in the Doing Business World Bank's ranking. For comparison, in 2009, Kazakhstan was at the 63rd position.

** In 2011, Kazakhstan finished 120th among 180 countries in the rating Transparency International Corruption Perception Index.

By 2020 the local stock market is planned to be in the top ten financial centers of Asia and it shall become the regional center for the Islamic banking in the CIS and Central Asia.

Sustainable and balanced development of the country in the coming years will be provided primarily through diversification and accelerated competitiveness of the national economy. Rapid development in the priority areas of refining, oil and gas sector infrastructure, metallurgy and fabricated metal production are the basis for further successful economic diversification promoting chemical, pharmaceutical and defense industries as well as agriculture, construction, building materials, energy, transport and telecommunications.

The key diversification priorities are implemented within the 2010—2014 National Program for Rapid Industrial and Innovative Development. This five-year program and the Strategic Plan of Development of Kazakhstan till 2020 shall enable Kazakhstan to increase by 12.5% the share of manufacturing in GDP at least by 2015 and 13% by 2020. Labour productivity in manufacturing has to increase in 1.5 times in 2015 and 2 times in 2020. Energy consumption of GDP will decrease at least by 10% in 2015 and 25% in 2020. The share of innovative companies shall grow from 4 to 20% in the next ten years

Development of agriculture through the introduction of new equipment, technologies and approaches is one of the significant tool for further economic diversification in Kazakhstan. The development of agro-industrial complex covers the three main areas: (1) at least twice productivity growth in agriculture by 2014 and four-fold growth by 2020 (currently it is around \$3,000 per employee per year); (2) food security: in 2014 more than 80% of the domestic food market shall be supplied with the locally made foods; (3) realization of export potential, especially in the markets of the Customs Union, Central Asia, the Caucasus and the Middle East. It is planned to increase the agricultural export capacity from 4% to 8% by 2015.

The export capacity of Kazakhstan at present is sustained by the construction of the new railway lines that open the access of Kazakhstan made goods to the markets of China and the Gulf countries. The 'Western China — Western Europe' road project is elaborated; it will become an important export route for locally produced and transit goods to the neighboring countries.

It is important to mention that the key focus of industrialization in Kazakhstan is on support of the domestic non-oil exporters. It is assumed that Kazakhstan industry will enter the export markets with a broad line of national brands (from various agro-industrial to highly processed ones). In general, the plan is to increase the share of the non-oil exports in the total exports from 10 to 40% by 2015 and to 45% by 2020. The volume of the non-oil exports will be at least 50% of the total manufacturing output. To that end, the country established an integrated system of exporters' support which provides the funding for acquisition of the fixed assets, exports service and support, the grants to the individual exporters and export trade financing.

Certainly, the success of the national modernization strategy depends primarily on education as well as social and physical well-being in Kazakhstan. In this regard, capacity building of the human resources is provided through a comprehensive modernization of the national education and healthcare systems and an effective human resources management.

Education reform shall increase the share of highly skilled workers in the employed population to 50% by 2020. The measures taken in the public healthcare sector such as construction and equipment of the healthcare facilities, professional training, healthy lifestyle campaigns should halve maternal and infant mortality rate by 2020, 30% reduction in overall mortality is expected and the incidence of tuberculosis shall to reduce by 20%. The abovementioned measures will increase the life expectancy from 68 to 72.

Development of Foreign Trade of Kazakhstan

DARYA MUKHAMEDZHANOVA,

Leading Research Fellow, Kazakhstan Institute for Strategic Studies under President of RK, Candidate of Science (Economics)

The main problem of trade policy is to keep balance of protectionism and liberalization. The present stage of world economic development is characterized by strengthening of the 'collective protectionism'. For the developed countries with a high efficiency of the national economies, protectionist policies, along with freedom of movement of goods, enhances the competitiveness of the national economies and is aimed at expanding the access to the global market. Protectionism in the developing countries is of a fundamentally different nature. The policy of free trade is limited by the level of economic development of the domestic economy and that of the partner countries. As the post-industrial economy of these countries is not developed, they can be integrated into the global economy only due to vast resources of competitive commodities, mainly raw material.

Combination of the two main strategic objectives in Kazakhstan trade policy is a distinguishing feature at the present stage of its economic development. On the one hand, it is to facilitate the competitiveness of its economy in order to integrate it into the global economy, on the other, promotion and protection of the domestic industrial production which is competitive within the CIS. Prospects for foreign trade relations of Kazakhstan are in fulfillment of strategic tasks of the new decade:

- the Customs Union established 2010 and the Common Economic Space of Belarus, Kazakhstan and Russia by 2012;
- the 2010—2014 National Program for Rapid Industrial and Innovative Development;
- the Eurasian Economic Union.

Foreign Trade Policy

Foreign trade, along with foreign investment in domestic economy and Kazakhstan investment abroad, is the main direction of foreign economic policy. The main goal of this policy is effective integration of Kazakhstan into the international division of labor. The main condition for successful integration into the global market is the quality of economic growth, national economic potential and good governance.

Political and economic independence of Kazakhstan made it a subject of international relations with the main content of external economic policy to liberalize the foreign trade.

Until 1993, foreign trade had been regulated via the system of state orders. From 1993 until 1995 the controlled foreign trade was gradually transformed into such trade relations that were based on the international standards with the use of the regulators of economic nature. The foreign trade policies introduced the principle of contract prices; Kazakhstan signed the agreements on economic and trade cooperation with a number of countries.

The next period lasted from 1995 until 1997 when most export quotas were abolished, import licensed and monopolization of foreign economic operations reduced. The trade policy of these years was liberal accompanied by the processes of demopolisation and diversification of the trade flows. A number of sanctions and restrictions applied to the countries with nonmarket economies were cancelled or lowered with regard to Kazakhstan. The Republic was granted the most-favored status in the markets of the European Union, Austria, Scandinavia, Canada, USA, Japan and other countries.

Since 1997, liberalization of foreign trade has been carried out within basic economic reforms of the Republic of Kazakhstan*. The Economic Development Strategy for Kazakhstan was crucial for national trade policy and Kazakhstan's participation in international economic cooperation. Strategy Kazakhstan—2030 outlined the long-term goals of Kazakhstan development as a country with a vibrant economy [1].

The most important tasks for the next decade were identified in Strategic Development Plan of the Republic of Kazakhstan until 2020 [2]. In accordance with the ten-year plan, the Trade Development Program of the Republic of Kazakhstan for 2010—2014 was developed [3]. The Program is a functional section of the National Program for Rapid Industrial and Innovative Development [4].

Expansion of the external relations and more efficient public administration are the most important strategic objectives for the next decade. Creating the conditions for Kazakhstan's participation in global decision-making on formation of a new architecture of international relations and the contours of the world trading and financial system becomes a priority of the international policy [5].

Liberalization facilitated the foreign trade operations undertaken independently by Kazakhstan companies and business entities enabling them to establish the direct trade and economic relations. The Law of the Republic of Kazakhstan 'On Regulation of Commercial Activity [6] provided the principles and foundations of the state regulation of foreign trade. According to the law, the state regulates the foreign trade flows through such instruments as the customs and tariff policy, non-tariff policy, measures to protect the domestic market while importing goods, concluding agreements aimed at development of trade relations.

On January 1, 2010, Kazakhstan, Russia and Belarus established the Customs Union. The main task of the Customs Union is to create a single customs territory where the customs duties and other restrictions of economic nature are not imposed on the goods produced within the CU as

well as the goods from the third countries which are released for free circulation. At the same time, the member states apply a unified customs tariff and other common trade control measures with the third countries.

Global factors and trends in international cooperation also influence the foreign policy of Kazakhstan. The international community and the world economy are being amidst of transformation of political and socio-economic relations. The collapse of the Soviet bloc gave the international relations the character of multipolar interactions. A new system of international relations is influenced by the group of the developed countries led by the USA, the countries with the most dynamic political and economic changes (BRIC and Latin America), the countries with vast resources and specific political systems (OPEC). Consequently, the developing countries, including Russia and China, increase their influence in the contemporary world order.

The global crisis led to understanding that we need to strengthen international and regional economic cooperation, open new markets. There are the following trends after the crisis.

Firstly, economic growth of the countries of the developing world and their ability overcome rapidly its aftermaths enhanced their influence on decision-making on the global economy affairs and was the main reason to expand the format the G8 and the G20.

Secondly, the developing countries prefer the 'horizontal' integration with their peers (BRIC, SCO) to the 'vertical' integration with the developed countries. This trend is particularly important for Kazakhstan given its membership in the Shanghai Cooperation Organization (SCO), which was established to harmonize the political interests of Russia and China with those of Central Asian states. Today, the SCO goes beyond the regional scale by developing the mechanisms to coordinate the interests of the Eurasian countries, including Russia and Kazakhstan as well as China, India, Iran, Afghanistan and Pakistan.

Thirdly, the processes of Eurasian integration are developing on the background of the EU ex-

* Stage 1 (1991—1993); the reforms in the ruble zone, stage 2 (1994—1997); the program of urgent anti-crisis measures and further socio-economic reforms, stage 3 (1998—2006); Kazakhstan—2030 Strategy, stage 4 (2007—2009) Strategy of Kazakhstan to enter the club of the 50 most competitive countries in the world; stage 5 (since 2010); 2020 National Program for Rapid Industrial and Innovative Development.

pansion and the intensification of integration initiatives in Asia and the former Soviet Union. These processes made Kazakhstan deepen and expand its international economic cooperation.

Dynamics of Key Figures

In the first half of the 1990's, the development of Kazakhstan foreign trade was hampered by the disruption of traditional economic ties, lack of the legal basis and experience in the market economy. Since 1995, the external trade of Kazakhstan started to grow. From 1995 until 2010, the foreign trade turnover increased by 9.8 times. Reducing rate of foreign trade in 1998—1999 and later in 2009—2010 were caused by the economic growth crisis of 1998—1999 and by the global financial crisis of 2007—2009. In 2010, the foreign trade turnover amounted to almost \$89.0 billion, it is \$17.4 billion more than the previous year.

The volume of foreign trade depends on the increase in both export and import operations. Increase in the turnover in 2010 was due mainly to export increase (Figure 1).

The trade surplus amounted to about \$29.5 billion, it is \$14.7 billion increase compared to 2009. The share of export and import in Kazakhstan trade in 2010 was 66.5% and 33.5%, respectively. The export of goods in 2010 was \$59.2 billion, comparing with the previous year it grew by 37.1%, and about 10.3 times comparing with 1995. The import in 2010 amounted to \$29.8 billion, 4.8% more than in 2009 and 6.8 times more than in 1995 (Fig. 2).

The main factor of economic recession in 2009 in Kazakhstan was the fall in demand for the final products. Decline in export was due to the deterioration of the market prices for oil. As for the other goods nomenclature, the main export decline was in the share of non-ferrous metals and grain.

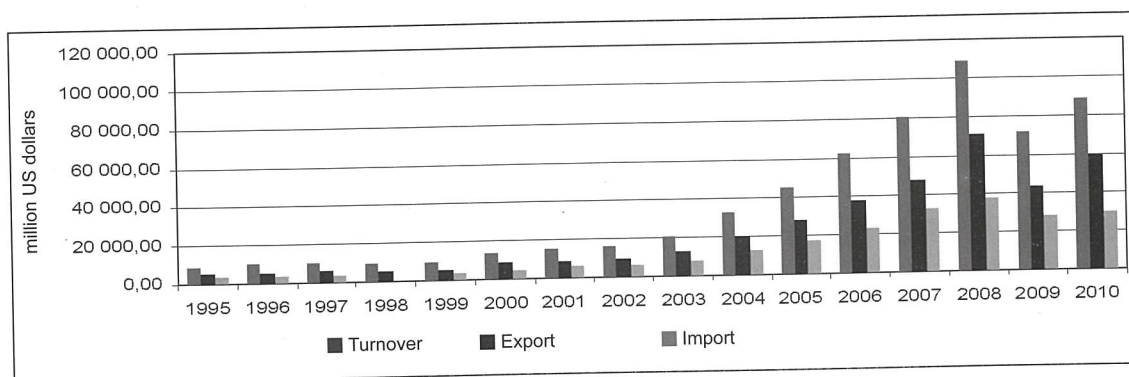


Figure 1. Turnover, exports and imports in 1995—2010 in Kazakhstan in millions of US dollars.

Source: Statistics Agency of RK. // www.stat.kz

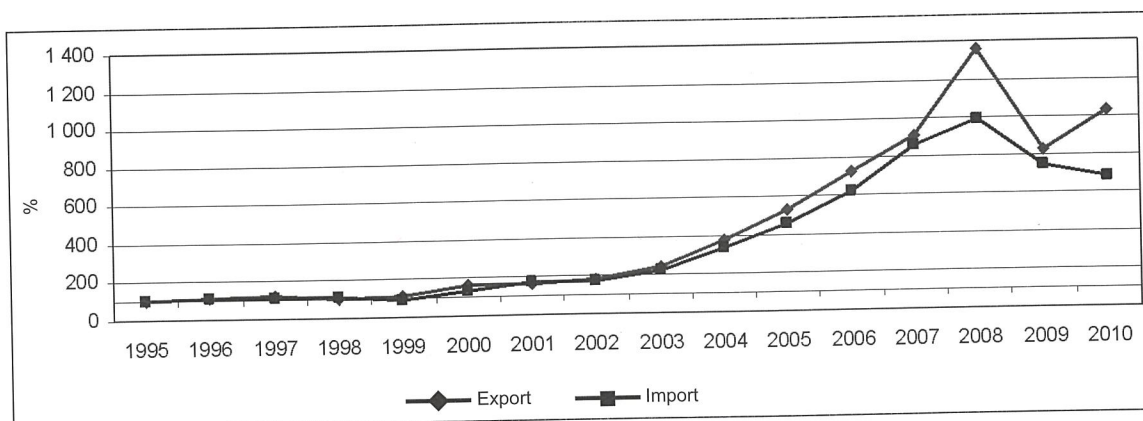


Figure 2. Dynamics of exports and imports in 1995—2010 in %.

Source: Statistics Agency of RK. // www.stat.kz

The price factor played a decisive role in increasing the value of export of primary commodity groups in 2010; highest growth rates were for the group of mineral products. In contrast to export, the quantitative factor influenced mainly the change in the cost of the official imports in 2010. The growth of intermediate import, as well as reduced investment import, resulted from the dynamics of physical delivery.

Commodity Composition

The nature of international specialization of Kazakhstan and the other CIS countries was defined in the process of restructuring the Soviet economy and a new economic model. Mineral resources and unrealized potential of their use and processing are crucial for the competitive advantages of Kazakhstan as the demand for the raw material in the global market is steadily growing.

The structure of Kazakhstan economy today and the commodity structure of the foreign trade resulted, on the one hand, from favorable economic situation, on the other, from the way how the new independent state was realizing the economic transition to a market economy model. The major changes in the commodity structure of Kazakhstan trade affected the export. Thus, the share of mineral products export in the total exports of Kazakhstan has increased almost by 2.5 times since 1995.

On the background of the transitional stage, the main prerequisites facilitating Kazakhstan's integration into the global economy were its abundant natural resources and the vast external market of their consumption. Today, Kazakhstan is an active participant in the global energy market. This factor determines both its export and overall economic policy over the last decade.

The export of mineral products account to 75% in the commodity structure; oil and gas condensate comprise more than 60% of the total export (Fig. 3).

Fuel and energy complex is the main source to promote innovative economy and modernization of the other industries of Kazakhstan.

Commodity structure of Kazakhstan import reflects the current demand for the consumer goods (21.7%), intermediate industrial goods (40.8%) and investment goods (36.3%)*.

The predominant product groups in Kazakhstan import are machinery, equipment, vehicles (54%), chemicals and related industries' goods (16%), metallurgical industry goods (11%) (Figure 4).

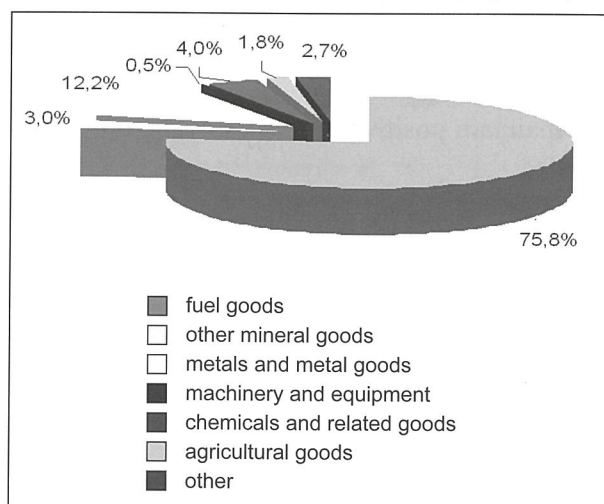


Figure 3. Export structure of Kazakhstan in 2010, in %.

Source: Customs Statistics, Customs Control Committee, Ministry of Finance of RK, November 2010

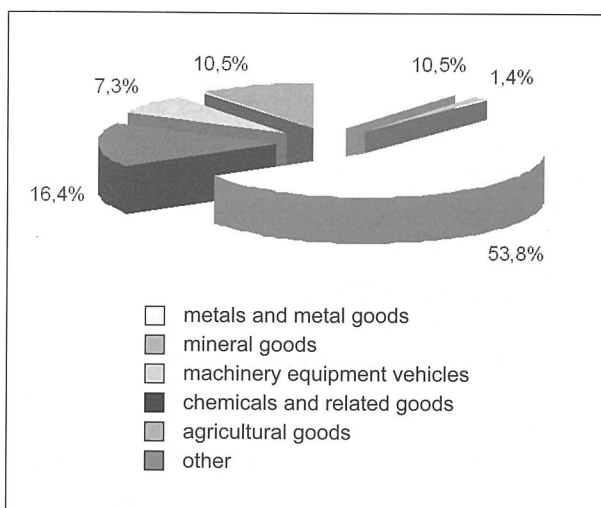


Figure 4. Commodity structure of Kazakhstan import 2010, in %.

Source: Customs Statistics, Customs Control Committee, Ministry of Finance of RK, November 2010

Commodity structure of the foreign trade of Kazakhstan was formed under the influence of several factors, including:

* For more information see the balance of payments and external debt of the RK for the 9 months of 2010, the National Bank of RK // www.nationalbank.kz

- difficulties of the transition to an independent economy;
- negative effects of the previous command-administrative economy;
- resource potential for development.

Kazakhstan, however, achieved considerable progress in the following:

- maintain positive dynamics of the economic growth;
- create the conditions for entry into the global economy and equal participation in several international structures;
- accumulate the financial reserves;
- create economic premises for the structural reforms of the next decade.

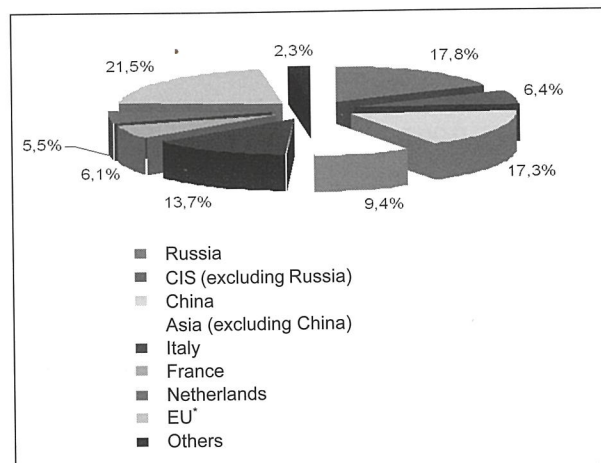
Geographic Structure

Countries in Europe Asia, America, Africa and Australia are Kazakhstan's trading partners. Since 1997, the foreign trade expanded in terms of geography and cooperation with foreign countries intensified. The fastest increase was in export (Figure 5).

The volume of foreign trade with the CIS countries in 2010 was \$21.5634 billion, with the other foreign countries it was \$67.4132 billion. The export from the CIS countries amounted to \$7941.1 and from the other foreign countries it was \$51.2755 billion.

European countries (48.7%), including the countries of the European Monetary Union (46.8%) have the biggest share in the geographical structure of Kazakhstan trade they are followed by Asia (26.7%) and the CIS countries (24.2%). The share

of the EurAsEC and the Customs Union in the total turnover of Kazakhstan in 2010 was 21.3% and 18.5%, respectively. In terms of individual countries, the four major trading partners are Russia (17.8%), China (17.3%), Italy (13.7%) and France (6.1%) (Fig. 6).



* Excluding Italy, France and the Netherlands

Figure 6. Foreign trade of Kazakhstan in 2010 in terms of geography, in %.

Source: Statistics Agency of RK. // www.stat.kz

Geography of the foreign trade of Kazakhstan is changing towards Asia and, above all, China. During 1995-2010 the share of the European countries in Kazakhstan export increased from 21% to 36%, the share of the Asian countries grew from 8.5% to 26.6% (Fig. 7).

Today, the major buyers of Kazakh goods are China (in 2010 it accounted for 17.7% of the to-

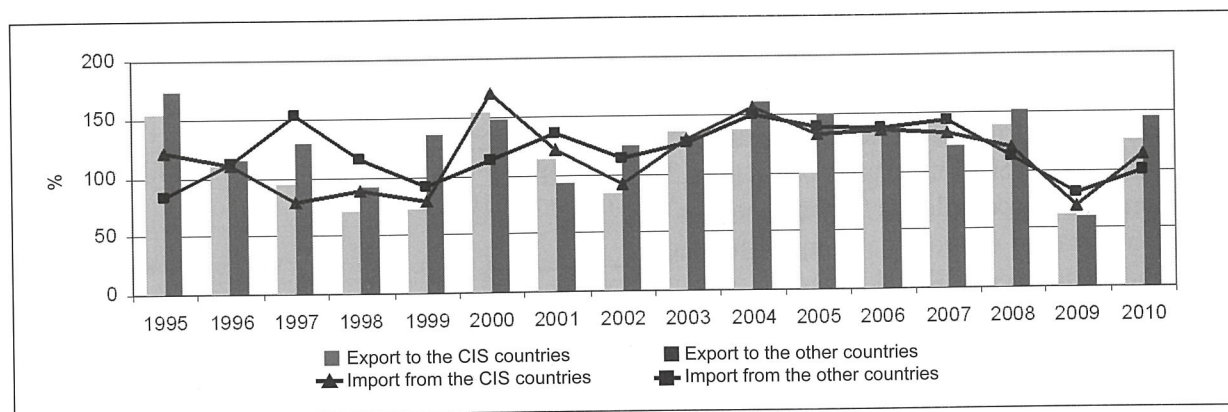


Figure 5. Dynamics of export and import of Kazakhstan and foreign countries, in %.

Source: www.cisstat.com

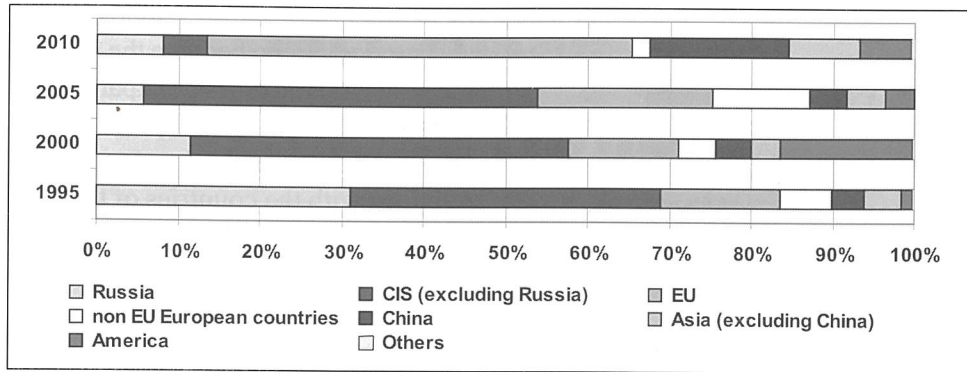
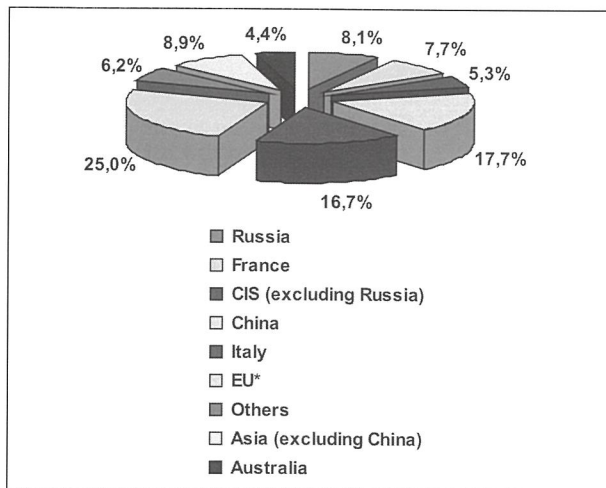


Figure 7. The change of the share of the CIS and other countries in the geographical structure of Kazakhstan export in 1995—2010, in %.

Source: Statistics Agency of RK. // www.stat.kz



* excluding Austria, Italy and France

Figure 8. Kazakhstan's export to major trade partners in 2010, in %.

Source: Statistics Agency of RK. // www.stat.kz

tal export), Italy (16.7%), Russia (8.1%), France (7.7%), the Netherlands (7.3%) (Fig. 8).

The CIS countries have an important role in import of goods to Kazakhstan. In 2010 the CIS accounted for 45.8% of the total import, the EU countries — 30.1%, Asia — 26.9% (Fig. 9).

The biggest importer is Russia. In 2010 the share of Russia accounted to 37.0% of the total import to Kazakhstan.

The five major importers to Kazakhstan other than Russia are China (13.3%), Germany (6.1%), Italy (5.3%), USA (4.4%) (Fig. 10).

The main agenda for Kazakhstan for the next decade is a systematic and structural economic change based on the economic reform and enhanced role of the state and successful participation in the international division of labor achieved during the twenty years of its independent develop-

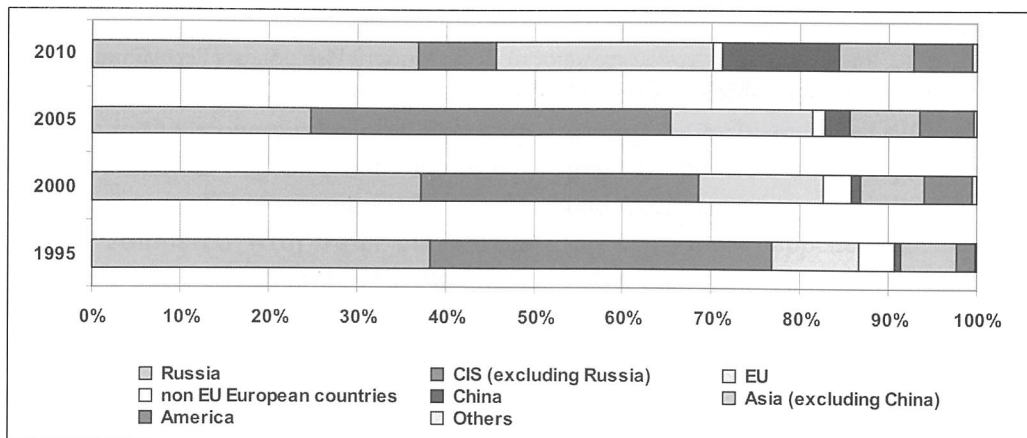
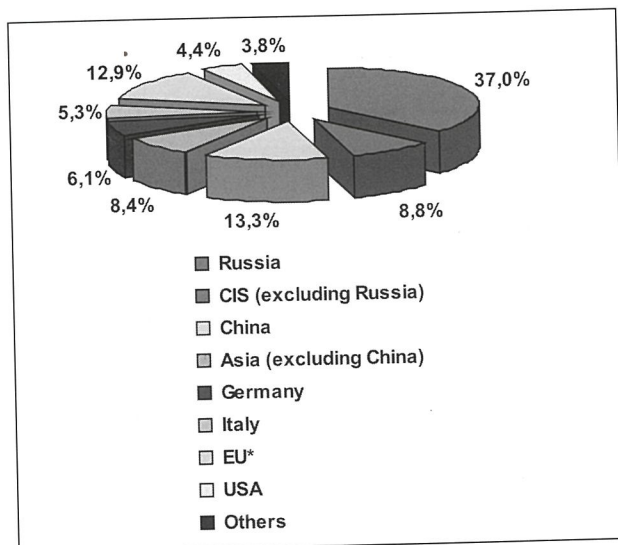


Figure 9. The change of the import share of the CIS and other countries in geographical structure of Kazakhstan in 1995—2010, in %.

Source: Statistics Agency of RK. // www.stat.kz



* Excluding Germany and Italy

Figure 10. The major importers to Kazakhstan in 2010, in %.

Source: Statistics Agency of RK. // www.stat.kz

ment. Energy, metallurgy, food processing complex and services are to become the principle objects of the structural reform. The expansion of commodity supply and international specialization of Kazakhstan will depend on the development of cooperative relations with the countries of the Commonwealth of Independent States and the others that determine the dynamics of world economic development and the nature of global demand.

SOURCES:

1. Президент Республики Казахстан. Процветание, безопасность и улучшение благосостояния всех казахстанцев: Послание народу Казахстана // Казахстанская правда. — 1997. — 11 октября.
2. Стратегический план развития Республики Казахстан до 2020 года // <http://ru.government.kz>
3. Программа по развитию торговли в Республике Казахстан на 2010—2014 годы // <http://88.204.163.170/economy/about/8433/35280>
4. Государственная программа по форсированному индустриально-инновационному развитию Республики Казахстан на 2010—2014 годы // <http://www.minplan.kz/economy>
5. Президент Республики Казахстан. Новое десятилетие — новый экономический подъем — новые возможности: Послание Президента народу Казахстана // Казахстанская правда. — 2010. 30 января.
6. Республика Казахстан. Закон от 12 апреля 2004 г. №544. О регулировании торговой деятельности // Ведомости Парламента Республики Казахстан. — 2004. — №6. — С. 44.

On Causae for the European Union Monetary Crisis

BODO LOCHMANN,
Kazakh-German University, Doctor of Science (Economics), Professor

The **Background** European Union (EU) was established in 1957 by six Western European countries (Germany, France, Belgium, Luxembourg, Netherlands, and Italy). By the end of 2011 the 27 European states had joined the EU, including southern and eastern European countries, which, in terms of their economic development, were behind Western European ones to varying degrees. The EU Common Economic Space has been functioning since 1993 with free movement of goods, capital, labor and partially services.

On 1 January, 1999 the European Monetary Union (EMU) was launched consisting initially of 10 countries, Greece joined a year later. Today, the eurozone comprises 17 sovereign states; a number of others are pending. This is the first attempt to create a monetary union with such a large number of participants in the economic history. This may partly explain a number of problematic issues occurred in the process of its formation.

The euro, compared with other currencies such as the US dollar, British pound, Japanese yen, is still very young. But the main difference from the abovementioned currencies is its supra-national nature and the complex mechanism of control. Within a short period, a new European Monetary Unit managed to win confidence not only with general public of the Euro Member Countries but also on numerous international currency markets.

Options for Single Currency Introduction Considered

Initially, there were two basic opposite options for the EMU formation.

The first option considered stipulates gradual convergence of the basic parameters of economic development and the structures of economic and political decision-making. This depends largely on the degree of differentiation in terms of economic development. The bigger difference is, the more difficult it is to coordinate the political, financial and organizational issues.

Convergence process may take quite a long time (at least 30—40 years) and the result is a balanced development of economies. Thus, the process of forming a monetary union (EMU in this case) may take several generations of political elite. This means that the leaders ruling the member countries during the early and most difficult period may not gain the political and historical recognition they had been counting for, all political benefits are gained by those happened to lead the countries later when the process is almost complete.

Europe of the 1980s lacked political patient due to subjective reasons as well, therefore, it was decided against the longer path as that option could have required rigorous work from the partners in the following areas:

- development and implementation of the strategic plan in order to have a single economic base for the common currency (common economic space);

- development of the common financial criteria, instrument of sanctions, organizational conditions;
- possibilities for moving to all factors of production within the currency area;
- coordinated and harmonized economic policies of the member states;
- harmonized fiscal policy including the tax system;
- common understanding of the major issues of economic policy;
- coordination and control system not only over the fiscal indicators, but also international competitiveness, balance of payments, indentifying and preventing of financial markets bubbles, etc.

The second option of so-called 'Big bang' means introduction of a new currency without a long period of domestic preparation, i.e. without the full preliminary convergence of internal economic and financial structures of the countries participating in a monetary union.

This option is more suitable for the countries with little differentiation in the economic structures and having political will to continue the ongoing process after a common currency has been introduced in spite of the complex and conflicting economic issues which may occur. With this option, the member countries rely on disciplining effect the common currency may have, i.e. on the subsequent convergence of their economic fundamentals despite the pressure of the main differences of economic development. The second option may take at best 10—15 years to be fulfilled, meaning while one generation of the leaders is actively participating in the political life of the countries concerned.

The political elite of Europe of the 1980s, namely Kohl of Germany and Mitterrand of France as well as some others, decided in favor of the second option as it seemed easier and more prestigious in terms of chances 'to appear in the history books'.

After the Single European Monetary System, aimed at long-term convergence of national economies, was established in 1978, and, more importantly, after the change of political power in Germany (when Kohl, a historian by education, replaced a Social Democrat Schmidt who was an economist), the institutional and even financial preconditions to introduce the single currency were created firmly and, as we know to-day, rather prematurely. Already in 1991, that was only 14 years

after introduction of the Single European Currency System, the Maastricht Treaty was signed and the single currency was virtually introduced although the financial and economic parameters of the future members of the eurozone remained rather uneven.

The main disadvantages of the basic eurozone treaty were then considered the following:

1. Countries had only one year (1997) when they could be accepted into the eurozone provided they met all the financial criteria.
2. Fixed financial criteria to enter the eurozone without an effective sanctions mechanism in case of failure to meet them after entry into the eurozone already took place.

Main Prerequisites of the European Monetary Union and their Implementation within the EMU

I. Common economic basis of Member Countries.

As for the European Monetary Union the condition is fulfilled. Over 60% of the foreign trade is among the eurozone countries. Consequently, as these countries do not face the risk of exchange rate changes, the single currency serves as a stable base to calculate revenue and expenditure on export-import operations.

II. Similar or approximate level of economic and financial development of Member Countries.

This criterion is not met. In fact, the EMU brings together the leading world economies and the countries that are not much diriment from those of the developing world in terms of their economic development.

The experience of forming large monetary unions such as the eurozone shows that substantial lag in the economic development between member countries may result in a number of problematic issues aggravated by significant differences in national economic policies (e.g. different level of the state interference into economy).

III. Common monetary policy.

The European Central Bank (ECB) owned by the central banks of Euro Member Countries was established in 1998, a year prior official introduction of the euro. After a lengthy discussion, basic

Table 1. Comparison of GDP per capita and global competitiveness of 'strong' and 'weak' Euro Member Countries [1].

	GDP per capita (in €, 2008)	Competitiveness (in 2010)	
		Index (6 – max.)	Place
Finland	35 000	5,47	4
Germany	30 300	5,41	6
Netherlands	36 200	5,41	8
France	30 400	5,34	15
Belgium	32 400	5,20	18
Spain	24 000	4,54	36
Italy	26 300	4,43	43
Portugal	15 600	4,00	45
Greece	21 600	3,92	90

working principle of the ECB was formulated; annual inflation had to be kept below 2%. This meant that the ECB had to operate according to the strict inflationary criteria of the northern Euro Member Countries (primarily Germany). It also meant that it did not regulate economy cycle, neither was it aimed at creation of new jobs through crediting to the economy.

To be efficient while fulfilling its primary task to ensure internal stability of the single currency, the ECB (as any other national bank) must work on the principle of political independence; the decisions on monetary policy should be taken by experts but not politicians. The ECB therefore, is prohibited to finance directly or indirectly the deficits of national budgets.

To ensure internal and external stability, that is the condition the recognition of any currency greatly depends on, the Euro Member Countries leaders and their national central banks developed five monetary financial criteria. Meeting them gave the right to become a member of the EMU and to remain there without any sanctions from the European Central Bank. These criteria were quite tough [2]:

1. Budget deficit should not exceed 3% of GDP (Maastricht Treaty stipulates sanctions for violation).

2. Public debt should not be more than 60% of GDP.

3. Long-term interest rates on loans should not exceed two percentage points above the average level of this index of the three EU countries with the most stable prices.

4. Inflation should not be more than 1.5% above the average level of this index for the three EU countries with the most stable prices.

5. National currency rates should not go beyond the permitted fluctuations over the last two years.

The accumulated national debt is the main strategic measure. On the one hand, it reflects the financial burden on future generations and the financial discipline of state structures over a long period, on the other, it is the basis where the confidence of financial markets in the country's ability to repay its debt timely rests. The national debt is in the form of government bonds of various validity periods (up to 30 years) is sold to financial markets domestically and internationally under normal market conditions. The issuers of the government bonds, therefore, are the major participants in financial market similar to other issuers such as international organizations, banks, companies, municipal entities. Selling its bonds the state issuers compete the others especially companies that emit their corporate bonds.

Before the 2010—2011 crisis of public finance system of Western countries, the general belief was that government bonds were more reliable compared with corporate bonds. But this is no longer the case. On the contrary, there have been numerous cases of government bond rating downgrades, the former at present are often lower than corporate bonds and, in consequence, the interest rates of government bonds of southern Euro Member Countries are higher compared to corporate bonds.

Before the crisis, the public issuers did not have to have aggressive marketing policies to find buyers for their securities. Investors used to prefer these securities considering them to be more reliable despite their lower yield. The current crisis situation is quite different. Even the most active and aggressive marketing does not make much difference: potential investors, although the interest rates are very high, are not willing to buy government bonds from the countries having high public debt and hence low rating. Financial markets however, despite of being non-rational at times, remain the best long-term indicator of public finances 'health'.

As it can be seen from Table 2, currently only four countries are meeting the main criterion of the euro zone membership i.e. maximum allowable

Table 2. Expected level of public debt of the Euro Member Countries by the End of 2011 (% of GDP) [3].

Greece	Italy	Ireland	Portugal	Belgium	France	Germany	Austria
158	120	112	102	97	85	80	74
Spain	Malta	Netherlands	Cyprus	Finland	Slovakia	Luxemburg	Estonia
68	68	64	62	51	45	17	6

60-percent limit of the public debt. Moreover, the most important countries, namely France and Germany, are among those facing problems.

Public debt in all major Western countries has grown rapidly especially during financial crisis, which started in 2008 in the USA as mortgage crisis turned into the banking crisis and then into the crisis of public finance. That very rapid growth in public debt over the past 5 years resulted mainly from extensive financial support provided by the governments to the private sector. Without these measures the world economy would face much more complex challenges nowadays. Therefore, I believe, one should not criticize state assistance as it was but the lack of strict financial discipline in the pre-crisis time. Most of the countries and their governments are not used to living within means even amidst regular conditions. They could not afford to do so in such a crisis as in 2008—2009.

Table 3. Public debt growth dynamics in some countries for 2008—2010 (% of GDP) [4].

Country	2008	2009	2010	Growth for 2008 and 2010 (in billions of €)
USA	70,7	83,1	94,4	1 925
UK	52,0	68,6	80,3	461
Japan	173	190	198	197
Euro zone	69,3	78,2	84,0	1 282
Germany	65,9	73,1	76,7	224
Greece	99,2	112,6	124,9	67

IV. Harmonized economic and fiscal policy.

This condition is crucial for any monetary union. The EU has achieved considerable successes in building a single economic space since January 1, 1993. Since then, the goods, capital, people and partly services are free to cross the previously existing borders. But, although they have achieved some economic convergence in number of areas, it would be premature to speak on any common economic or industrial policy.

Factually, this matter has not been properly considered by the EU members yet mainly due to different approaches of the so-called locomotives of European integration, namely Germany and France towards the role governments should play in national economies. While German economy is dominated by small and medium businesses with great innovation potential and state does not intervene much in business affairs, French economy is dominated by large state-owned corporations, government protectionism is quite strong there even in case of inconsistency of their actions with market requirements.

V. Common Standarts for report, analysis and implementation of corrective financial measures, in particular for public finance.

Most of the problems the eurozone is facing these days are due to absence a single mechanism, which could have a form of a joint economic or financial agency with the appropriate powers and authority. It is not about having exceedingly centralized structures, but the current mechanisms are highly decentralized. The 27 countries take too much time to reach consensus on problems they need to solve.

The EU is not a superstate, it does not have a centralized regulating for the affairs of its members. The instructions of the EU members are binding for the European Commission in Brussels, thus, its capacity to operate independently is quite limited. The EC receives the basic data on economic and financial development from the national governments but it does not have its own agency for a detailed inspection of the data. When questioning the reliability of any data (as it was in Greece case), the authorities of the European Commission are limited to require only clarification and explanation. Additionally, larger states by virtue of their overall economic weight, are almost always able to block a European Commission resolution they are not interested in.

Major Monetary Union Political Failures of Subjective Nature

Integration process, as any process of social development, depends greatly on the actions of certain people; therefore, it has a strong subjective character.

It is obviously much easier to point at the mistakes than to make own contribution to the decision-making during such a complex process as the integration of the 27 independent states with different levels of development.

However, we should not ignore the subjective effects due to certain personal influence. These things could hardly been completely avoided, but should have been minimized unlike objectively existing factors. I believe that the following factors had relatively subjective nature:

Decision-making based on political rather than economic grounds

Greece, Portugal and Spain were allowed to join the EU and EMU mainly out of recognition of their return to democracy after the fall of the military dictatorships. These countries did not meet the EU criteria of economic development level.

Too much trust

The financial data of these southern countries had not been verified and certain financial information provided to the European Commission was concealed.

Unwillingness to cope with occurring challenges and reform

The political elite of the leading countries turned a blind eye to emerging problematic issues for too long. Being busy with other matters they were unwilling to deal with the most complicated issues until it was too late and the developments went beyond their control.

Lack of financial discipline

The vast majority of European governments did not consider it necessary to maintain properly their finances, although the economic development conditions were mostly favorable. Their public debt was steadily growing and possible negative consequences were not considered.

Unwillingness to take sanctions

The Maastricht Treaty provides for the sanctions for violations of the abovementioned financial criteria. However, in 2002 and 2003 the sanctions which could have been relatively mild were blocked by France and Germany. The latter did not meet the budget deficit criteria themselves. That was considered by the others as a signal that they might have violated the criteria without sanctions from the European Commission.

European integration considered less important personally

After the introduction of the euro a new generation of politicians came to power, then European integration was taken for granted and the relating issues of further promoting and improving were not the first item on their political agenda any longer given the context of globalization with its new challenges and problems.

Solution for Eurozone

Public discussion about whether or not the Euro-project is worth being and improving have been quite intensive and the position over the matter are often opposing.

I would argue that that the Euro-project must be continued as it provides much more benefits than obvious shortcomings. However it needs comprehensive reconsideration not only in organizational terms but in of its fundamentals. While analyzing the possible scenarios, the option of reshaping the current eurozone into two new zones shall not be excluded; these two zones may include the countries with more or less equal level of development respectively. Provided this option is necessary, reduction of the public debts of almost all Euro Member Countries must be the priority. Even if the governments are taken drastic actions, the process may last at least for 10—15 years exceeding the political life the those currently ruling the countries.

Possible Scenarios for Public Debt Reduction (up to 60% of GDP)

1. *Proper management of government bonds and gradual reduction of public debt.*

It requires change of the structure of revenues and expenditures of state budget so that the long-term budget surplus was achieved. Given the current debt of Germany (about 80% of GDP) this annual surplus should amount 2% so that it could be on the permissible level by 2020. The state budget in Germany since the FRD was established had almost always had a deficit of about 2%. Subsequently, the countries with higher levels of public debt or bigger budgets will take longer to achieve a relative balance.

2. Official default and public debt restructuring.

This happened to a certain extent to Russia, Argentina, Mexico and some other countries. Default primarily results from the loss of confidence of financial markets in the countries and their inability to refinance normally.

The IMF, in this case, may provide its assistance but with its requirement to perform internal financial, institutional and social reforms which may turn to be quite painful.

3. Control over inflation (within 5—6%).

If the nominal value of government bonds remains unchanged (with no indexation of the government bonds cost), the state pays off its debts with money but the real purchasing power of the money is lower than that the state received when it sold its bonds. This option has been repeatedly exercised. The danger is deliberately stimulated inflation which could easily spin out of control (German hyperinflation in 1921—1923). Additionally, high inflation impedes proper market functioning as the participants in the markets have inaccurate information on prices and risk taking wrong decisions.

Possible solution of the Greek Debt Problem

1. Joint rescue operations.

Meaning the loans from the financial rescue fund, possibly the IMF and the ECB, provided radical internal reforms are performed including costs reduction and increase of budget revenue along with structural reforms to stimulate economic growth.

2. Currency reform; withdrawal from the monetary union and return of national currency.

This option is exercised through devaluation of the new-old national currency providing an opportunity to enhance the price competitiveness of exports and to make imports more expensive. However, this effect usually quite a short term as the main international competitors may also devalue the currencies.

3. Restructuring of public and official default.

In this case, the country loses the credibility of financial markets for a quite long time and remains dependent on assistance from international financial organizations.

Each of the abovementioned options has certain relative advantages and considerable risks. Those risks may be the following:

- sharp devaluation of the new-old national currency when the return of the old debt becomes even more problematic as it was listed primarily in Euro (option 2);

- destabilization of the banking sector both domestically and abroad due to the loss of investments in the government securities because of inability of the debtor-country to service its external debt (options 2 and 3);

- possible bankruptcy of the borrowers those who are not provided with the financial assistance from the rescue funds (options 2 and 3);

- long-term inability to refinance in the financial markets and shortage of domestic resources to finance minimum public expenditure (options 1, 2 and 3);

- numerous social problems and comprehensive domestic destabilization (options 1, 2 and 3);

- recovery of public finances may take too long and turn to be quite unpredictable (options 1, 2 and 3);

- financial rescue fund are not sufficient to rescue all troubled countries (option 1);

- unpredictable reaction of financial markets (option 2 and 3).

In their actual practice, the Euro Member Countries choose for a combined solution:

- problematic countries are provided with financial assistance;

- reduction in public debt at the expense of the creditors;

- comprehensive internal reforms; in the short term, meaning primarily lower budget expendi-

tures, in the medium term, it must increase state budget revenues by stimulating economic growth.

Despite all the active measures to avoid the default of a number of Euro Members, the each country concerned has different chances for success. While Spain and Portugal are able to overcome the crisis by their own, this is not an option for Ireland (the country has already been rendered financial assistance) and Italy, at least it is very unlikely. Solution of Greek debt problem, although the country has received huge financial aid and other assistance, is questionable. It issue may be

successfully resolved only with political will of the others to do so; that commitment must be strong enough and so that it would not fade with time.

These countries' rescue (these are just the tip of the iceberg) is not enough. The Maastricht Treaty needs comprehensive reconsideration otherwise, without reforming the EU and the eurozone management, the internal factors that have caused the current crisis will make their negative impact in future. Therefore, further development of EMU, including the option to divide the eurozone into two, will remain relevant.

SOURCES:

1. Statista — das Statistik Portal. – 2010—2011 // <http://www.de.statista.com>; World Economic Forum Reports. – 2010—2011 // <http://www.reports.weforum.org>
2. <http://www.faz.net>
3. Handelsblatt. – 2011. – 23 August. – P. 7.
4. Handelsblatt. – 2011. – 01 October. – Pp. 12—13.

**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 main 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 thirteen candidates of sciences, who specialize in political science, history, economics and sociology.

The KazISS have published more than 200 books on international relations, global and regional security, economics and politics. The Institute is publishing four journals: the Kogam Jane Dayir in Kazakh, the Kazakhstan-Spectrum, and the Analytic in Russian, the 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 security and cooperation in Central Asia.

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

Contact us for any further information:

The Dostyk Avenue, 87 'b'
050010, Almaty
Republic of Kazakhstan
Tel: +7 (727) 264-34-04
Fax.: +7 (727) 264-49-95
E-mail: office@kisi.kz
<http://www.kisi.kz>