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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. Khatkuliyeva, A. Sadvakasov

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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

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Russia and Central Asia: Limits for Strategic Partnership

MURAT LAUMULIN,

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

Russian policy towards Central Asia cannot be considered apart from the entire foreign-policy strategy of Russia in the CIS and its bilateral relations with other major players. So far, Russia has achieved a lot in its foreign policy, however, it faces a number of old and new challenges.

2008-2010 global economic and financial crises made a negative impact on international position of Russia as it resulted in strengthening of Chinese and Western influence on a number of the CIS states against Russian investments projects. Moreover, the crisis affected negatively the Russian defence industry.

Integration initiatives made by Russia were met enthusiastically by some of the post-Soviet states, as the same time, the number of others were more reluctant or even obstructive. The Customs Union started in 2010 is a genuine core of the CIS integration process led by Russia. In its policy in Central Asia, Russia is more frequently faces the Chinese presence which is often equally strong or even prevailing over its own in terms of economy and politics. Under these circumstances, Russia inevitably turns to the West seeking for a geopolitical balance against growing ambitions of Beijing.

The policy of Russia in central Asia shall be still regarded as independent of the West and other factors, however, there are two of them Russia cannot ignore: situation in Afghanistan and Chinese influence. Kazakhstan is still considered to be the closest ally and strategic partner.

The interests of Russia in Central Asia in terms of security are the following:

- military and strategic stability as it is;

- bilateral military cooperation of political and technical nature;

- concern about influence and interference of the third parties in the region;

- stability within the region meaning the relations among Central Asian states;

- internal stability in individual Central Asian states;

- interdependence of the states of the region and the situation in Afghanistan.

Relations with Uzbekistan

The relation of Russia and Uzbekistan are still ambiguous. Uzbekistan is suspicious about Russia's neo-imperial policy on the post-Soviet space. Uzbek president I. Karimov has repeatedly stated that the contemporary Russia is trying to impose its security strategy through the CSTO which is factually sustains its imperial ambitions.

Tashkent strongly opposed expansion of military-operation and strategic competence of the CSTO based on the Collective Rapid Reaction Forces. Uzbekistan believes that all integration initiatives of Russia are aimed at reconstruction of the USSR. This is a very fortunate opportunity for Russia to "collect lands" which is a traditional method to build an empire. The fact of the EurAsEC existence means that the CIS countries are inseparable from Russia.

Tashkent also believes that Russia and Central Asian must independently solve the problematic issues of their security. Russia is a strong power but, despite of being strong, shall facilitate consolidation of the sovereignty of the neighboring countries by regional integration without drowning them into its orbit via the EurAsEC or CSTO.

Tashkent compensates the lack of trust to Moscow by enhancing the relations with the USA. Uzbekistan also seeks to terminate its dependency from Russia as all trade and energy corridors from Central Asia are through the territory of Russia.

Tashkent decided to attract American business as an additional effort to balance Russian policy to have the Collective Rapid Reaction Forces within the CSTO and another military base in neighboring Kyrgyzstan.

I. Karimov signed the Cooperation Plan with the USA for 2010. The document resulted from the first round of the consultations between Uzbekistan and the USA. Washington relies on cooperation with Uzbekistan in security, political, economic, and social spheres. I. Karimov visited Moscow in April 2010 with the intention to smooth the tensions occurred after Uzbekistan shifted its foreign policy course towards the West. Besides the issues of bilateral relations, the two sides considered the situation in Kyrgyzstan.

Trade volume of Uzbekistan and Russia in 2009, comprising \$4,5 billion, decreased to 25%. Over 800 Russian companies are currently operating in Uzbekistan. Russia invests mainly in gas sector. In 2009 'Gazprom' bought more than 15,4 billion cubic meters of gas. It has already signed the contracts for 2010 on 15,5 billion cubic meters of Uzbek gas including 6,5 billion from the 'Lukoil' which is ramping up its production in accordance to the two joint ventures projects and is to increase its production to 12 billion cubic meters by 2013.

One of the problematic issues in the relations of Russia and Uzbekistan is that the latter is still refusing to admit its state debt to Russia which has reached so far \$700 billion. This stops Russia from providing investments and credits to Uzbekistan. The other issue is the conversion of the revenues of Russian business in Uzbekistan as the local banks do not convert these moneys in the national currency either into dollars or Euro. In the result from \$60 to \$150 billion earned by Russian businessmen are still frozen. Finally, there are a number of issues of geopolitical nature: resumption of Tashkent membership in the EurAsEC and its joining the

CRDF. Moscow is increasingly concerned about rapprochement of Tashkent and Beijing. President I. Karimov and Leader of the People's Republic of China Hu Jintao agreed in June 2010 that Uzbekistan would export 10 billion cubic meters of gas to China. This is a framework document; the terms of delivery are not fixed as well as the scale of investments. It seemed that Tashkent was pressuring on 'Gazprom' which was very reluctant in terms of modernization of the 'Central Asia — Center' gas pipeline in spite of the willingness of Uzbekistan to double its gas export.*

The ambitions of Uzbekistan are hampered by low traffic capacity of the "Central Asia — Center" gas pipeline, the only rout of export of Uzbek gas to Russia. The Uzbek section of the pipeline decreased its capacity from 56 billion to 45 billion cubic meters of gas. In the meantime, there are the projects to increase the capacity to 90 billion. However the Russian companies are not planning any modernization of gas production industry of Uzbekistan because I. Karimov does not sign any long-terms contracts and the investments according to the current contracts on gas purchasing are considered very risky.

The document signed by I. Karimov and Hu Jintao was obviously addressed to Russia. Tashkent demonstrated that it was little concerned about the current conjuncture on the European gas markets. Further delays in increase of gas purchase of Uzbek gas by Russia and its continuous reluctance to modernize the gas industry of this country means that Tashkent will turn to China instead, given its ambition to dominate on energy markets of Central Asia. This was the line pursued by president I. Karimov in the course of his visit to China in April 2011.

Thus, the strategy of Tashkent in its relations with Moscow may be considered as balancing between Washington (in terms of strategic issues) and Beijing (in terms of economy) aimed at making Russia to accept the terms and conditions beneficial for Uzbekistan.

Policy of Russia is more responsive and based on the confidence that Uzbekistan will eventually

* Uzbekistan, alongside with Turkmenistan is the biggest producer of natural gas in Central Asia. (annual production is 65 billion cubic meters of gas). According to the 2009 Annual Report of 'Gazprom', the 'Gazprom Export' considerably increased gas purchase in Uzbekistan to 15,4 billion cubic meters, which made the biggest exporter of gas to Russia from Central Asia. In 2010 the 'Gazprom Export' will buy 15,5 billion cubic meters of gas from Uzbekistan according to the current contracts.

have to return to the structures under Russian control due to internal and external political reasons.

Relations with Turkmenistan

The relations of Turkmenistan and Russia are quite complicated. The reaction of Turkmen leadership to the conflict of Russia and Georgia in 2008 was rather algesic. The statement made by the Turkmen Foreign Ministry after the developments in South Ossetia was deliberately neutral. Ashgabat did not support Moscow's position in the conflict, and this may be understood as a clear disapproval according to the Oriental style of diplomacy.

In spite of the 22 agreements concluded by Turkmenistan and Russia stipulating a wide range of issues for military cooperation, the priority of Moscow is still in the bilateral cooperation in energy sphere. The Treaty on Security Cooperation is about the intelligence exchange for joint efforts to combat terrorism. Interestingly, all new appointments made by G. Berdymukhammedov occurred after his meetings with V. Putin.

Moscow is seeking to prevent Ashgabat from military and political cooperation with Washington and NATO as well as Turkey. It also tries not to let Turkmenistan enter independently to the European gas markets. Russian diplomacy takes advantage of instinctive distrust of Turkmenistan elites to the West.

Interaction in gas sphere and personal contacts so far were quite a successful mechanism to prevent Ashgabat from rapprochement with Washington, although the latter is trying to increase its presence in military sector of Turkmenistan.

The controversy on the energy cooperation of Russia and Turkmenistan has also aggravated. Russia is trying to burke the construction of the 'Nabucco' pipeline and pushing the project on building the 'Caspian' pipeline and modernization of the 'Central Asia — Center' so that Turkmenistan would remain maximum dependant on Russia in terms of gas transportation. This policy triggered increasing resentment of Turkmen elites. Inappropriately harsh reaction to the accident on

the 'Central Asia — Center' pipeline in April 2009, when Ashgabat called that a subversive action perpetrated deliberately, proves that*; not to mention unsuccessful negotiation of Moscow in March 2009 on construction of the 'Caspian' pipeline and subsequent refusal of G. Berdymukhammedov to tap the section of the local Turkmen pipeline 'West — East' and his decision to open an international tender for its construction**.

Before the visit of Russian president D. Medvedev to Turkmenistan in September 2009, G. Berdymukhammedov once again stated that Turkmenistan was determined to diversify the transport routs to export Turkmen gas to the internal markets.

Russian share in exploration and developing of the oil and gas sites on the Caspian shelf is considerably smaller then that of the Western companies: the 'Lukoil' has some minor exploration and is interested in a number of the smaller offshore hydrocarbon blocks 19, 20 и 21.

Russia is still pushing Turkmenistan into military engagements, for instance the common CIS air defense system, where Ashgabat had been formally a member since 1995 as well as exchange of information about replacement of the portable air defense systems (MANPADS). Ashgabat is increasingly aware of the threat posed by Afghanistan. As Turkmen leadership is also seeking to strengthen the authoritarian form of government, it has to maintain strong armed forces. This is where the interests of Russia are based as it is ready to secure if not the regime but the pipelines contracts.

The relations of Russia and Turkmenistan were consolidated by the decision of Moscow in 2008 to withdraw the parishes of the Russian Orthodox Church located in Turkmenistan from the Tashkent and Central Asian Diocese (with the center in Tashkent) and establish an independent Turkmen Deanery.

Russian Defense Ministry is willing to continue its support rendered to Turkmenistan in reforms and modernization of its armed forces. To this end, the main points of the cooperation agenda have been already outlined.

* Ashgabat accused Russian 'Gazprom' for the explosion at the 'Central Asia — Center' pipeline connecting Turkmenistan with Russia. The explosion was caused by a drastic reduction of traffic by 'Gazprom'.

** Ashgabat opened the international tender for construction of the 'East — West' pipeline which will connect the Yoloten field (the biggest in the CIS) and the Caspian shore. The move was unexpected by Russia as it was believed that 'Gazprom' would build the pipeline.

Turkmenistan sees the pipeline projects, namely the 'Nabucco' to the West and eastwards to China as the major instruments of pressure in its relations with Russia. Additionally, Turkmenistan and Afghanistan signed a framework document on building the 'Trans-Afghan' pipeline through Pakistan to India*.

Russian Foreign Minister S. Lavrov visited Turkmenistan in March 2011. The visit was primarily to persuade Turkmenistan that the 'Nabucco' project of the EU was not as beneficial as those pushed by Russia. However, Russia is not ready to purchase all Turkmen gas and, therefore, does not have solid grounds to pressure Ashgabat. Russia is very unlikely to succeed in stopping Turkmenistan from engagement in the 'Nabucco' when it has refused to build the 'Caspian' pipeline.

After the 'Gazprom' reduced the import of Turkmen gas by four times, Ashgabat had to make a number of principle choices; to become independent from Moscow in terms of gas transportation and establish direct contacts with the consumers overpassing 'Gazprom'.

Thus, although, after new Turkmen president took the office, the relations with Russia intensified; G. Berdymukhammedov keeps the policy of equidistance. Currently, Russia is able to influence Turkmenistan in two spheres; gas issues (to rather limited extent) and military. However, Ashgabat is determined to reduce its dependency on Moscow in terms of gas export.

Summing up, the policy of Russia ('Gazprom') in Turkmenistan has a systematic drawback: given the current conjuncture on international markets and the price increase on Turkmen gas, it has become non cost-efficient long ago and Russia is literally paying for its Asian gas hegemony, which is the basis of Russian strategy.

Policy towards Kyrgyzstan

The character of the relations of Kyrgyzstan and Russia in the second half of the 2000s was determined by the two major factors: 1) future of the US military base at Manas; 2) stability in the republic and political strength of the regimes succeeded to

A. Akaev. Moreover, the dynamics and character of Russian policy to Kyrgyzstan was affected by the extent of Kyrgyz involvement in integration processes within the CIS and perspective entering of Kyrgyzstan into the Customs Union as well as increasing dependence of Kyrgyzstan on China and its relations with the neighboring countries, particularly in terms of hydro-energy.

All this factors were supplemented later by a number of others: debt of Kyrgyzstan to Russia and its remission, Russian investments in Kyrgyzstan, military sites of Russia in the republic giving strategic significance and changed attitude to the Russians within Kyrgyzstan.

Violent regime change in Kyrgyzstan and bloody events occurred in April 2010 make us question the efficiency of Russian policy in the region in terms of its ability to maintain regional stability. Not surprisingly, the developments in Kyrgyzstan were immediately discussed by the presidents of the USA, Russia and Kazakhstan.

In general, the consensus was easily reached by the USA, Russia and Kazakhstan over their position on Kyrgyzstan: to recognize the removal of K. Bakiev and maintain relations with the transitional government on moderate level, to render humanitarian assistance and avoid direct interference.

Political experts, in their turn, after the developments in Kyrgyzstan, proposed the following: 1) maintenance of political stability; 2) continuous special relations of Bishkek and Moscow; 3) prevention of anti-Russian moves.

The Russian experts believed that the key problems for Kyrgyzstan were of financial capacity and public order. The primal assistance might be provided via material aid and facilitating of proper functioning of the law-enforcement agencies.

The role of Russia in the developments resulted in removal of K. Bakiev from power raises some suspicions. It is generally known that before the events in the spring 2010 Moscow had had a number of issues against Kyrgyz leader. In June 2008 K. Bakiev decided to remain the US military base in Kyrgyzstan which Moscow had been trying to get rid of. Eventually, in the results of the series of

* Ashgabat and Kabul are planning to have the 1680-kilometer pipeline connecting the Dovletabad field located in Turkmenistan and Fazilk on Indian-Pakistan border via the territory of Afghanistan. Traffic capacity of the pipeline will be about 33 billion cubic meters of gas at the inlet and 17-18 billion cubic meter output in India. The construction works are to be started this year and the first gas traffic must begin in 2015.

diplomatic maneuvering, it only changed the name and was then called the Transit Center at Manas.

Later Bishkek took a number of steps which were inevitably opposed by Russia. In 2010 the Kyrgyz government was reported to open another US military site, this time it was a training center in the Batken region. Russia was also unhappy with the delays to open its own military training center in Southern Kyrgyzstan according to the agreements reached by D. Mevedev and K. Bakiev at the CSTO Summit in Cholpon-Ata in July 2009. This center could have become the second Russian military site in the country besides the Knat air base and was regarded by a number of experts as a compensation for failure to make the Americans leave Kyrgyzstan. According to the memorandum signed by the Russian and Kyrgyz presidents in Cholpon-Ata, the agreement on the terms and status of the military site would have been concluded by November 1, 2009. However, it never happened.

K. Bakiev is known to have made some other promises to Moscow, for instance, to give the JSC 'Dastan' to Russia. This is the only defense industry plant in Kyrgyzstan producing the equipment for Marine torpedoes, VA-111 'Squall'. K. Bakiev discussed the matter with Russian president D. Medvedev in February 2009 when they agreed that Kyrgyzstan would give the controlling stake in the JSC 'Dastan' and the testing site at the Issyk-Kul Lake to Russia in exchange for the remission of \$180-million debt of Kyrgyzstan. The debt was written off but the Kyrgyz government announced that it held only 37% stake and the others were possessed by the private individuals. Later Moscow, to its utter surprise, learnt that the stakes of the JSC 'Dastan' had been sold to the companies of Maxim Bakiev, the youngest son of Kyrgyz president.

Besides, Kyrgyz government has recently become much harsher towards the Russian-language web sites by limiting or even closing the access in the republic. The Embassy of the Russian Federation had to express the "concern" but without any visible effect.

Additionally, Russian business operating in Kyrgyzstan was increasingly prevented from purchasing new assets. According to the Kyrgyz opposition, this could be explained by the anti-Russian sentiment typical for the closest circles around the son of President M. Bakiev who is the head of the

Central Agency for Development, Investments and Innovation which may be considered as a "shadow cabinet" of Kyrgyzstan.

Former Prime-minster D. Usenov participated in the 11th meeting of the Intergovernmental Commission of Economic, Trade, Technical and Humanitarian Cooperation established by Russia and Kyrgyzstan. The negotiations resulted in signing the program of economic cooperation stipulating about 60 projects relating to the cooperation in trade, economy, science and technology as well as in humanitarian sphere. However, he failed to reach the major objective that Russia would provide a loan to build the Kambarata HES-1.

Although that officially Russian President D. Medvedev and Prime Minister V. Putin as well as Security Council Secretary N. Bordyuzha denied Moscow's involvement into the developments in Kyrgyzstan, the Kremlin was openly enthusiastic about regime change. The secret talks of Russia with Kyrgyz opposition were quite probable. Interestingly, the most demonstrative support to the transitional government was rendered by Russia.

The negotiation of Kyrgyzstan with Turkey about 49% stake in the 'Dastan' Plant may be considered as a hostile move against Moscow as it had been promised earlier to Moscow in exchange for cancellation of Kyrgyz debt to Russia. This asset had become the reason for serious aggravation of the relations of President K. Bakiev with Moscow.

CSTO Secretary General N. Bordyuzha paid a three-day visit to Bishkek in February 2011. Moscow attached special importance to the trip; CSTO Secretary General discussed the future of the Organization, but more importantly, the visit was an opportunity to convey a serious concern of Moscow about the fact that Bishkek tended to ignore Russian interests in Kyrgyzstan. N. Bordyuzha proposed Bishkek to conduct the CSTO military exercises of peacekeeping and anti-terrorist character in Kyrgyzstan in the framework of the planned establishment of the large military forces on the basis of the units of the Collective Rapid Reaction Forces of the CSTO in Central Asia. There has been no any concrete respond from Kyrgyzstan so far.

In March 2011, President R. Otunbayeva visited Brussels and confirmed that Kyrgyzstan would remain westwards oriented and willing to

promote cooperation with NATO. The European tour of Kyrgyz President was met with suspicion in Moscow as R. Otunbayeva after being elected in 2010 referendum had not officially visited Russia.

The Kyrgyz government was forced to make a number of concessions under Moscow's pressure. The agreement on fuel supply to the US air base was eventually signed. The situation over the 'Dastan' deal was resolved but the relations were still tense. In order to ease the tensions, Kyrgyz Prime Minister A. Atambayev visited Moscow in March 2011. Russia was determined to prevent the ruling coalition in Kyrgyzstan from splitting up; the taxes on fuels and lubricants (POL) imposed in February were canceled as POL shortage amidst the panting season might have resulted in another revolution in Kyrgyzstan. In exchange, A. Atambayev confirmed that Kyrgyzstan was to adhere the commitments that had been taken earlier by K. Bakiev including 'Manas' air base issue.

The only issue whereon there is an openly admitted disagreement, is the project to establish a Joint Russian military base in Kyrgyzstan.* Bishkek gives up its claims to raise rants but the issue will remain unresolved until there are other disagreements between Kyrgyzstan and Russia. The thing is that Russia's suggestion is to apply a standard world practice to conclude the contract for 49-years term of rent with an automatic renewal after 25 years. However, Bishkek has been pushing the idea to include the clause stipulating its right to terminate the contract at any time. We shall mention that in strategic terms Russia was planning to unite all military installations in Kyrgyzstan into one Joint Russian military base.

A. Atambayev stated that the 'Manas' Transit Center will have to become genuinely international by 2014 with mandatory inclusion of Russia. This point was made in the course of the negotiations with Russian Prime Minister V. Putin and was not rejected. Russian-Kyrgyz Intergovernmental Commission meeting in April 2011 was headed by Kyrgyz Prime Minister A. Atambayev who was going to run for presidency in the 2011 elections and, therefore, being dependant on Russian support, demonstrated his willingness for rapprochement with Moscow.

The same motivation is probably behind the claimed willingness of Kyrgyzstan to join the Customs Union by September 2011. There is a certain belief in Bishkek that Russia will invest in mining industry, help solve the transportation problem, provide additional arms supply for the Kyrgyz army, assist in the fight against terrorism and enhance of border security, and create favorable conditions for export of Kyrgyz goods. The important issue is the supply of humanitarian goods, particularly grain, seeds and diesel fuel. Instead, Bishkek promises to create the better conditions for Russian business in Kyrgyzstan.

Attempts taken by Bishkek aimed at rapprochement with Russia are constantly complicated by the foreign policy moves of Bishkek in other directions. For instance, A. Atambayev, during his visit to Ankara in April 2011, said that his country was intended to establish a joint economic space with Turkey. But Atambayev's visit to Turkey was not at all ignored by Moscow: Russian Prime Minister V. Putin said that Russia would no longer tolerate Bishkek's failure to keep its promises. At the same time, Russia is increasingly concerned that Kyrgyzstan will not fulfill the earlier promises. Under these circumstances, Moscow has two principle solutions. First, Russia will do everything to avoid destabilization of the situation in Kyrgyzstan; above all, it will not raise tariffs on petroleum products. Second, it will not hurry with the implementation of multi-billion dollar project, which Moscow and Bishkek agreed to in 2009, including the \$1.7 billion loan for the construction of the Kambarata-1, as well as the establishment of the Joint Russian Military Base in Kyrgyzstan. Moscow decided that Russia would not do any large-scale investments in Kyrgyzstan, before the presidential elections, which should make the political situation somehow more definite.

Russian Relations with Tajikistan

In recent years, relations of Moscow with Dushanbe (in addition to traditional security concerns about the Afghan-Tajik border, the 'Nurek' strategic tracking station, drug traffick-

* There are five military installations of Russia: 999th air base in Kant, 338-th node distance communication of the Russian Navy in the village of Kara-Balta (Spartacus, Chaldovar) Chui, 954-I test base antisubmarine weapons 'Koysary' in Karakol on the Issyk-Kul Lake, as well as automatic seismic station N 1 Ichke-Suu (Issyk-Kul region) and radio systemic laboratory №17 in Maili-Suu (Jalal-Abad region) belonging to the single automated system of the Russian Defense Ministry.

ing, etc.) have been based on the interests of the major Russian investors in large hydropower and mining resource in this republic.

The intensity of military cooperation in 2001-2004 between Tajikistan and Russia declined. The US military presence in the region and the fact of financial benefits from the US military bases for Kyrgyzstan and Uzbekistan, made Dushanbe pressure more on Moscow. Tajikistan demanded some preferences and deliberately delayed negotiations on the status and conditions of the Russian military base, signed back in 1999. There was "investing in exchange for a base" bargaining.

In the meantime, Dushanbe wants Russia to provide full funding of the base and allow the subordination of the military emergency forces to the Tajik Defense Ministry, it also pushes for cancellation of Tajik \$300 million debt to Russia. The issue of electron-optical center of the space monitoring system 'Nurek', a division of the missile Defense Forces, was also included into the agenda of the negotiation process. This facility, built during the Soviet era, is of strategic importance to the security of the CIS.

After the US withdrawal from the ABM Treaty, the station was modernized. Tajikistan tried to sell the 'Nurek' station to Russia (its status had not been defined), in exchange for \$50 million.

In June 2004, Russia and Tajikistan agreed to establish a permanent base, in August, the two presidents signed an agreement stipulating the establishment of the 201st Military Base instead of the 201st Division. The 'Nurek' station became the property of Russia in exchange for cancelation of the debt of Tajikistan. The land was leased for 49 years with a nominal fee 30 US cents per a year. Russia wrote off \$242 million of Tajik debt. By signing these agreements, Tajikistan was able to have \$2 billion Russian investments in exchange for its military presence in Tajikistan. Additionally, Russia committed itself to modernize the military forces of Tajikistan.

As Russia was concerned about having a balanced position with the USA, Dushanbe was able to reach Moscow's consent to participate in the reconstruction of the 'Roghun' HES, the key hydroelectric power plant of the republic. It will cost more than \$2.5 billion to complete the reconstruction. The land remains of the base's property, the

machinery and equipment is also owned by the Russian Federation, there is no charge for the rent and electricity.

Since 2005, the Tajik officers have been trained in Russian military academies on concessional terms; each year more than 80 people are trained free of charge and over 20 on a preferential basis. Tajikistan regularly participates in military exercises of the CSTO and SCO, and with Russia on bilateral basis. The interactions within the process of military-technical assistance reinforce the importance of the 201st Base as well as the role of Russia as the guarantor of security and stability in Tajikistan and Central Asia. Russia, in its turn, will continue to make the Tajik military forces more dependant on its weapons, and, therefore, to secure the agreements about military training of Tajik officers in Russia as it is important for quality maintenance and operation of weapons and equipment made in Russia and sold to Tajikistan.

Russia is obviously seeking to take control over the defense industry of Tajikistan and Dushanbe is eager to pay off the debts for military training and be able to conclude the contracts for the modernization of its armaments. The Americans wonder at the deployment of Russian air defense forces in Tajikistan, as the main threat to the republic's security is from Afghanistan, which is clearly incapable to launch the missiles. Clearly, Moscow is seeking not only to increase its influence in the republic, which is already quite strong, but to prevent other players from penetrating in Tajikistan with their bases as this kind of developments is possible in case of deterioration of the Russian-Tajik relations.

In 2007, Russia began redeploying from the airport in Dushanbe to Aini, in accordance with the basic agreements between the two countries on the status and conditions of the Russian military base in Tajikistan. Under those agreements, the Tajik air force must be placed at Aini along with the Russian aircraft. At the same time, Moscow tried to insist on its sole presence at Aini.

Being unable to gain enough funding from foreign countries and international agencies, Tajikistan has decided in favor of the other means, it reaffirmed the strategic vector for Russia and dispelled US hopes for its presence on Tajik territory. However, Moscow did not insist on its terms, yet at the end of August 2008 the agreement on expansion

of military and military-technical cooperation was signed, stipulating a joint use of the Hissar airport by Russia and Tajikistan.

Having rejected Russian claims for its sole proprietorship of the base, Dushanbe, perhaps, is leaving the room to maneuver, so that it could put pressure on Moscow implicating that it could invite the others and their military to use the Hissar facilities.

Since 2009, the issue of construction of the Rogun HES gained regional and international dimension. Uzbekistan was utterly against the construction; Kyrgyzstan supported the project while Russia and Kazakhstan repeatedly changed their official positions. Earlier, in late 2008, Russia had signed the agreement with Tajikistan to build three hydropower stations of average capacities on the rivers Hingob, Zarafshan and Kafernigan; the feasibility study should have been made during 2010.

In the meantime, Dushanbe, trying to play the anti-Russian card, is ready to offer US investors to participate in various sectors of the national economy, particularly in the energy industry. Dushanbe is aware that the foreign partners are primarily interested in the projects related to the neighboring Afghanistan. According to the experts, Tajikistan foreign policy course is increasingly oriented towards the USA.

Labor migration remains an important factor in Russian-Tajik relations occasionally used by Moscow as a political lever to pressure Tajikistan. It is known that over a million Tajik work in Russia. Remittances of the Tajik labor migrants to their homeland decreased by 31.3% to \$1.8 billion in 2009 (for comparison, in 2008 the inflow of remittances to Tajikistan amounted to \$2.2 billion; 43% of GDP).

Russia, in its policy toward Tajikistan, is no longer able to ignore the Chinese and Iranian factors: China and Iran are the biggest investors and donors for the Tajik economy. Iran is to complete the construction of the second Sangtuda HES and intends to participate in the projects of the construction of the Shurob and Dashtidjum stations and to build the joint power grid jointly with Pakistan. The Iranian companies are also involved in construc-

tion of the regional railway and road systems and establishment of free economic zones, as well as in the investment and trade projects. This rapprochement of Iran and Tajikistan is possible due to the fact that Moscow's influence on Dushanbe has been notably reduced, whereas Russia has increased its pressure on the republic.

Russian President D. Medvedev issued the list of claims to Dushanbe meeting with Tajik President E. Rakhmon in Sochi in August 2010: these were the constant failure of Dushanbe to adhere its numerous commitments, including the return of debts to Russia for electricity, the deployment of the Russian military pilots at the Hissar airport and resumption of 'RTR-Planet' channel broadcasting in Tajikistan. Dushanbe is asking the 'Inter RAO UES' to build a number of medium-sized hydroelectric power stations on the mountain rivers and to cancel raised tariffs on petroleum products imported from Russia. In the course of unofficial negotiations with Tajik President E. Rahmon, Moscow made it clear that these issues would be discussed only after he fulfilled the promises made earlier.

The most long-standing issue complicating Russian-Tajik relations is that of deployment of the Russian aircraft at the Hissar airport (Aini airbase) near Dushanbe. The airport, built during Soviet times, was restored by the Indians*. Russia is interested in the Hissar airport because Moscow and Dushanbe have the agreement stipulating that the Russian military aircraft must be serviced free on the military airfields in Tajikistan. Therefore, Tajikistan will not receive any money for providing its airfields for Russia.

In the course of his visit to Dushanbe, NATO Secretary General's Special Representative on South Caucasus and Central Asia R. Simmons stated that NATO might open an anti-terrorism center in Tajikistan. NATO presence at Aini airfield near Hissar in 25 km distance from Dushanbe, the site Russia is very much interested in, may result into a conflict between the alliance and Moscow. US Assistant Secretary of State R. Blake, who visited Dushanbe after R. Simmons, disavowed his remarks, arguing that the USA had no plans to establish a military base in Tajikistan.

* Reconstruction of the 'Aini' air base cost \$70 million. All participation in this project made equity contribution; India invested \$19.5 million. Russia hopes that the 'Aini' will included into the military installations of its 201st Division in Tajikistan.

The USA is currently concerned about the security of the northern route supplying troops deployed in Afghanistan, which runs through the territory of Tajikistan and Uzbekistan. Earlier, the USA announced the intention to gradually withdraw its troops from Afghanistan. If this is a serious intent, the White House will probe the ground for the establishment of closer contacts in Central Asia, including Tajikistan, to base its troops being withdrawn from Afghanistan.

The Americans plans to create temporary bases and training centers discussed with Dushanbe can not make anything by a negative effect on the relations of Dushanbe with Moscow. Apparently, the aggravation of the political situation in the country in early September 2010 (the escape of a large group of oppositionists and terrorist attacks) revealed the fact that certain external forces had been involved.

A number of internal political factors affected positively Russian-Tajik relations. Currently, the popularity rating of Tajik President E. Rahmon is decreasing; the establishment of the second Russian military base in Tajikistan means the support from Moscow to strengthen his position.

Thus, if Dushanbe is not able to cope with the threat of destabilization — and the developments in late August and early September 2010 prove that it is very likely — the three troubled countries in the region, namely Afghanistan, Tajikistan and southern Kyrgyzstan may merge into a single conflict zone. Moscow is very well aware of this. Therefore, Russia is to find a compromise solution in order to preserve the Rahmon's regime and stability in the republic.

Policy of Russia towards Kazakhstan

The logic of development of Kazakh-Russian relations shows that in the near future Russia will be interested in the following:

- having Kazakhstan as the closest partner and ally in Central Asia and the former Soviet Union;
- realization of the large-scale integration projects jointly with Kazakhstan;
- maximum integration of Russian and Kazakh economies;
- establishment of a common energy pool with Astana, meaning joint production and transportation of hydrocarbons as well as nuclear energy development;

- establishment of a food cartel together with Astana (especially in grain production);
- leaving limited opportunities for Astana to pursue an independent, multi-vector policy on the areas of Moscow's vital concern, particularly energy and transportation;
- prevent Kazakhstan from promotion of further cooperation with the West;
- monitoring the relations of Kazakhstan with China;
- full-fledged customs, currency and trade union with Kazakhstan.

As for the long-term goals, Russia is interested in the closest integration of the two countries; reintegration of the national economies, common defense area, introduction of the single currency.

In terms of Kazakh-Russian bilateral relations, the most urgent question is how far Moscow will go in the integration process, and how deep the rapprochement with Moscow shall be so that it would not damage the national sovereignty of Kazakhstan. According to numerous Kazakhstan experts, one of the most serious challenges to further development of Kazakhstan may come, paradoxically, from Russia, its closest ally.

Accession of Russia to the WTO separately from the other in the EurAsEC members could be a serious problem, especially considering the fairly extensive common border between Kazakhstan and Russia. Therefore, it is crucial for Kazakhstan to achieve synchronization of these processes.

Several problematic issues may arise in security sphere; Kazakhstan's participation in the CSTO with the simultaneous enhancement of its relations with NATO. Strengthening of military-technical cooperation of Kazakhstan with the West is obviously necessary, but we can not ignore the pressure from Moscow regarding the limits for such cooperation. Therefore, Kazakhstan should continue the course to preserve the Kazakh-Russian military-political alliance as this is the primal condition to maintain national security when the limits for interaction with the West shall be clearly defined jointly with Moscow.

Baikonur, which is an important strategic site of global importance, may become a problematic issue in the relations of Kazakhstan and Russia. The cooperation between Kazakhstan and Russia in this

area is limited to the rent of Baikonur, the space rocket complex 'Baiterek' and satellite KazSat-2 projects. It is very unlikely we will see any new projects in the near future. According to Russia, the cooperation in space industry with Kazakhstan becomes increasingly difficult because of the position of Astana. In fact, Moscow is gradually leaving Baikonur, but the launch pad there is compatible with delivery vehicles made in Russia and Ukraine.

According to experts' opinion, in 10 years Baikonur will reach a critical level of physical and moral deterioration. As a result, Kazakhstan will have an abandoned spaceport and lose millions of dollars as well as its status of a space power. As for Russia, losing Baikonur will mean the crisis of the entire federal space exploration program. Therefore, the Baikonur issue must be resolved by Russia and Kazakhstan as soon as possible.

The transcontinental transit may become another problematic issue in the bilateral relations of Kazakhstan and Russia. Lack of coordination in the construction of the transport corridor 'Western Europe — Western China' may make the multinational transport companies less interested in the project. While Kazakhstan has already started the reconstruction of the roads in some areas, and the tempo of the works is only increasing, Russia has just started doing feasibility study on the subject. If there are no any positive changes, only Kazakh and Chinese parts of the corridor will be built by 2013 when the European section will remain unfinished, and the entire project will lose its economic and geopolitical sense.

Russia made a number of achievements in implementing of its strategy in 2010: the Customs Union of Russia, Kazakhstan and Belarus is a perfect example. The hope for political change in Ukraine occurred in the same year; Kiev might join the Common Economic Space which is being formed.

The Customs Union of Russia, Belarus and Kazakhstan could and should have a historical perspective. In our opinion, it is necessary that Russia and Kazakhstan speed up independent negotiations on WTO accession, especially when there is a real chance to join the organization together.

National interests of Kazakhstan require a clear understanding of the outcomes of the policy Russia has been pursuing to (re)integrate the former Soviet

Union and maintain its dominance and leadership in the CIS. According to a number of the statements made by the Russian leaders in the first half and in the mid-2000s, the first aim of Russia (the 'Putin Doctrine') is economic integration, and then some form of a political union.

This strategy has certain similarities to the EU integration; however, the difference of political and economic weight of Russia and the other CIS countries makes its further implementation quite questionable. Moreover, the case of the Customs Union has shown that this is a complicated process which will take time and effort.

A number of factors of subjective and objective nature complicate and impede the implementation of Russian strategy in the post-Soviet space. These factors include weakening Russian influence in the former Soviet Union for historically objective reasons: it is clearly seen in many spheres such as cultural, linguistic, demographic, economic, military, and political. Generation shift in all former Soviet republics, including Russia itself, alienates the people of these countries, undermining the main basis for reintegration which is the nostalgia for the lost unity.

Moreover, Russia lacks financial, informational, and other resources necessary for an active, offensive policy comparable to that of the West as well as so-called 'soft power' meaning cultural attractiveness of the proposed model. Nevertheless, Russian strategists and economists are still making far-reaching integration plans.

Kazakhstan remains the major strategic partner of Russia in Central Asia. However, it should be noted that the interests of Kazakhstan are not always taken into account by Moscow. There are plenty of examples: the Customs Union implementation methods, developments in Kyrgyzstan, Russian relations with Uzbekistan, joint investment in large-scale projects in other Central Asian republics, etc.

But currently, the multi-dimensional and growing influence of China is the main challenge to Russia in Central Asia, which has long been focused on the task to confront the Western influence. With its inconsistent policy, Russia risks losing influence on Uzbekistan and Turkmenistan.

Astana must develop a sound and effective course of action in the relations of Russia, with the

West aggravate once again. These relations may even turn to confrontation, since all the participants in this confrontation, namely Russia, the USA and the EU are strategically interested in the CIS, Central Asia and Kazakhstan. Possible confrontation and competition of Russia with the USA and the EU will inevitably affect the national security, external relations and international status of Kazakhstan. The strategic interests of Kazakhstan are no longer

fully identical with those of Russia, on the contrary, are often similar to those of the West.

In this regard, Kazakhstan shall insist that the integration processes and decisions of a political nature between the two countries in the short term were made on equal basis. Kazakhstan should be aware that various issues of social, economic, regional, demographic character as well as transportation and customs problems may appear in the result of the integration process.

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President of the Republic of Kazakhstan

N. Nazarbayev and Foreign Policy of Kazakhstan

BULAT AUELBAYEV,

Head of Department of Foreign Policy Studies, Kazakhstan Institute for Strategic Studies under President of RK

Independence and sovereignty of Kazakhstan is directly related with the name of the First President of the Republic of Kazakhstan Nursultan Nazarbayev. For these twenty years the political leadership of the republic have been pursuing a multi-vector foreign policy on the background of successful and dynamic development, national and cultural revival of the Kazakh people, political reforms and formation of a modern social and economic model. The foreign policy strategy of the Head of the State enabled the republic to posture itself in the international arena.

Kazakhstan plays a significant role in the world politics and economy due to its membership in a great number of international organizations and friendly and constructive partnership relations with all countries within international community. The dissent role of Kazakhstan is recongnized internationally and its Chairmanship in the Commonwealth of Independent States (CIS), Shanghai Cooperation Organization (SCO), Eurasian Economic Community (EurAsEC), Organization for Security and Cooperation in Europe (OSCE) and the forthcoming Chairmanship on the 38th session of the Council of Foreign Ministers of the Organization of Islamic Cooperation (CFM OIC) in June 2011 prove that. Additionally, a number of global initiatives made by the President of the Republic of Kazakhstan N. Nazarbayev were acknowledged by the world community.

Kazakhstan admission as a member of the United Nations Organization (UN) on March 2, 1992 was one of the important stages in formation of the Kazakhstan foreign policy. The 47th session

of the United Nations General Assembly (UNGA) became the first international forum where Kazakhstan participated as an independent state headed by the President of the Republic of Kazakhstan N. Nazarbayev. This event had a great historical importance for our nation. The President of the Republic of Kazakhstan N. Nazarbayev delivered a speech on October 5, 1992 in UNGA touching upon the issues of systematic changes in the world community, a new role of the UN, and the foreign policy of Kazakhstan. In the course of the session the Kazakhstan leader made a number of initiatives, namely he proposed the 'one plus one' formula as the basis for the UN peacemaking efforts. The initiative to establish the Conference on Interaction and Confidence-building Measures in Asia (CICA) is particularly worth mentioning.

Since then, the Republic of Kazakhstan has been immensely contributing into maintenance of stability and preserving peace. Kazakhstan role is essential as the country is a major political link in the relations between Europe and Asia pursuing a predictable and balanced policy aimed at resolution of the global issues. Kazakhstan was able to establish a constructive dialogue between Western and Eastern countries due to its favourable geographical position and friendly partnership relations within its geopolitical surrounding. The foreign policy of Kazakhstan is characterized by its active and constructive participation in global and regional associations and promotion of security initiatives.

For the years of its independent development, Kazakhstan has become an active participant of the OSCE process, promoting maintenance of security

within the scope of the Organization. In the course of the Helsinki summit in 1992, President N. Nazarbayev made a number of initiatives, namely he suggested the establishment of the Commission on Security and Cooperation in Europe (CSCE) as well as the Special Forces to prevent regional conflicts and preserve peace in Eurasia. The first session of the Lisbon Summit chaired by the Head of Kazakhstan N. Nazarbayev signified that the young state of Kazakhstan enjoyed rather high reputation and was regarded to be capable to contribute into the process of improvement of the European security structure.

The Kazakhstan OSCE Chairmanship in 2010 became a triumph for Kazakhstan diplomacy. The President of Kazakhstan proposed to hold the OSCE Summit in Astana. Personal authority of the Kazakhstan leader was one of the reason that the summit in Astana was held at the highest international level. The final document approved by the Summit covered the major directions of the world development towards maintenance of international peace and stability in the Euro-Atlantic and Eurasian regions. The Astana Commemorative Declaration 'Towards a Security Community' confirmed once again the principle of indivisible nature of security.

The CICA initiative of the President of the Republic of Kazakhstan N. Nazarbayev is increasingly acknowledged in the world community for being significant for formation of the international security system on regional and global levels. The idea was lately transformed into providing a suitable "platform" for international consultations on Asian security issues and became an integral part of the new global world order.

N. Nazarbayev, recognizing the importance of the Forum's institutionalization process and the need of practical collaborative mechanisms, focuses the attention of the member states on further improvement of interstate cooperation despite the contradictions and disagreements among the states of the Asian continent.

The issues of nuclear disarmament and international security become especially significant in the current geopolitical environment. The fact that Kazakhstan voluntarily gave up its nuclear arsenals demonstrates its intention to create an open democratic society having a balanced and responsible approach towards the issues of global security and nuclear non-proliferation.

President N. Nazarbayev closed the Semipalatinsk nuclear test site on August 29, 1991. Kazakhstan joined the Treaty on Non-Proliferation of

Nuclear Weapons and the Comprehensive Nuclear-Test-Ban Treaty. These arrangements stipulated the international security guarantees on the part of the nuclear powers. President N. Nazarbayev has repeatedly pointed at nuclear disarmament as an essential factor of the economic and political development as well as internal stability in Kazakhstan.

Speaking at the international forums dedicated to the issues of international security and reduction of weapons of mass destruction President N. Nazarbayev is consistently calling for universal non-proliferation, keeping of peace, stability and global security. In this regard, each resolution adopted by the UN General Assembly on nuclear disarmament and non-proliferation regime recognized a great contribution made by the leader of Kazakhstan, his firm attitude and practical realization.

The initiative of the President of the Republic of Kazakhstan N. Nazarbayev made for the United Nations Organization consideration to assign August 29 as an International Day against Nuclear Tests was strongly supported by the world community and was approved by the corresponding UN Resolution.

The President of Kazakhstan suggested the world community would take the actions aimed at practical implementation of the measures to enhance global nuclear security system in April 2010, in the course of the Global Nuclear Security Summit in Washington. In particular, N. Nazarbayev proposed to elaborate an effective mechanism to monitor the distribution and usage of radioactive materials conducted by the United Nations special institutions in order to increase the responsibility of all the parties of international relations having an access to nuclear technologies and power engineering.

The issues of maintenance of peace, stability as well as international and inter-confessional accord are among the major topics considered by politicians, scientists and religious figures. Contemporary global dynamics stimulated the interaction processes among different cultures and religions in a complex and diverse social and cultural environment.

Currently, people of over 130 ethnic backgrounds and more than 46 confessions live in peace and consent in Kazakhstan. The uniqueness and effectiveness of the Kazakhstan model of harmonious multi-ethnic society is widely internationally recognized.

The Congress of World Religions initiated by N. Nazarbayev is regularly held in Astana being a unique in the history of development of the world culture and religion. This is a positive example of

cultural and equitable dialogue on inter-confessional understanding in the changing world.

The main characteristics and key values of the policy pursued by the President of the Republic of Kazakhstan N. Nazarbayev are peace, consent, tolerance and stability. Following this policy the inter-ethnic and inter-confessional peace became the key elements of development of the Republic of Kazakhstan over the years of its independence.

Globalization processes all over the world are accompanied with international and regional economic integration and growth of interdependence between various countries and regions. The awareness of N. Nazarbayev of the need for closer cooperation between the states in the present conditions is manifested in his conception of regional integration.

Kazakhstan is acting as a driving force of integration process both in Central Asia and the CIS territory. In 1991 the President of Kazakhstan N. Nazarbayev spoke before the participants of the meeting of the heads of sovereign states in Almaty saying that: "future of the relations among the sovereign independent states shall be based on the spiritual unity of nations fostered by our ancestors".

The advance of the integration progress is manifested in establishment of the EurAsEC and the new Eurasian economic institutions such as the Eurasian Development Bank, Anti-Crisis Foundation and others as well as the Customs Union.

As the world experience shows, the national interests are best met via collective adherence of sovereignty in the contemporary global environment of increasing interdependence. Therefore the President of the Republic of Kazakhstan N. Nazarbayev considers the regional integration as one of the most effective ways to address the threats and challenges of economic globalization and to retain a strong position in the world.

The policy of President N. Nazarbayev made Kazakhstan the most active supporter of integration and multilateral cooperation. Therefore, the involvement of our country in the globalization process is not as problematic as it could be provided the republic were isolated from the world.

Kazakhstan is not only an active member of the regional organizations, it initiated the establishment of a number of integration alliances facilitating the development of trade and economic relations and providing stability and security in the Central Asian region.

The Agreement on Confidence-Building Measures in the Military Sphere along the Border

signed in Shanghai, China in 1996 is the document of unique character in the history of international relations being the key moment of the foreign policy of Kazakhstan. Subsequently, the above-mentioned Conference resulted in establishment of the Shanghai Cooperation Organization (SCO) in 2001. The Organisation turned into one of the major security structures in the region. Counterterrorism and development of trade and economic relations, cooperation on investment among the member states are the main goals of this authoritative organization. Speaking before the participants of the meeting of the Council of the Heads of SCO Member States held in Astana in 2005, N. Nazarbayev said that the SCO was established not only to restrain the destructive forces but to conciliate our nations for further development

Since the first day of its independence, Kazakhstan has been pursuing a multi-vector foreign policy and strengthening friendship and cooperation with the countries of all five continents. The international strategy of the republic was formulated on this basis. The good neighbourly relations with Russia, China and the Central Asian countries and a constructive collaboration with the USA, EU, the Asia-Pacific region (APR) and the Islamic world were the priorities of Kazakhstan foreign policy.

The Kazakhstan-Russian cooperation is a good example. It is fruitfully developing both on bilateral and multilateral basis within the frames CIS, EurAsEC, SCO, Collective Security Treaty Organization (CSTO), Organization of Central Asian Cooperation (OCAC), and also under the aegis of the Customs Union of Belarus, Kazakhstan and Russia since January 1, 2010.

The Head of the State is paying due regard to the development of foreign policy relations of Kazakhstan and Islamic world on the basis of the national interests and generally recognised norms of international law. Great opportunities and new prospects especially in economic sphere are opened in mutual relations with the countries of the Asian-Pacific region and Latin America.

Thus, the role of the First President of the Republic of Kazakhstan N. Nazarbayev is difficult to overestimate; he greatly contributed in the development of mutually beneficial cooperation and constructive relations with the international organizations, regional associations and other countries. For twenty years of the Kazakhstan independent development, its foreign policy priorities have not been changed.

Cooperation of the SCO and the Western Countries

RUSLAN IZIMOV,

Research Fellow, Department of Foreign Policy Studies, Kazakhstan Institute for Strategic Studies Under President of RK

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

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

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

Image of the SCO in the Western Countries

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

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

The SCO shall not be considered as an anti-western or anti-American alliance as it has no concerns about the presence of Western countries or international organizations in the region. All official documents of the Organization proclaimed that there is no negative intention towards the USA or other Western countries. Moreover, the SCO members welcome any joint efforts with other international organizations in order to maintain global and regional security. Nevertheless, some objective tendencies in the SCO seem to cause a certain concern of the West that the SCO could transform into an 'Eastern anti-NATO' [1].

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

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

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

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

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

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

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

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

* It should be noted that India's entering the SCO as a full-fledged member will not cause any negative reaction in the West because historically it had friendly relations with the USA and other Western countries. However, India's joining the SCO without Pakistan does not meet the interests of China due to tensions in the bilateral relations of India and China.

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

There is no common opinion among the Organization's members over the priority direction of its development. Apparent rapprochement of Russia and China does not mean that there is no any concealed competition for the spheres of influence in the region. The fact that Moscow and Beijing have different vision of the SCO future development has already negatively affected the coordinated process of political decision-making. China and Russia holding different positions in the Organization have already taken a number of moves to secure their own interests. For example, China is increasing its economic interference in the region mainly using bilateral format beyond the framework of the SCO. Russia, in its turn, is also taking active measures to preserve its role in the region. In this respect, the establishment of the Customs Union is a practical step to activate the cooperation in security against economic arrangements within the SCO which certainly will constrain the Chinese ambitions for economic dominance in the Central Asian countries.

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

As for the military potential of the SCO and the military exercises, the comparison of the Shanghai Organization with the NATO, in our opinion, is incorrect. Secretary General of the SCO Research Centre of the Chinese Academy of Science (CAS), Sun Zhuangzhi in his article 'SCO no possibilities

to turn into military bloc' noted that "the military-political component is not dominant for the SCO, and the military exercises of the SCO member states are often held in coordination with many countries and international organizations including NATO and always bear antiterrorist context" [5]. As for the role of the SCO in the Afghan issue, the Organization's members stand out for active cooperation with the USA and NATO. The SCO members realise the necessity for the dialogue with the NATO and the USA to struggle against regional terrorist forces and to maintain regional security. The measures, aimed at preventing a potential structural conflict between the SCO, USA and NATO in geopolitical and military spheres, are considered as a priority objective.

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

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

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

Problems and Prospects of Relations of the SCO and the West

We argue that international organizations operating in the Central Asian region representing the West and the East remain in a latent state of confrontation. While Western countries are con-

cerned about consolidation of Russia and China into one structure, the SCO member states (China in particular) are concerned about the antiterrorist campaign that the USA conducts in close proximity to Central Asia. Considering the fact that the SCO members intend to take an active part in peaceful settlement in Afghanistan, the issue of cooperation of the Shanghai Organization and NATO is increasingly relevant. Presently, these international security structures lack both mechanisms for constructive dialogue and political will to cooperate.

The objective reasons for difficulties in cooperation of the SCO and the West are in specific bilateral relations of individual SCO members with the USA, namely Russia and China. These relations might become fundamental in a new configuration of forces in the world.

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

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

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

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

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

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

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

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

Considering the prospects of cooperation of the SCO and the West, it would be reasonable to notice that the SCO and NATO do not have any approved mechanisms of cooperation or any legal basis for their interactions either. In this regard, the question is how the international structures with opposing strategic interests and different potential possibilities will cooperate in the region? Indeed, there is a

need in effective mechanisms for coordination of the diverse and versatile structures. In this case, it makes sense to initiate a new architecture of regional security in Central Asia as the interests of the SCO and NATO in the region are the same. Moreover, it is possible to say that the perception of the SCO in the West and the NATO in the Central Asian region has somehow evolved.

The NATO is extremely interested in cooperation with individual SCO countries to establish and secure new corridors to supply the Afghan operation. The issue of drug traffic from Afghanistan could have become another field for joint efforts. Inclusion of representatives of the Western world in the SCO could become one of the practical steps to improve the relations of the SCO with the West. The idea that the USA should participate in the SCO as an observer or dialogue partner is becoming increasingly popular with the Western commentators. The official White House shares the opinion. The US Assistant Secretary for South and Central Asian Affairs Robert Blake stated: "At present, Washington does not seek membership in the SCO; however, such possibility is not excluded in the future" [8].

Kazakhstan claims that constructive cooperation with the NATO is an essential direction of the

national foreign policy. Kazakhstan aims at further development of the Euro-Atlantic partnership and the Partnership for Peace Program as the basis for political dialogue and practical cooperation.

Summing up, the Shanghai Cooperation Organization stirs a great interest of the international community. The leading geopolitical centres keep a close eye on the organization. Their interest is explained both by lack of information about the Shanghai forum and certain concerns related to its possible transformation into a military-political union. Due to certain objective and/or subjective obstacles, the cooperation of the SCO and the Western countries is insufficient and therefore does not meet the demand of the current realities.

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

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Key EU Foreign Policy Guidelines and Implementation of the Eastern Partnership

RAUSHAN SERIK,

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

The European Union has a special place in contemporary international relations, being one of the most advanced centers of the globalized world with its important role in the world politics.

Today, the European Union is the unique integration association of 27 European countries with its own features in designing of both domestic and foreign policy priorities. After the Lisbon Treaty was adopted, the EU overcame the internal crisis opening a new stage in political and economic development of the European Community.

The article traces the features of the EU foreign policy after the Lisbon Treaty adoption, including the policy for such areas as the post-Soviet, Eastern Europe and the South Caucasus. Particular attention is paid to the EU initiative of the Eastern Partnership.

* * *

The Lisbon Treaty entered into force on December 1, 2009. It introduced a number of institutional changes into the European policy; the EU officially ended its internal crisis. In particular, the reform of the European Union in terms of foreign policy became one of the few achievements that the architects of institutional change reached within the process of “sequestration” the common European Constitution into the Lisbon Treaty.

One of the important achievements of the EU Common Foreign and Security Policy (CFSP) is the post of the EU High Representative for Foreign and Security Policy established under the Lisbon Treaty. This position combines the powers of the High Representative for the CFSP and the Euro-

pean Commissioner for External Relations and European Neighborhood Policy. The responsibility embraces the foreign relations service, including all EU embassies in third countries and international organizations, as well as the permanent Presidency of the Council of Foreign Ministers.

However, it should be noted that despite certain achievements in terms of common foreign policy the issue is still one of the most complicated within the EU for several reasons:

- first, a number of EU member states do not accept the supranational principle in the CFSP;
- second, there is the tradition of “strong and independent” foreign policy in the largest EU countries;
- third, there are still institutional weaknesses of communitarian policies in the EU;
- fourth, there are ideological differences among the large and small EU countries;
- fifth, some EU member states are under external influence or pressure from the other actors of international relations (the USA and NATO).

Thus, practical implementation of the innovations in CFSP faces certain obstacles and the need for a common foreign policy remains an important issue of the “Post-Lisbon Europe”. In this regard, the main task of the European Union is to become a real force in the world political process, with its “common vision”. At the same time, we must understand that the common foreign and security policy the European Union can never be similar to that of the individual states, and that is where the uniqueness of this integration entity rests.

In general, a realistic assessment of the situation shows that the unity of the EU foreign policy

can hardly be understood as binding for all EU countries. In terms of world affairs, the EU has some major limitations, primary rooted in different interests of its member countries. In this regard directiveness in the EU common foreign policy still does not work, because the EU member states are still struggling to reduce their interest in the common denominator. This is also due to the fact that the EU countries "cherish" their right to make their own decisions on international issues, to determine the priorities, and opportunities, to participate in world affairs.

However, we can say that the presence of the European Union in international affairs is becoming more visible and tangible and, therefore, the current most important task before the EU is to turn/maintain itself as a global player.

At the summit of the 27 EU leaders on CFSP, held September 16, 2010 in Brussels, the European Council President H. Van Rompuy said: "Before we had strategic partners, we now need more, we need a strategy." This thesis suggests that Europe will make efforts to develop a common European document that defines the course of EU foreign policy as a single entity.

Thus, according to policies of the EU, the following conclusions may be drawn which in the medium term theoretically and practically will determine the future of the EU foreign policy:

- EC recognized the need to synchronize foreign policy of individual member countries. The global economic crisis clearly showed the comprehensive dependence of the European countries on the global processes;

- EU will aim to create "a new image" as a "single player" in the global arena, it will also seek to develop a uniform foreign policy, particularly in relation to the strategic partners;

- EU defines the United States and Russia as its most important strategic partners realizing that military-political security is provided by NATO and energy security depends on Russian gas supplies;

- Energy security has become one of the main points on the European agenda. In order to maintain energy security, the EU countries are increasingly active in the Caspian and Central Asia.

In recent years, the European Union pays particular attention to European Neighborhood Policy of Wider Europe and to creation of the zones of stability and security around its external borders. In this regard, the development of the relations with Northern Europe, the CIS, the Mediterranean,

the Balkans and other regions is achieved through the general mechanisms of international politics, i.e. so-called common strategies.

Thus, the EU, defining the forms of regional cooperation with its neighbors along the perimeter of its borders, adopted the following programs:

- Northern Dimension in relation to the Nordic countries beyond the EU;

- Mediterranean Union in relation to its Mediterranean neighbors;

- Stabilization and Association Process in relation to the Balkan countries.

In recent years, the European Union stepped up its activities in the CIS with such initiatives as:

- Eastern Partnership;

- Strategy for New Partnership in Central Asia.

The 'Nabucco' energy project which includes the states of the South Caucasus and Central Asia pushed by the Europeans is also worth mentioning.

According to the EU policy within the above-mentioned strategies it can be concluded that the EU main objectives in the CIS countries is to ensure its energy security and to weaken Russian influence. Thus, the European Union, where energy consumption is rapidly growing, tries to overcome its dependence on Russian oil and gas through a policy of soft power in Eastern Europe, Central Asia and the Caucasus. The content analysis of the above-mentioned initiatives reveals that they are mainly focused on energy producing and transit countries.

Eastern Partnership

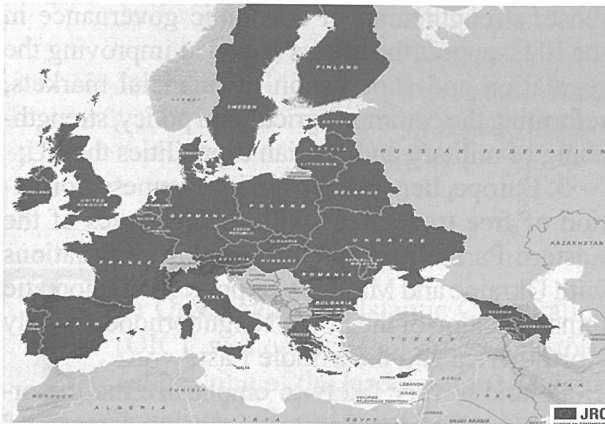
The revision of the Eastern Partnership (EP) project is one of the major tasks of the European Union this year, particularly in its second half in terms of international politics. This is mainly due to Poland EU Presidency from July 1, 2011 which promises to give new impetus to the Eastern initiative, as well as to involve formally insulated Russia in the context of the warming Polish-Russian relations.

It should be noted that the Eastern Partnership program includes the post-Soviet states, namely Belarus, Moldova, Ukraine, Armenia, Azerbaijan, Georgia. This project is a Polish-Swedish initiative, which was presented at the EU Summit in May 2008 and launched in 2009.

The project was triggered by the five-day war in the Caucasus in August 2008, which affected the relations of the West with Russia. After these events, the EU and USA were forced to seek new means to neutralize increasing Russian influence in the South Caucasus. The emergency EU Summit

on the Situation in Georgia in September 2008 adopted a resolution stipulating promotion of regional cooperation and strengthened relations with the Eastern Neighbors on the basis of the Neighbourhood Policy as well as Black Sea Synergy and Eastern Partnership.

Figure. Map of Europe showing the Eastern Partners



This program is aimed at political and economic rapprochement of the three Eastern European and three Caucasian countries and the EU. It should be noted that the European Partnership from its very beginning does not stipulate any further integration of these states into the Union, but mainly is designed to have their resources adjusted to the needs of the European Union. That is to say that the Eastern Partnership program is mainly aimed at resolving the EU's domestic problems, including energy supply and security, labor shortages, creation of free trade zones at the expense of sectoral cooperation with individual countries. As some EU officials note the Eastern Partnership is not investment in Partner countries, it is investment in the EU.

However, the two years of the Eastern project brought no results to either side. There has been only one major event for these two years, the first Eastern Partnership Summit in May 7, 2009, whereas the summit meeting planned for May 2011 was postponed. Thus, the main activities carried out within the framework of the EP are the negotiations on Association Agreements with Ukraine, Azerbaijan, Armenia and Georgia, as well as the work to improve the mobility of these countries' residents through visa regime facilitation and readmission agreements with the EU. At the same time, the second summit, scheduled for the Hungarian presidency in May 2011 was postponed, which

gives the grounds to say that Eastern Initiative in the European Union has been neglected and that this European project clearly stalling.

In my view, there are several objective factors that inhibit the development of the Eastern Partnership:

- Despite the fact that the Eastern Partnership project was presented as the common idea of the European Union, its main initiators are Poland and Sweden. In this regard, other EU countries do not have much interest in the project which suggests that there is no internal political unity within the EU;
- new European initiative coincided with economic and financial crisis, major efforts by the EU were directed to overcome its effects;
- ongoing crisis in the Euro zone;
- minor financial component of the project, i.e. the Eastern Partnership program has limited resources;
- internal problems of the EU; new member states are still behind of the old ones in terms of economic and political development, as well as the reform of administrative structures, etc.;
- European Union has other priorities;
- revolutionary events in the Middle East and North Africa distract the EU from its Eastern neighbors.

In addition, the EU is concerned about a number of problems in the post-Soviet space, which also retard the development of the Eastern Cooperation:

- unstable domestic political and economic situation in the Eastern Partners;
- possible collision of EU interests with those of Russia in the CIS, which can affect the relations of the European Union with Moscow;
- inconsistency of the former Soviet Union with the European standards in terms of promotion of democracy and civil society, and the level of economic development;
- change of power in Ukraine and authoritarian tendencies;
- undemocratic presidential elections in Belarus in December 2010 and the subsequent political repression. It should be noted the EU is extremely dissatisfied with Lukashenko regime and the relations of Belarus and the EU are quite tense. The Europeans consider terminating Minsk's membership in the Eastern Partnership;
- the relations between Azerbaijan and Armenia which have once again aggravated.

Moldova and Georgia are the countries demonstrating more progress in democratic development and its pro-European policy in the context of the abovementioned parties in the Eastern Partnership.

Chisinau and Tbilisi, in their turn, expect to have special relationships with the EU and count on certain dividends.

The statement by the European Union, which opens a new chapter in relations with its neighbors, was one of the important events of its Eastern Policy. On May 25, 2011 the European Commission adopted the "more for more" principle. According to the European Commission President J.M. Barroso, "The European Union intends to more closely align the provision of assistance to the neighboring countries with the course under these democratic reforms". This means that the program of financial assistance under the European Neighborhood Policy will be implemented taking into account the parameters of fair elections, independent judiciary and free press in the recipient countries. Such an approach of the EU reveals its double standards to a certain extent as the relationship with a partner country will be different and the assistance and funding will be based on the "European standards of political and economic reforms." Georgia, for example, is the most appropriate to the European values. At the same time, the Europeans turn the blind eye to the political events in this country.

It should be noted that the European Union Council on Foreign Relations hopes that the upcoming Eastern Partnership Summit will strengthen the relations of the EU and its Partners. Moreover, the Council urges the European Commission and EU High Commissioner to prepare a road map for further implementation of the programs under the Eastern Partnership which will outline the outcomes of the Summit.

Thus, the task before the EU is to give a new impetus to the Eastern Initiative. This task is a priority during Poland Presidency. It should be noted that Warsaw is planning that the Eastern Partnership Summit should restart the project. There are a number of great expectations for the next Summit, according to the European experts, their success will strengthen a leading role of Poland in Eastern policy of Europe, and failure will result in further marginalization of the program.

Priorities of EU Poland Presidency

The presidency of Poland — which will last from July 1, 2011 to January 1, 2012 — is foreseen with great expectation by the Eastern Partners, particularly Ukraine and Moldova as well as by the candidate countries for accession to the EU, namely

Croatia and Serbia. In general, new proposals and changes in EU foreign policy are expected.

At the end of June 2011, Prime Minister of Poland Donald Tusk presented the priorities of EU Poland Presidency divided into three main areas:

1. European integration as a source of growth; the completion of the formation of a single market as well as the patent system for European companies, consolidation of common EU policy;

2. Secure Europe in terms of food, energy, defense; strengthening of economic governance in the EU, support the efforts aimed at improving the regulation and supervision of financial markets, reforming the common agricultural policy, strengthening of military and civilian capabilities the EU;

3. Europe, benefiting from its openness; formation of free trade areas with the countries of the Eastern Partnership, the progress in negotiations with Ukraine and Moldova, support for democratic transformation of the South Neighborhood, namely North Africa and the Middle East.

Poland is very likely to emphasize the importance of the 'Eastern Partnership' being determined to support the initiative. In addition to the Summit, Poland presidency is planning the following events: the Eastern Partnership Civil Society Forum in Poznan in November 2011, the meeting of foreign ministers in Warsaw in December 2011, the meeting of the heads of customs and statistical services, as well as the ministerial meeting to consider education, culture, economy, and visa issues.

Thus, the presidency of Poland, which will last until the end of 2011 will be decisive for the future development of the Eastern Policy of the European Union, the Eastern Partnership Summit will identify the priority areas of the European policy in the six post-Soviet countries.

Conclusions: The Eastern Partnership is a form of cooperation with the countries that wish but are not able to become the equal members of the European Union. At the same time, these countries are of geopolitical importance for the West, namely markets, sources of raw materials and important strategic military foothold on the mainland.

Although the Eastern Partnership project is presented as a common idea of the European Union, its main initiators are Poland and Sweden. I see it as Poland lobbying its own interests, primarily the ambition of Warsaw to play a leading role in the EU. The Eastern Partnership initiative made by Poland is presumably aimed at the goal to expand its own political and economic sphere of influence in the former Soviet Union under the aegis of the EU.

Kazakhstan and the Organization of Islamic Cooperation

MOSTAFA GOLAM,

Associate Dean, College of Social Sciences, Associate Professor, Department of International Relations, Kazakhstan Institute of Management, Economics and Strategic Research (KIMEP), Ph.D

The Organization of Islamic Cooperation (OIC)* was created in 1969 at a historical meeting of the leaders of the Muslim countries in Rabat, Kingdom of Morocco following the criminal arson of Al-Aqsa Mosque in occupied Palestine. Overtime, the OIC has gone through significant changes and modifications; the membership has grown from 25 founding members to 57 states, so far 11 Islamic Summits and 38 meetings of the Council of Foreign Ministers have been held, the Charter has been amended and modified and a number of Subsidiary and Specialized bodies and agencies have been created with wide range of functions and activities. The last 11th Islamic Summit held in Dakar, Senegal in 2008, was a very important one in many respects; a new Charter of the organization was adopted; the Special Program for the Development of Africa (SPDA) was created and the Secretary General of the OIC, Professor Ekmeleddin Ihsanoglu, was re-elected for a new term in office. During the 42 years, the OIC has turned into the relevant organization playing important role in the international arena and has developed consultative and cooperative relations with the United Nations (UN) and other inter-governmental bodies and organizations in order to protect and promote vital interests of the

Muslim world and settling conflicts and disputes involving the Member States.

Now, the OIC is the second largest intergovernmental organization after the UN with members from four continents and working closely with all major international and regional organizations. When the OIC was created in 1969 the main goal was to protest against the attempts of damaging the Holy Al-Aqsa Mosque in occupied Jerusalem and unite the Muslim world in order to support the Palestinian people in their struggles for statehood. During the long years of its existence, the OIC has gone through ups and downs and faced numerous problems and challenges, particularly after the September 11 when the relations between the Muslim world and the West were at its lowest point. But despite numerous problems and challenges, ideological, political and religious divisions, all the member countries share some positive factors and images; a unity of world view and the concept of (*ummah*) solidarity, brotherhood and equality of all Muslims irrespective of their ethnic, cultural, racial as well as social and economic differences.

Currently, 1.6 billion people are living in the OIC member countries that are about 23% of total population on earth and it may increase to

* The original name of the organization was Organization of Islamic Conference when it was created but as the organization expanded, memberships grew and goals, objectives and activities increased, there were growing demands for changing the name and reorganizing and revitalizing the activities. After a series of discussions and debates in 2011 at the 38th Islamic Foreign Ministers Meeting in Astana the name of the organization was changed from 'Conference' to 'Cooperation' and the Emblem was changed to reflect the new realities and the current goals and activities of the organization.

2.2 billion (about 27%) by 2025. But the share will be even higher if we count the total Muslim populations living in the OIC member countries and outside adding the fact that Islam is the fastest growing religion on earth. The OIC member countries are endowed with huge natural and mineral resources and control more than two-thirds of energy resources on earth and have a huge reserve of skilled and unskilled manpower. Internationally, the OIC plays significant role thorough the UN and other Specialized Bodies and regional organizations and three of the Member countries (Indonesia, Saudi Arabia and Turkey) are included in the G20 which comprise all developed countries, in dealing with global monetary, economic, political and security issues.

Issues and agendas of global politics and economies have changed significantly during the last 20 years, particularly after the collapse of the communist system and the OIC urgently needed to be reformed, restructured and modernized to deal with contemporary issues both within the organization as well as beyond. The Third Extra-Ordinary Session of the Islamic Summit held in Makkah in 2005 adopted an extensive Ten-Year Action Plan which envisioned the promotion of tolerance, moderation, modernization and extensive reforms and development in economics, trade, education, science and technology [1]. In the 38th Islamic Foreign Ministers Meeting held in Astana in June-July 2011, the name of the organization was changed from 'Conference' to 'Cooperation' and the Emblem was modified reflecting the organization's new visions and perspectives. The organization further elaborated its goals and objectives to boosting economic and trade cooperation, encouraging dialogue among cultures and religions, combating terrorism, achieving economic and trade development, strengthening international relations and joint Islamic solidarity, developing science and technology, maintaining Islamic heritage, protecting the rights of Muslim minorities, augmenting Islamic culture and combating poverty [2]. In order to coordinate its activities, align viewpoints and stands and get the concrete results in various fields of cooperation, namely political, economic, cultural, social, spiritual and scientific, the Organization has created a number committees; some of them

are at the ministerial levels, headed by respective Ministers, others are at higher levels, chaired by Heads of State, such as the Al-Quds Committee, the Standing Committee for Information and Cultural Affairs (COMIAC), the Standing Committee for Economic and Trade Cooperation (COMCEC), and the Standing Committee for Scientific and Technological Cooperation (COMSTECH) [3].

The establishment of the five Muslim majority states in Central Asia and Azerbaijan in the South Caucasus and their subsequent joining the OIC not only increased the memberships but added a new chapter in the history of the organization, increased the influence of the moderates and enhanced the image and prestige with the new members' policies of modernization and secularism, and strengthened the northern flung of the Muslim world. The OIC highly values the role and contribution of its Central Asian members and the Chairmanships of the Council of Foreign Ministers of Tajikistan for 2010-11 and Kazakhstan for 2011-12 are testimonies to that. Speaking at various forums, the leaders of the OIC express their full support and commitment, encourage Central Asian Members to get more involved in the activities of the OIC, and call for other Members to intensify their engagement with the region.

Kazakhstan emerged as an independent state in 1991 as a result of the collapse of the USSR and proclaimed itself as "a democratic, secular, legal and social state" [4]. Historically, however, Kazakhstan has always been a part of the Muslim world and it occupies a unique place for moderating and advancing the dialogue between the West and the Islamic world. Relation with the Muslim world is one of the important vectors of Kazakhstan's multi-vector foreign policy which, according to President N. Nazarbayev, has strengthened "the Asian vector of Kazakhstan's foreign policy" [5]. Although, relations with Russia, China, the European Union and the USA are the most important ones in terms of economic, trade (only about 10% of Kazakhstan's total trade is with the Muslim countries) and security interests, relations with the Muslim world are important for political, cultural and ideological reasons. Kazakhstan is a modern multi-ethnic, multi-cultural and multi-confessional society

with predominantly Muslim population with a clearly defined policy of secularism.

Kazakhstan's relations with the Muslim world can be classified into several categories and directions; relations with the fellow Muslim states in the Commonwealth of Independent States (CIS), Iran, Turkey, Pakistan and Afghanistan through the Economic Cooperation Organization (ECO); relations with major Asian Muslim countries (Malaysia, Indonesia); Arab countries and with the OIC. Relation with the OIC is considered to be the most important one in Kazakhstan's policy towards the Muslim world. Kazakhstan became a full member of the OIC in 1995 and since then it has been working closely and participating in all major activities of the 57-member organization. Kazakhstan's membership with the OIC helped to improve and strengthen the relations with the other member states and created opportunities for participating in the social, political and economic progresses in the Muslim world. The OIC also welcomed and appreciated Kazakhstan's initiatives such as the Conference on Interaction and Confidence-Building Measures in Asia (CICA) where out of 24 participating countries 15 are Muslim countries. The OIC also highly appreciates Kazakhstan's role in initiating and promoting inter-civilization and inter-confession dialogue and bridging the communication gaps between the East and West. The OIC member states, on their part, recognize the importance of international assistance and involvements in resolving the environmental challenges in Kazakhstan; the Aral Sea and the Semipalatinsk nuclear test site.

Kazakhstan's cooperation with the OIC's financial institutions is also important. The Islamic Development Bank (IDB) has invested about \$700 million in Kazakhstan and is helping in developing the Islamic banking system [6]. During the last 16 years of membership, Kazakhstan served in many important positions in the OIC, including Deputy Chairman of the Standing Committee on Economic and Commercial Cooperation (COM-CEC) which is responsible for promoting trade and economic cooperation, harmonizing tariff policies, supporting industrial, financial and banking systems, as well as tourism and agriculture. Another important area of cooperation is through the Islamic Educational, Scientific and Cultural

Organization (ISESCO) and Almaty has been officially designated by ISESCO as the Capital of the Islamic culture in Asia for 2015.

Kazakhstan's Chairmanship in the OIC came at a critical moment for the organization, when the Muslim world is deeply divided on such fundamental issues as how to manage, react and respond to dramatic political changes and democratic reforms occurring in some of its member states and how to deal with the West as relations between the Muslim world and the West has been deteriorating after the September 11. Numerous Muslim countries face the problems of poverty, hunger, underdevelopment and energy shortages when the OIC member states control 70 % of global energy resources and are endowed with huge reserves of other natural and mineral resources. Then, there are wide disparities and income gaps among the member countries; the GDP per capita between the most developed and least developed countries differ by more than 100 times.

In his speech at the Seventh World Islamic Economic Forum held in Astana in June 2011, President N. Nazarbayev proposed a series of initiatives for the Muslim world; to build a platform for dialogue of the ten major economies; to establish an international innovation hub with the participation of interested OIC members; to create a special fund under the IDB to help small and medium enterprises (SME); to improve the transport/logistics and communication systems with potential involvements from the IDB; to create a food assistance system within the OIC in order to maintain food security to help the needy member states with its Headquarters in Kazakhstan, as the country that has huge potential for food exports [7]. These initiatives and proposals are highly appreciated by the OIC and its Member states.

The Thirty-Eight Session of the Council of Foreign Ministers was held in Astana, from 26 to 28 June, 2011. The Session named Peace, Cooperation and Development was very much befitting and appropriate for Kazakhstan's goals, objectives and achievements. Speaking at the Session, Minister of Foreign Affairs of Kazakhstan reaffirmed his country's determination to use its Chairmanship to promote peace and development among the OIC members. The Council of the Foreign Ministers

of the OIC adopted a number of very important and crucial resolutions with far-reaching implications. The resolution was adopted to establish an Independent Permanent Human Rights Commission to deal with the human rights issues of the member states as well as coordinating with the other international bodies, including the UN Human Rights Commission. It was for the first time, the Council adopted a resolution allowing Observer Status for non-members which opened the door to the other countries in participating at the activities of the OIC. The Council also emphasized the need and importance for boosting the intra-OIC trade, regional integration and economic cooperation. The Ministers adopted the Astana Declaration which addressed the major issues affecting the ummah. The Astana Meeting also decided to support;

1. Candidacy of the Republic of Kazakhstan to host 'EXPO — 2017' during the elections to be held in December 2012 at the meeting of the Bureau of International Exhibitions General Assembly in Paris.

2. Candidacy of the Republic of Kazakhstan for non-permanent membership of the United Nations Security Council for the period 2017 — 2018, at the elections to be held during the seventy-first session of the United Nations General Assembly in 2016.

3. Candidacy of the Republic of Kazakhstan for presidency of the seventy-first session of the United Nations General Assembly in 2016 [8].

President N. Nazarbayev in his speech at the Foreign Ministers meeting in Astana elaborated his vision of the OIC and Kazakhstan's role and place in details. He characterized the OIC as "the UN of the Islamic World" and emphasized the urgent need for peace, education, modernization and scientific and technological development in the Muslim world. He also expressed his frustration with the facts that despite the huge reserves of oil, gas and other resources, many members of the OIC are poor, underdeveloped while the resources are concentrated in the hands of only few member states. He proposed a number of initiatives including; creating a system of mutual food

assistance fund within the OIC with its Headquarters in Kazakhstan; adopting a joint Action Plan for investment and technological cooperation in energy sector; establishing an international centre for innovation; creating a regional financial centre in Almaty; creating a Centre or Institute that can conduct deep research, forecasting and provide heads of states with possible scenarios and developments of issues within the Organization as well as in the world. Internationally, Kazakhstan President proposed sending the OIC representatives to participate in the activities of the G20 and other organizations; the position of OIC special envoy to Afghanistan and establishing a special working group; a nuclear weapon free zone in the Middle East and in the long run a world without nuclear weapons; resolving the Palestinian issue by establishing their own state, and an open and honest dialogue between the Muslim world and the West. Kazakhstan's experiences and practices of active multi-vector foreign policy, balancing and maintaining good relations with all major powers in the world, successful participation in multilateral organizations, namely the Organization of Security and Cooperation in Europe (OSCE) and the Shanghai Cooperation Organization (SCO) and building a peaceful, stable and harmonious nation by creating a strong multi-ethnic, multi-cultural, and multi-confessional society with rapid economic growth and enhancement of quality of life can be a model and good example for the other members of the OIC*. Kazakhstan can also help and contribute to the *ummah* in many other different ways and means.

First, within the short period of independence, Kazakhstan has turned into a modern, liberal free market economy with an impressive growth rate in social and economic sectors and become a model for the post-Communist and other developing countries and played an important role as a peacemaker that enhanced the prestige and reputation of the OIC. Similarly, Kazakhstan's experiences of nation-building and national integration by peaceful resolution of multi-motional, multi-ethnic and multi-confessional issues and challenges has been closely observed by many Muslim states.

* Although the figures differ from different sources, Kazakhstan's GDP (PPP) increased from \$181.4 billion in 2008 to \$196.4 billion in 2010. The GDP per capita (PPP) increased from \$3,200 in 1999 to \$12,700 in 2010 that is increased by about 4 times.

Second, Kazakhstan was the first and may be the only country that voluntarily became non-nuclear and abandoning all nuclear testing facilities in its territory the move which was highly appreciated by the international community. In October 2006 at the initiative of Kazakhstan, the Treaty was signed establishing the nuclear-free zone in the entire region of Central Asia. Kazakhstan also proposed to declare the Middle East a nuclear-free zone and has been making valuable contributions to the debates and discussions of non-proliferation of nuclear weapons issue. By using its own experiences and policy of non-proliferation, Kazakhstan can be a model for some of the Muslim countries who are already nuclear powers or aspiring to become one.

Third, from the very beginning of its independence, Kazakhstan has been always supporting, creating and developing integration process at various levels by involving the regional states as well as the major countries in Asia and Europe. The recently created Customs Union with Russia and Belarus is considered to be the foundation which will eventually turn into a full Eurasian union. Regional integration process in the OIC zone has been very slow with little success and Kazakhstan, by using its long experiences and experiments, can help to facilitate the integration process in the Muslim world.

Fourth, Kazakhstan can serve as a bridge between Europe and the Muslim world and contribute in promoting business, trade and investments between them. Recently, Astana has become a hub of international diplomacy by hosting top level Summits, Ministerial level meetings and high level seminars, conferences and roundtables. Kazakhstan proposed to set up an Islamic Center in Astana under the OIC. Kazakhstan holds inter-religious, inter-ethnic and inter-civilization dialogue on a regular basis by bringing together the representatives of different civilizations, ethnic groups, religions sects and beliefs which can be a model for Muslim countries in resolving their own issues and problems.

Fifth, Kazakhstan is the only Central Asian Silk-Road country that has the ability and resources to help restoring and revitalizing the old trade

route by creating a corridor for East-West trade by promoting and developing the transportation and communication links between Asia and Europe. Restoration of the old Silk Road will reduce time and transportation costs for East-West trade and encourage business and tourism. Kazakhstan is seeking for the IDB fundings for financing the construction of the 'Kazakhstan-Turkmenistan-Iran' (963km) railway crucial for expanding and promoting trade in the region' [7].

Sixth, although the Muslim countries are endowed with huge energy and other mineral resources, Kazakhstan's policy of building an energy security system, both for Asia and Europe, will benefit those Muslim countries who are dependent on energy (Turkey, Pakistan, Bangladesh, Malaysia, Afghanistan). As some Muslim countries are growing faster and than the others, there will be more demand for energy (oil and gas) in future and Kazakhstan with a proven reserve about 30 billion bbl of oil and 2.407 trillion cubic meter of gas can play an important role*.

Seventh, today relations between the Muslim world and the West are in serious conflict mainly because of mutual lack of confidence, suspicions, mistrusts and misperceptions. Many in the Western countries wrongly see 'Islam' as a violent religion and the Muslims as terrorists. The Islamic world is worried and concerned about the growing negative images of Islam, islamophobia and uses of such concept as 'Islamofascism' in the Western by right-wing anti-Islamic media as well as social, political and religious groups. Kazakhstan with its secular, moderate policy and active involvements with the OIC and the OSCE can play a significant role in improving the relations between the Muslim countries and the West. Kazakhstan can also help in improving OICs relations with China and Russia through its active involvements with the SCO [9]. It can also help in building a modern Islamic culture which is in conformity and not in conflict with the others.

Ninth, Kazakhstan has been successful in building a new modern nation with highly educated and skilled manpower with a very high rate of education. According to 2010 Human Development Report in 2009, the literacy rate in Kazakh-

* According to proven oil and gas reserve Kazakhstan occupies 11th and 15th places in the world respectively.

stan was 99.6% which was higher than in such developed countries as Germany, Britain, France and USA. At the same time, the Government is spending millions of dollars and sending the students to the world best universities for education, training and skills development. During the period of 1994-2010, more than 7600 students were sent abroad (mainly to the West) through the Government sponsored Bolashak Scholarship Program. Students are also going to such Muslim countries as Malaysia, Egypt, Saudi Arabia and United Arab Emirates. Kazakhstan is offering scholarships and funding for the students from Afghanistan, China, Mongolia, Japan, Egypt and Israel [10]. Kazakhstan is entering into the European education space through multiple treaties and agreements, it joined

the Bologna process. As many Muslim countries are still backward in education, Kazakhstan can certainly contribute in bridging the educational gap between the East and the West.

Last but not least, many Muslim countries are weak, unstable and lack strong leaderships and as a result suffer from chronic economic, political, social, ethnic and ideological problems and challenges and often experience serious violent ethno-political and religions clashes which retard their economic growth and development. Kazakhstan's experiences of peaceful nation-building with rapid economic growth, social and political stability with strong but popular leadership can serve an example for many Muslim countries.

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Mezzanine Financing: New Instrument in Investment Market of Kazakhstan

ERBOL SIGAEV,

Associate Professor of the Kazakh-British Technical University, Doctor of Science (Economics)

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

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

Mezzanine financing is a way to finance the projects where the investor provides the funds as the debt financing simultaneously acquiring an option to purchase the shares of the borrower in the

future at a specified price, and possibly at certain conditions. By doing this, the investor combines the positions of the lender and the investor (shareholder). The investor bears higher risks compared to a conventional loan or bank financing and, therefore, expects an increase in the yield on the investment.

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

Such a scheme of interest payment is used to postpone the charge of the full cost of the borrower's payment of interest on the loan before the due date; in fact, a significant increase in cash flow is expected as well as that in the equity value of the

certificates prior to the date of repayment. The extreme case of this financial instrument is a loan with the payment in kind (PIK loan). Another extreme case, technically, would be a conventional loan.

The interest on mezzanine loans, as a rule, is higher than the debt-priority lien or the debt with higher priority of repayment. Mezzanine loans are often used in development projects to ensure the needs for the funds to finance the construction of the property. Mezzanine loans are often provided on a security of a stock holding company not of the real estate being built.

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

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

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

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

Mezzanine financing has a number of advantages. Indeed, the American banks as well as their European counterparts experienced some bad consequences; subprime lending became one of the main causes of the global liquidity crisis, which

was rooted in the American mortgage crisis. Despite the fact that the main scope of the mezzanine financing instrument is high-risk or even venture projects, a good use of this tool reduces risks to the lenders. The Russian legislation is the main reason for that as it protects the lender much better than the shareholder in case of bankruptcy of the borrower.

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

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

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

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

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

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

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

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

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

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

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

There are no any other examples of a classical mezzanine loan provided when the borrower receives a refund with interest without any further obligation. However, experts are still optimistic about use of this financial tool in the Russian market. Today, when the interest rates on loans are rising and new requirements for the borrower's equity are more stringent, this service will find their customers. Lack of information about mezzanine loan as well as reluctance of the banks to provide it due to its high risks are the major factors hampering the development of this financial instrument.

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

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

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

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

New Employment Strategy for Kazakhstan

BELLA SYRLYBAEVA,

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

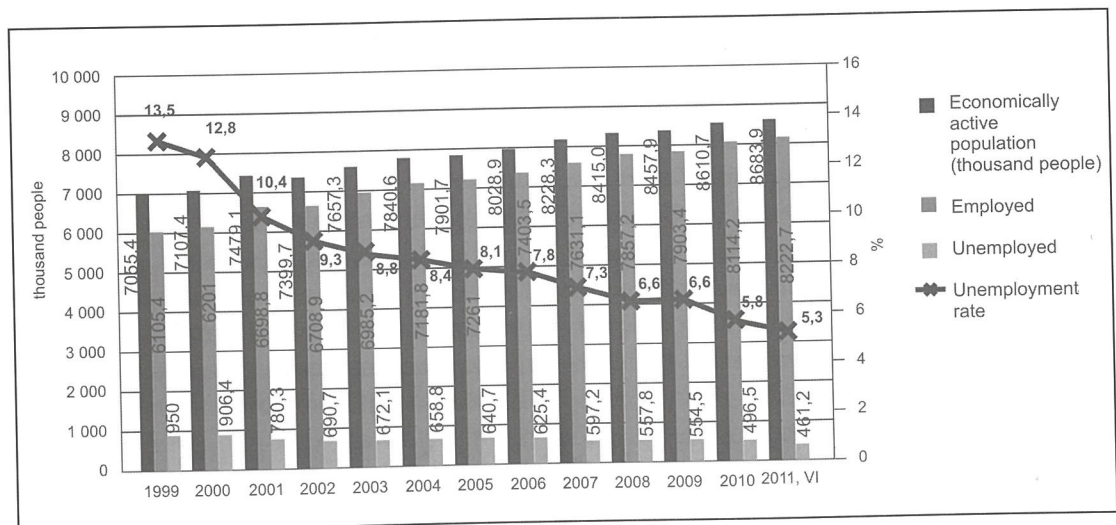
Analysis of the dynamics of the main indicators of the labor market in Kazakhstan suggests the development of positive trends in the employment rate. As the figure 1 shows, since 1999 (when it reached the peak of 13.5%), the unemployment rate has been steadily declining. In June 2011, unemployment rate was 5.3% which is quite acceptable according to the world standards. For comparison, the unemployment rate in the European Union in 2010 averaged over 9.5% (while in Greece it was 12.5%, Slovakia — 14.4%, Spain — 20.1%), in Canada and the United States it was 8% and 6.6% respectively [1]. However, the Government of Kazakhstan shall give the priority to creation of new “quality” jobs, not just through increasing the number of employees, but by balancing the labor market of the country.

The labor market of Kazakhstan today is characterized by a paradox situation: about 461.200

people are unemployed (only 57.4 thousand are officially registered, this is 0.7% of the economically active population) at the same time, there are about 2.7 million of so-called self-employed comprising 33% of the all labor forces [2]. In the meantime, Kazakhstan economy is experiencing severe shortages of skilled workers; therefore businesses have to hire foreign workers, who, in their turn, often prefer to remain beyond the legal field.

According to Kazakhstan experts, the situation is the most problematic for the implementation of the National Program for Rapid Industrial Innovative Development as it requires not only a reform of the employment system but also comprehensive measures aimed at vocational training and retraining. The 2020 State Employment Program adopted in 2011 is aimed at resolution of this problem with the main emphasis given on the implementation of specific measures to develop human resources for rapid industrialization as well as to improve the

Figure 1. Key Labor Market Indicators Republic of Kazakhstan 1999-2010



Source: Statistics Agency of Kazakhstan // <http://www.stat.kz>.

system of targeted social assistance. The Programs is primarily focused on the self-employed, unemployed and disadvantaged people of Kazakhstan.

The Employment Program addresses a threefold objective:

- training of the unemployed with their further employment;
- development of entrepreneurship in the rural areas;
- mobilization of human resources at the sites of the most intensive economic development.

It is worth mentioning that a new national employment policy changed the system in terms of financial aid: now only the objectively needy will be provided with social benefits, namely, the elderly, disabled and children. The others can only count on receiving the motivational cash payments. In other words, they will be given some money (grants) to gain a new profession or retraining. In this context, unemployment benefits will soon be replaced with retraining or job placement grants. These measures are aimed at motivation, encouraging people to find a new better job.

This does not mean that the government withdrew itself from solution of social problems. On the contrary, social spending in the national and local budgets is growing, although it is still not enough. For example, according to the approved 2011 budget, social spending increased particularly in order to maintain the quality of life in such spheres as education, health, water supply, construction of public housing and social facilities (schools, hospitals), etc. These expenses must be considered the investment into the future.

These are the measures to ensure sustainable and productive employment, the provision of the unemployed with real employment opportunities.

It should be noted that the new rules of unemployment benefits are a forced measure and being suggested by the international experience. Unfortunately, in many countries which are traditionally considered socially oriented (France, Britain, Germany, Northern European countries), being an unemployed is often more profitable than to work. The tax burden on those having a job in these countries is very high, largely due to the need to sustain a large army of the unemployed and those people who are accustomed to living on social benefits from the government. This parasitic

behavior is more typical for immigrants; there are the families where two or three generations have not been working for a single day.

This situation is not typical for Kazakhstan where unemployment benefits have never amounted to a value sufficient for a normal life. The thing is that it is quite difficult to obtain the status of unemployed due to the bureaucratic red tape and there are no clear economic gains it gives. Therefore, the number of officially registered unemployed amounts to only about 57 thousand people (at the end of June 2011) or 0.7% of the economically active population. However, according to the International Labor Organization (ILO), the unemployment rate in the country is about 461 thousand people or 5.3%.

Such latent (hidden) unemployment, as well as a large number of self-employed (about 2.7 million), is prone to some risks both for the unemployed and self-employed, and the economy and social security system as a whole.

The self-employed, who make up more than a third of the employed population, produce only about 10% of the gross value added in the country. Their productivity is 6 times lower than of those who are formally employed [3].

Moreover, a large number of the self-employed do not declare their income and, accordingly, do not pay taxes and neither do they make savings in the pension funds. But when they retire, these people count for the pensions and other social benefits.

However, under the current legislation, the pension and social insurance are provided only for the self-employed who are working in the legal field. These are registered lawyers, private notaries, individual entrepreneurs and others working under special tax regulations.

Thus, it is clear that latent unemployment and self-employment are widespread in Kazakhstan with their particular risk of social stability. In this regard, a fundamentally different model is needed to assist the unemployed and maintain the employment system. The main objective of the reform is to have the conditions to draw the self-employed into the legal market through the creation of "open" jobs environment which is transparent and accountable to the fiscal and other controlling bodies, support for those who are going to start their own business. The advisory services are established in all regions

to teach people the basics of small business as well as simplified loan procedures are introduced.

The unemployed and self-employed are obviously significant human resource for the national economy, small and medium business in particular, which, in its turn, creates a very large number of jobs.

These days, small and medium entrepreneurship (SME) is reasonably believed to be an "engine" of economy. In developed countries, SME plays a significant role in economic growth, influences the structure and quality of the GDP, solves many social problems as the revenues from small and medium enterprises are a significant share of the national and local budgets.

For example, in the EU about a half the manufactured goods are produced by small and medium-sized enterprises, SME employs about 50-70% of total population, providing about 50-60% of the budget revenues of the European countries. In Europe, the number of small and medium enterprises is 45 per thousand on average, in the USA it is 74. In Kazakhstan, the figure is about 40 for the first half of 2011. About 1.8 million people were employed in small and medium businesses or individual entrepreneurs in Kazakhstan in June 2011; this is only 21.5% of the employed population, respectively [5]. Therefore, the contribution of SMEs in total output and income across the country is relatively small.

None of developed differentiated economy can create a sufficient number of productive jobs only by the government, public sector and large corporations. The international experience shows that small business, by virtue of its maximum adaptability and capacity for self-organization and self-development, has a significant sphere of economic activity and, with proper public policy, is able to provide the most rapid and visible socio-economic impact.

Homogeneous structure of production and exports in Kazakhstan, its extreme dependence on commodity prices can no longer be acceptable. It is obvious that the country should move gradually away from resource specialization to diversify and upgrade its manufacturing sector, develop new markets, and revive agricultural production. All of these industries are the large area where the potential of small and medium businesses can be applied.

An innovative economy could provide significant resource to address the problems of em-

ployment, the size of enterprise has no decisive significance here. A couple of talented people may generate creative ideas that change the world and bring much revenue. Microsoft's Bill Gates, Steve Jobs of Apple Inc., Facebook's Mark Zuckerberg are the perfect examples, as well as the popular internet search engine Google, which was originally a degree project of two Stanford University graduates.

Kazakhstan's participation in the Customs Union with Russia and Belarus provides great opportunities for domestic producers with its potential market of 170 million consumers. At the same time, we must understand that domestic products have to compete with imported ones. In other words, the Customs Union is not only huge export opportunities but also a risk. However national business should take a chance and start struggling for regional economic leadership.

The industrial projects in Kazakhstan under the National Program for Rapid Industrial and Innovative Development provide good opportunities for domestic business in many directions. Small and medium-sized firms can succeed in occupying a specialized niche, being sub-contractors in large-scale production. Production and export of raw material will remain the "locomotive" of Kazakhstan economy for a number of objective reasons with the dominance of both multinational and domestic corporations, but small and medium businesses can get a great development in a variety of related service industries. In Slovakia, for example, a major investor German auto giant Volkswagen involved thousands of local small and medium-sized enterprises in the supply, service and infrastructure activities.

In this regard, it should be noted that since 1999, Kazakhstan GDP increased at an average rate 7.9% per year. It is noteworthy that the average growth of manufacturing is also about 7.9% per year, though inferior to the average growth in the mining industry is 9.5% per year, indicating a significant growth according to the results of 2010 in comparison to 2009 (18.4% vs. 5.3%). In the first half of 2011 physical volume of manufacturing is also exceeded to grow in volume in mining compared to first half of 2010 (8.7% vs. 4.1%) [5].

Among the manufacturing industries the greatest growth in the first six months of 2011 was in metallurgy (11.5), chemicals (17.5), fabricated

metal products (22.1), engineering (26.4), furniture (38.8), and others. It should be noted that the machine-building complex showed some of the highest growth rate among manufacturing industries with high added value. Mechanical engineering is developing quite rapidly in Kazakhstan with an average growth rate of 24.2% per year since 1999. The volume of machinery production reduced as a result of the crisis in 2007, 2009. In 2010, it surpassed the growth rate of the previous year by 58.6% [6].

The most developed industries in Kazakhstan are heavy, agricultural, electrical engineering and instrumentation.

Transport machinery is also actively developing. The JSC 'Asia-Auto' car assembly plant operates in Ust-Kamenogorsk making a wide range of models such as Skoda, Chevrolet, KIA, Lada (Niva). Their development strategy involves the gradual formation of an automobile cluster including an automobile assembly plant, painting and welding divisions, a network of sales and service. The plant operation stimulated a number of related industries in Kazakhstan: production of automotive components, accessories and spare parts.

The locomotive plant successfully operates in Astana capable of collecting up to 150 locomotives per year with the highest standards of environmental friendliness, energy efficiency and comfort. The "Kazakhstan content" in the production of diesel locomotives is currently 52%. However, by 2014 it will be increased to 70% through placing the orders for production of the necessary parts and components to domestic enterprises [7].

Petroleum engineering is rapidly developing in Kazakhstan as well, namely the 'Almaty Heavy Machine Building Plant' and the JSC 'West Kazakhstan Engineering Company'. Both companies supply their products not only in Kazakhstan but also to foreign markets.

The development of engineering and other branches of national industry requires proper human resources. The system of vocational training must become very relevant here. The government creates the conditions for retraining through the special courses lasting up to 6 months and continuing education by the establishment of the 3-month training programs. There are a number of support measures such as reimbursement for transporta-

tion and accommodation as well as monthly stipends. Along with job placement after training, the program stipulates creation of so-called social jobs provided for the period up to a year with wage subsidies. Additionally, the businesses and organizations that are willing to train and employ participants in the Program will be reimbursed up to 70% of the expenditure they spent on training.

The Employment Program also suggests a national database of the current vacancies and future employment opportunities.

Additionally, the 2020 Employment Program stipulates the measures of rural development through the implementation and improvement of microcredit in order to enlarge its social impact. According to the National Statistics Agency, the majority of the self-employed, unemployed and poor people live in rural areas where permanent salaried jobs are not always available. Given this, the Program provides for the measures to assist rural residents in organization and expansion of their business.

The inventor of microcredit Muhammad Yunus from Bangladesh won the Nobel Peace Prize in 2006, for "the efforts to create a source of social and economic development" through the development and implementation of highly effective mechanism to improve the lives of millions of his countrymen. The conditions in Kazakhstan differ from those where Muhammad Yunus started his program; the standard of living is much higher and population density is considerably lower which results in high operating expenses. However, the basic principles of microfinance have proven successful in many countries around the world and may be applicable in Kazakhstan.

Today, there is a legal basis for the microcrediting in Kazakhstan. There are more than a thousand of micro-credit entities in the domestic market and they have issued more than 110 thousand loans worth over 16 billion. However, these are in general the loans for consumer needs with quite a high interest rate. In this regard, there is the need to shift the focus towards production rather than consumption. All 100% micro-credits provided by the government must have mandatory condition to become the basis to organize the own business, livestock production in particular, as it has strong domestic market and large export capacity. The microcredit program will create

jobs for tens of thousands of villagers, prevent them from moving to the cities in search of a job, reduce food import and enhance food security in Kazakhstan.

Those willing to take part in the Program are provided with consulting services free of charge and the business plan drafting assistance, they will be taught the basics of entrepreneurship.

Additionally, it will require building the infrastructure such as roads, heating, water supply, telephone and electricity networks. All of these expenses will be covered by the state budget.

However, not all the territory of Kazakhstan is suitable for agricultural development. Some areas of Aral and Caspian regions are characterized by the environmental problems and low economic capacity to engage people in traditional activities such as agriculture. At the same time, there are a number of industrial facilities situated there that require involvement of the workforce, not only from Kazakhstan but also foreign workers. The professionals who have decided to move from the depressed regions to those enjoying rapid economic growth are provided with financial support. The government is taking rather costly actions providing financial assistance not only for professional training or retraining, but also to find a job and to move to the regions of higher economic potential. The Program stipulates the subsidy for people who decided to change their location.

Thus, by 2016 a half million people must be affected by the Program, thereby lowering the level of poverty and unemployment.

The unemployed and self-employed people as well as those with low-income have a real chance to get a decent job, to learn the basics of entrepreneurship and establish or expand their own businesses through micro-credit and the government assistance in building of the missing infrastructure. They will be able to learn a new profession for free, improve their skills, get professional training

and retraining being given the scholarships and grants for travel and accommodation. The program participants reduce the risks related to the old-age incapacities, unemployment or poor health due to their involvement in the system of social security, pensions and insurance. Thus, the socially vulnerable people in Kazakhstan are given an opportunity to increase their income and quality of life.

Kazakhstan has vast deposits of natural resources, however, the main wealth is its human potential. Life quality, education, national health system, secured jobs, incomes and consumption are today the indicators of development of any country.

Apart from professional education, creative thinking, flexibility, mobility and activity are increasingly important in the today's highly competitive world. In this regard, the success of the employment strategy depends not only on the government agencies but also the people themselves, their aspirations, desire to work, study, as well as self-development, self-discipline, sense of responsibility, and initiative.

Thus, the social policy of Kazakhstan is to move to a new level. Being aware of the serious social problems faced by the European countries — when 27 EU countries have the unemployment rate steady at 10% — we shall be able to avoid them. The unemployment issue must be effectively addressed through the engagement of the people in legitimate, socially useful employment, and not mitigating them by the means of state allowances. However, people living in Kazakhstan must live a secure life especially amidst world crisis. Social insurance funds proved to be quite effective.

Implementation of the measures aimed at modernization of social policy shall improve the lives of people living in Kazakhstan, efficiency of social transfers provided by the government, motivate each employee for further development of his individual potential, and sustain a fair system of social assistance.

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Nursultan Nazarbayev and Kazakhstan's Model of Inter-Ethnic Relations and Religious Tolerance*

GERMAN KIM

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

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

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

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

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

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

For a start, it is worth to note that multiethnic configuration of the population of the modern Kazakhstan is a legacy of the past, the fact that cannot be denied. Since ancient times, the caravan routes intertwined fates of different peoples, cultures and religions converged through the Great Steppe spanning Eurasia. Later, due to the policies

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of migration, deportation, industrialization, and development of the virgin lands during the Soviet period, Kazakhstan turned into a state with one of the most multi-ethnically diverse population. More than 130 ethnic groups live here today in peace, friendship and harmony.

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

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

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

- indigenous Kazakh land;
- state consolidating role of the Kazakhs as a core ethnic group;
- multi-ethnic population being a result of migration;
- the numerical preponderance of the Kazakhs and Russians;
- a clearly defined status of the languages (the Kazakh is recognized as the official language whereas the Russian is the language of cross-national communication), and the freedom in terms of use of all other languages
- multi-confessional population;
- traditions of hospitality and tolerance inherent in the mentality of the Kazakhs;
- introduction of the fundamental values of the contemporary world such as civil society, democracy, market economy, rule of law and equality before the law as well as ideological pluralism;
- peacemaking, the voluntary nuclear disarmament, proactive participation in the cause of maintenance of global, regional and collective security [1].

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

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

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

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

Second, tolerance is the essential value and major achievement of Kazakhstan, which fully complies with the spirit and letter of international documents. In accordance with the Declaration of Principles on Tolerance (UNESCO, 1995), tolerance is defined as: "... values and social norms of civil society, which manifests itself in the right of all individuals of civil society to be different, sustainable harmony between different religions, political, ethnic and other social groups, respect for the diversity of various world cultures, civili-

zations and peoples willingness to understand and cooperate with people differing in appearance, language, beliefs, customs and beliefs" [3].

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

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

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

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

Third, the practice of nation building in Kazakhstan takes into account the direct link between the conservation and creation of inter-ethnic tolerance within a competitive nation. Inter-ethnic harmony and dynamic economic development of the country are integral parts of the single interrelated process. On one hand, tolerance and peace create the conditions necessary for economic progress, while the latter provides the foundation for the former.

Fourth, integration of its citizens into a united community is the major condition to preserve integrity and independence of a multiethnic nation, which is Kazakhstan. The principles of identity

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

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

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

The idea of creating the People's Assembly of Kazakhstan was articulated by the President N. Nazarbayev for the first time in 1992 at the First Congress of the Peoples of Kazakhstan; the forum was dedicated to the first anniversary of independence. The Assembly is aimed at the following:

- promoting the maintenance of inter-ethnic and inter-confessional harmony in the republic and stability of its society;
- making recommendation on implementa-

tion of the state policies aimed at promoting of friendly relations between the ethnic groups and individuals of different ethnic background residing in the territory of Kazakhstan, as well as their spiritual-cultural revival and development on the basis of the principles of equality;

- forming a political culture among the citizens of Kazakhstan based on civil and democratic norms;
- securing the interests of the various ethnic groups in national policy;
- searching for compromises in the cases of social contradictions.

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

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

Seventh, the model of inter-ethnic accord of Kazakhstan assumes that children are systematically brought up to be tolerant and respectful to the culture, rituals, and customs of the people of other ethnic background. The new generation of Kazakhstanis is mastering the Kazakh language not only to express their loyalty, patriotism, and

civic commitment to Kazakhstan, but also to be competitive in their professional career and achieve personal success.

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

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

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

The 15th session of the People's Assembly of Kazakhstan set the task to work out the 'Doctrine of National Unity', which should become an action program to deal with all the complexities of inter-ethnic and inter-confessional relations, and open a new phase in the process of formation of a united nation of Kazakhstan [8]. The President said that the 'Doctrine of National Unity' should answer the three main questions: what do we mean by "national unity," what are the premises for national unity, and how will we strengthen it in the future. According to N. Nazarbayev, three pillars hold up the unity of the people of Kazakhstan: common history, common values, and common future.

Kazakhstan faces the crucial task of nation building which should rest on integration and consolidation of the all ethnic groups into a united nation of Kazakhstan with the common national idea, common values, and patriotism. We call the patriots those people who make active personal contribution and participation in the preservation and augmentation of the spiritual and material wealth of the country, realization of its political agenda, as well as economic and socio-cultural modernization as all these should bring the country

to the club of the 50 most competitive countries of the world.

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

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Modernization Doctrine and Civil Society Development in Kazakhstan

AIGERIM IBRAYEVA,

Kazakhstan Institute of Management, Economics, and Strategic Research, College of Social Sciences, Department of Public Administration, M.D., MPA, M.Phil. Assistant Professor

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

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

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

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

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

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

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

However, cultural (or ideological) change is the most painful and the most difficult to implement. It's often associated with revolutionary changes and faces heavy resistance from the population. Local people prefer cultural and political stability

and take them as important as freedom of speech or any other freedom associated with democracy.

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

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

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

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

The justification for such modernization process was that all people despite of the origin have a lot in common and their development problems should be alike. Another reason was a general belief that all societies go through the same stages of development regardless of their culture, religion, ethnic, or racial background.

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

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

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

The major difference from the previous view of development was a switch from the industrial sector development to social capital investments. By social capital, Rostow meant education, administration, and law. From Rostow's point of view the most important and at the same time the most dangerous stage in modernization was the 'take off' as it could bring society to dysfunctional communist type of modernity. According to Rostow, communism was a side effect of modernization process and in order to prevent possible dysfunctional way of development the United States should target the countries that reached the third stage and give them the "right direction" [3].

The problem with Rostowian approach is that it underestimates the importance of culture as any

development requires combination of mental and social changes to assure the lasting increase in productivity and efficiency. The development is an organic process and requires thoughtful and careful approach [7].

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

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

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

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

The decline of the doctrine theory and the Cultural Revolution in the United States forced for creation of new forms of development assistance. It has resulted in a growing number of civil movements and debates if societies should be classified in terms of superiority. What is important for our discussion is the influence of the Cultural Revolution on civil society mission, structure, and

strategies. The civil society in the United States has been developing evolutionary and was rooted and built around the religious institutions. The initial idea of civil society was to help the needy groups: homeless, poor, and other disadvantaged groups.

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

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

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

The ideological component does not allow going for a different scenario. The developed countries dictate the policy criteria for economic development making a focus on liberty, democracy, and market economy as only possible ways of development. As a result, the donor' organizations create dependency of local NGOs on international financial assistance and by doing this limit the natural development of Kazakhstan civil society and NGOs that are unable to create their own agenda and understanding of how to achieve the social change and make their own solution of the problems to be listened [1].

According to Ghodsee, "Just like the communists who tried to abolish private property by administrative decree, the international donors tried to create a new "gendered" subjectivity virtually overnight by importing the "best practices from the West" [11].

The theory of development assistance is limited by ideological reductionism and sees and explains the complex social phenomena in terms of a single, self centered concept.

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

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

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

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

The cultural characteristics of Kazakhstan are different from the West, and this difference results in the development of quasi civil society that is unable to function effectively. Poor effectiveness

is caused not only by low trust and recognition of the sector but also by cultural background of Kazakhstan civil society. Donors' solutions of the problems are imported from abroad and cause "political economy of begging" [14].

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

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

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

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

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Development of Media Space in Kazakhstan: Characteristics and Trends

ANTON MOROZOV,

Head of Information Service Department, Kazakhstan Institute for Strategic Studies under President of RK, Candidate of Political Science

The information and cultural industries of Kazakhstan have undergone radical changes due to gaining the independence and subsequent paradigm shift of historical development. Kazakhstan had to build its own information space and integrate into the global information communication system considering it as an important mechanism of statehood consolidation and preservation of social identity in Kazakhstan with its complex multiethnic composition comprising over a hundred of ethnic groups.

The formation of the media in independent Kazakhstan was aimed at having a mechanism that forms public opinion. The task was successfully fulfilled, to a certain extent; the current situation in ideological terms is more or less stable. The state has been relatively successful in control of the ideological sphere through the media holdings and state social order placements which enabled to have a wide coverage of political and economic priorities.

In order to understand the nature of these transformations occurred in Kazakhstan mass media, the consideration of its stages seems appropriate.

In so doing, I propose a new pattern taking into account the latest changes in the information space of Kazakhstan. In my view, the stages of Kazakhstan media system has been developing are the following.

The first so-called the post-Soviet stage covered the time period from 1991 to 1995. Its main characteristics were emergence of the first non-

politicized newspapers and TV channels as well as the party-political print media which was regarded as very reliable by the readers. Partial retreat of the state from the control over the media is also worth mentioning. However, the overwhelming majority of media were state monopolies. It was the time when the era of 'glasnost' began.

The stage started with the adoption of the law On Press and Other Mass Media in 1991, one of the first legislative acts of independent Kazakhstan. Censorship was outlawed by the national legislation as well as interference of the state officials and public organizations into editorial affairs, and obstructing the journalists from fulfilling their professional duty.

This law gave the political parties, associations, and individuals the right to establish the media. Novelty and relative democratic nature of the first law on mass media stimulated rapid development of Kazakhstan media. But since this law was passed in the early years of Kazakhstan independence, its provisions soon depreciated, lagging behind the demands of time. As a result, in 1995 the law On Press and Other Mass Media was amended three times.

The second phase of the media development lasted from 1996 to 1999. It had two features. Firstly, the media market grew considerably in terms of quality and quantity; secondly, it enhanced the role of Kazakhstan media in the socio-political landscape of the country.

According to numerous experts that was the "golden age" of Kazakhstan media. That was the

time of the first wave of privatization of the media. Printed press, television and radio stations were emerging in vast numbers applying the formats of contemporary Western journalism; trying to separate information from commenting, have specified topical sections in the newspapers. Live television broadcast emerged and entrenched as a new popular format.

The government was making attempts to establish a constructive cooperation with the media: it established annual presidential awards and grants, created of the Head of State information pool. Failure to inform the public or preventing the journalists from their reporting was criminalized. However, these norms of criminal law would never be used in practice.

In general, this phase was characterized by politicization of the media, and growing influence of political and economic elites. The media was considered by them as a functional resource similar to financial and administrative. There was the time of a certain "departure" from the democratic relations between media and government.

The third stage of mediatization of politics began in 1999 and ended in 2002.

The Law on Mass Media was passed in July 1999. The role of the mass media in the political and economic relations enhanced at the same time they were gradually losing the autonomy. Being impressed by the effectiveness of information technology, the politico-economic elites started to invest into the media market realizing their own media projects. In the result, a number of major media groups emerged which virtually divided all media resources on national level among themselves.

Since most major media were included into a limited number of media holdings and received significant financial support, practically having monopolized the advertising market, and others, lacking financial revenues, were not able not compete and ended on the brink of extinction.

The law abolished state monopoly on the media. However, the government retained two mechanisms to influence the media:

- legislature (administrative) enabling the state interference only in the case of breach of the current law;
- economic (non-administrative) through the state orders (the orders were placed through the

system of tenders where the commercial media participated as well).

The law On Mass Media was passed due to the necessity to change the nature of the relations of media and state: on the one hand, the state had to intervene into the information space, especially when it came to protecting of its interests in order to avoid destabilization of the situation in the country. On the other, successful liberalization and democratic reforms required, in the long run, independent media.

Optimal coordination of these two priorities was designed to provide an effective mechanism for adequate circulation of information in Kazakhstan.

Although, the new legislation reduced media dependence on the state, it still retained certain levers of administrative and economic influence. This was often seen as pressure on the media by the state.

A number of amendments made in 2001 to the legislation affected greatly the development of Kazakhstan media. Probably the most significant move was a gradual decrease in rebroadcast of foreign television production. The purpose of this amendment was to protect national television which was competing with more advanced and powerful foreign TV channels with great difficulty. Additionally, it was assumed that the amendments requiring the national media to expand its broadcast production would stimulate the growth of quality of broadcasters in Kazakhstan.

Generally, this phase was characterized by a clear division of the media into pro-government, opposition, and neutral as well as significantly increased influence of the media during election campaigns; the media was involved in the competition of the elites. The practice of economic regulation of the media was finally well established alongside with administrative regulation, state control over the media strengthened, civil society organizations emerged that protected the interests of the media.

The fourth stage of final mediatization of politics began in 2002 and was completed in 2008. This phase began with the draft of the new law On Mass Media in Kazakhstan in 2002, which was received with a mixed assessment.

According to the media experts, many of its provisions not only failed to comply with international standards, but would significantly weak their current legal status.

President sent the bill to the Constitutional Council and the Public Council on Mass Media so that the compliance of its provisions with the Constitution would be considered.

In April 2004 the Constitutional Council having considered the law On Mass Media adopted by the Parliament found it not relevant to the constitutional provisions, the President vetoed the Law passed by the both chambers. This definitely improved the dialogue between the government and media community. The former had the media as quite a loyal partner, at least for a while, who, protecting its own economic interests, was ready to consider the interests of the government and put up with the current situation.

Moreover, the significant feature of this phase was the establishment of the Public Council on Mass Media under the President of Kazakhstan in 2002. The Council was an advisory body to the Head of State. Its main task was the systematic analysis of complex media activities and recommendations to the President on formation and improvement of national information policy.

The Council was authorized to request and receive information, documents and materials from the government agencies, to hear officials and media representatives considering the compliance of their action with legislation norms on the media.

In 2002 the media increased its criticism of the authorities due to the emergence of new players on the political stage of Kazakhstan, namely the 'Democratic Choice of Kazakhstan' (DCK) and the 'Ak Zhol' Democratic Party of Kazakhstan. Information wars started. In the result, a number of television channels, namely the 'Irbis' and 'Tan' were closed on the charges of violating the law On Mass Media and the law On Languages.

At the same time, the idea of the Code of Professional Ethics of Journalists appeared. It was adopted at the First Congress of Journalists of Kazakhstan. A number of professional guilds were established, such as the 'Found for Journalists' Protection', the 'Solidarity' and others. In the summer 2006 the law On Mass Media was amended: a media entity should have been reregistered in the case of change of the editor-in-chief, its frequency and address, it also stipulated mass media registration fee and personal responsibility for the content.

However, foreign observers and international human rights organizations considered Kazakhstan legislation on media the most developed in Central Asia. It stimulated, to a certain extent, the qualitative and quantitative growth in Kazakhstan media space.

The fifth stage of initial virtualization of political space started in 2008. The major media were included into a number media holdings. On July 3, 2008 the Government of the Republic of Kazakhstan resolved to establish the JSC 'Arna Media' National Information Holding.

According to the Executive Order, the mission of the JSC 'Arna Media' should be effective management of the JSC 'National Broadcasting Corporation of Kazakhstan', JSC 'Khabar' agency, JSC 'Egemen Kazakhstan National Newspaper', JSC 'Kazakhstanskaya Pravda National Newspaper, JSC National Corporation 'Kazakh Information Agency, JSC 'Kazakhstan's Telecommunications' (KATELCO), JSC 'Kaztelradio', LLP 'Zhas Orken', LLP 'Kazak Gazette'. Later, the 'Arna Media' joined the 'Weekly News' English language newspaper and the 'Path to Europe' magazine.

In January 2009, the 'Nur Media' holding company was established with 100% shared owned by the 'Nur Otan' National Democratic Party. The new media holding included the resources of the 'Liter Media' (the 'Liter', 'Aikyn' and 'Kazakhstan Temirzholshysy' newspapers), media assets of the 'Rauan Media Group' ('Astana' TV channel, NS and WFD radio, the 'Turkestan', 'Izvestia-Kazakhstan' and 'Nur-Astana' newspapers), as well as the partisan newspapers 'Dala Myeon Kala' and 'Strana I Mir'. Thus, the information space in Kazakhstan was then divided by the three major structures: 'Nur Media', 'Arna Media' and the holding owned by D. Nazarbayeva. In general, they controlled information flows in the country.

Apart from the establishment of the vertical management of information resources there were major amendments to the law On Mass Media:

- mandatory registration of electronic media was cancelled, before they had to undergo two procedures: to register and to receive the license;
- mandatory re-registration in case of editor-in-chief or address change was cancelled;
- mandatory consent obtained by the reporters to use audio or video recorders was cancelled;

- equal competition between the plaintiff and defendant during the trial in accordance with paragraph 1 of Art. 19 of the law On Mass Media was established. Whereas the media used to have all the burden to prove validity of distributed information and the plaintiff was always considered to be right.

- improving the appeal norms in the case of the denial to provide requested information; the previous practice was that media had to appeal to the superior officer first and only then to the court. Under this norm, the media was entitled to chose the option whether to appeal to the superior official or to the court, it might choose the both.

The journalist community in Kazakhstan assessed the amendments as incompetent, cosmetic and censorship reviving. The reason for the latter accusation was that the Parliament had initiated and approved the bill stipulating that each channel was obliged to agree its content with the Ministry of Information and Communication. The OSCE Representative on Freedom of Speech was more reserved, saying that although there had been certain improvements, the process of liberalization of Kazakhstan media law should be continued since the current legislation still did not meet international standards. People claimed de-monopolization of the media market and change of the registration rules which should be carried out by an independent body based on declarative rather than permissive principle.

Rapid development of the Internet resources was one of the distinguished features of this stage. In the first quarter of 2009, a number of new Internet projects were launched in Kazakhstan, namely 'Kaztube' video portal, 'www.kaztorka.kz' torrent project, www.kiwi.kz, www.nur.kz and other Internet portals where the users could upload, watch TV channels and videos, listen to popular radio stations, and broadcast themselves online by means of conventional webcams. Therefore, the Internet — along with television — was gradually becoming one of the most important information resources.

Characteristically, the surge of online resources intensified destructive actions in the virtual space. In the same period, a number of Internet sites underwent massive DDoS-attacks.

Rapid development of the Internet led to a number of legislative initiatives made by the gov-

ernment. In 2009, in accordance with the law On Amendments and Addenda to Legislative Acts of the Republic of Kazakhstan on Information and Communication Networks prepared by the Agency for Informatization and Communications, all online resources were equated to the media, including the web sites, chats, blogs, e-commerce, digital libraries. Accordingly, they had criminal, civil and administrative responsibility similar to the conventional media.

Within the 20-year relations between the government and the media, Kazakhstan has developed a paternalistic model of information policy. The core of the relations is the government regulation of the information sphere. Accordingly, the government plays a leading role not only in formation, but also in practical implementation of information policy which is understood as a multifunctional complex task of government.

This model is currently quite effective, its advantages include:

- control, meaning a high degree of controllability of the media being built in the system of ideological support of the government;

- wide coverage, the media within the media holdings being traditionally popular among general public, are able to form the groups loyal readers and viewers and occupy a significant segment of the information space;

- ideological cohesion, having all media in two major media holdings reduces considerably possibility of full-scale information wars between the elites. Moreover, these media effectively protect state institutions — especially the President — from negative information impact;

- unification of information and ideological work, creation and promotion of single ideology, common messages;

- media self-regulation, unified information policy of several media becomes a kind of ideological beacon point for the others.

However, apart from the abovementioned advantages the system has certain disadvantages:

- dynamic instability of the concentrated system of media control due to a high administrative and financial dependence of the media on the founders, which are the state structures ('Samruk Kazyna', 'Nur Otan', etc.). That repeats the previous situation when the media used to be

extremely dependent on the elite groups who were their founders;

- deformation of media, the current system, in the long run, makes the media independent from the reader, viewer or listener diluting the quality of the content making it less creative;

- loss of popular confidence to the media; image-making tasks prevail over functional. Limitation and embellished coverage of the internal political and economic situation is mistakable. In the result, the public starts questioning reliability of the information provided by the official channels. Alternative, primarily foreign and opposition, media gains its popularity. As a consequence, the social apathy and radical protest potential grows on the background of the lack of objective information.

- danger of creative stagnation, amidst the two simultaneous campaigns that of the state and the partisan their ideologemes will inevitably merge. Under this condition, any different genre to convey the ideological message seems rather problematic. In the end, it will reduce the effectiveness of information and ideological work, the viewers will "vote button on the remote."

- distorted picture of the reality may delude those having state power and complicate developing, adopting and implementing of policy decisions as well as predicting of social and political developments

There are several other problems common to all subjects of the information space of Kazakhstan, regardless their ideological bias.

The media are not motivated to make competitive products in the clear ideological framework having the information field relatively protected from the foreign media products and the expansion of the state social order placement system.

There is a certain problem with professionalism of the journalists who are not ready for qualitative changes in the information sphere. In other words,

the problem with freedom of speech is transformed into the problem of professionalism. Professional journalism is exhausting its resources.

Entertainment function of the media prevails in the context of inevitable mediaticization of the politics. Mass consciousness images in the media do not promote either thinking or the ability to produce new, original ideas and innovations. In the long run, it may result in irreparable loss in human potential.

Information products often lack quality and fail to meet viewers' demand. The situation is complicated by the fact that Kazakhstan is located in the Russian cultural and information space and the more mobile consumers of information receive it through satellite and cable TV can always compare the quality of the Kazakhstan and Russian products.

Kazakh and Russian language media differ considerably in terms of quality. The situation is complicated by the fact that Kazakh language media is not market oriented; it is much more dependent on government support. While market relations intensify, the gap will only widen.

Summing up, I would argue that the emerging system of information and ideological work is able to solve the tactical problems of the current period; it will be effective in the short term, possibly medium term.

However, the drawbacks of the system will inevitably lead to negative trends in the media sphere, above all, to its stagnation in ideological and economic terms as well as the content and human resources.

Kazakhstan media potentially risks much in long term and may face serious crisis as the political struggle and geopolitical competition intensifies. This process on the ideological field may result in significant changes in political sentiment and preferences of the public as well as social attitudes, ideological stereotypes and electoral preferences.

Political and Legal Basis for Kazakhstan Party System in the 1990s

YURI BULUKTAEV,

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

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

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

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

Since 1989, during the period of half-disintegration and eventual dissolution of the USSR, the political parties were formed on the ideological basis by the groups of the likeminded; those who were supportive towards democratic socialism, national independence, western democracy values or by their opponents. As the newly independent states were accommodating a new political system, the process of party formation was regulated by the ruling elites.

This is a dilemma of democracy. In a democratic environment, ideologies are the means for a party to achieve its political goals (not surprisingly all political parties appeared in Kazakhstan those days called themselves 'democratic'), at the same time, the process of partisan-building was governed from the above. In such conditions the normative and legal mechanisms are crucial, as well as the functional (the ways how the power is exercised) and the communicative (interaction between the state power and the parties).

In democratic states with multiparty systems, the national legislation defines the format of inclusion of the political parties into the process of formation and functioning of the bodies of state power as well as the character of their interrelations with the other public associations. These interactions shall be based on the principle of mutual non-interference and independent functioning. This principle is stipulated by a number of international documents especially when it comes to the relations of state and political parties. The states participated in the OSCE Copenhagen Conference in 1990 declared that "a clear separation between the State and political parties is one of those elements of justice which are essential to the full expression of the inherent dignity and of the equal and inalienable rights of all human beings. In particular, political parties shall not be "merged with the State".

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

The capacities of the political system of Kazakhstan, experiencing the time of transformation and

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

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

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

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

It was designed on the basis of the similar law passed by the Supreme Soviet of the USSR in 1990 and contained 5 chapters: 'Preamble', 'Establishment of Public Associations and Termination of their Activities', 'Terms and Conditions of Activities of Public Associations', 'Liability of Infringement of Law', 'International Cooperation, International Treaties'. The Law stated the association freedom to be an imprescriptible constitutional right of human individual and citizen the realization of which serves the interests of society and shall be protected by the State. The law also enumerated the recognized public associations but it gave the right to establish the

others beyond the given list. The law also stipulated the procedure of re-registration of all previously established public associations within the territory of the Republic by 31 December 1991.

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

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

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

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

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

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

The Constitution of Republic of Kazakhstan adopted in 1995 and the laws On Public Associations and on Political Parties passed in 1996 were the principle legal basis since the second half of the 1990s. The Constitution adopted through the

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

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

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

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

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

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

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

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

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

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

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

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

The registration procedure is aimed at the following:

a) to confirm the fact of establishment of a legal entity;

б) to enable the state to keep record of all legal entities;

в) to maintain government control over the legal entities activities;

г) to enhance transparency as the details on the legal entities are available from the documentations of the register agencies.

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

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

The laws On Political Parties and on Public Associations contained the restrictions of other

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

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

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

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

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

That was the case until 1996 when the law On Political Parties was passed. It opened a new page in the post Soviet history of political pluralism in

Kazakhstan. The adoption of the law obviously forwarded the process of legal institutionalization of the political parties. However, a number of its provisions remained declarative because the parties had not yet become the active actors of the political process.

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

- lack of mechanism to influence their representatives elected to the representative bodies of power;

- majority of the parties those days did not have a comprehensive social base and were weak in terms of their organization and funding;

- although the laws On Political Parties and on Public Associations were passed in 1996, the legal base was quite limited in comparison with developed democracies.

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

The transformation character of the party political system was changed in 1999 when the proportional system was introduced and 10 of 77 seats in the lower Chamber of the Parliament were reserved for the political parties so that they could directly compete for the deputy mandates. The subsequent elections into the Majilis (the lower Chamber of the Parliament) were the first time when the political parties of Kazakhstan competed with each other for the parliamentary seats. A new stage of partisan and associations' development began in 1998 when the partisan political activities intensified dramatically due to a number of factors.

The first was the Address of the President of Kazakhstan N. Nazarbayev 'On the Situation in the Country and Major Directions of Domestic and

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

The next important move was the constitutional amendment stipulating the proportional representation of the political parties in the Parliament, made on October 7, 1998. There were ten additional seats for the MPs elected from the party lists. This considerably increased the role of the political parties in the election system in particular and in the political system as a whole. That was the first case in Kazakhstan and other Central Asian states when the elections were conducted with the appliance of the both majority system for single mandate constituencies and the proportional system to fill in the additional ten parliamentary seats. This combined electoral system enabled to have fuller representation of the interests of the parties and public associations.

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