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Results of Kazakhstan's OSCE Chairmanship: SWOT Analysis

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The experts' opinions varied considerably regarding the OSCE Summit in Astana: the positions deferred from generous admiration to utter skepticism and even phrenetic criticism. One way or the other, the debate turned to be too expressive when there was no room left for an objective discussion of the role and significance of the Summit. The publications on Kazakhstan's Chairmanship in the OSCE in both journals and popular press lacked any profound analysis being full of premature emotional coverage of the event.

The very fact that Astana Declaration was eventually adopted, after long hours of bitter disputes, may be considered as a visible success of Kazakhstan diplomacy achieved amidst the confrontations of the parties, clashes of the vital national interests. When the two private companies are to sign a contract it usually takes them a couple of days to negotiate over all terms and conditions. There, we had 56 states, there were different nations, national interests, mentalities and approaches. All these had to be embraced into a single document.

What is needed is an appropriate assessment tool applied to the Summit outcomes in particular, and Kazakhstan's Chairmanship in the OSCE as a whole. SWOT is the most applicable method in situational and event analysis. In this case, by the *situation* we mean the fact of Kazakhstan's OSCE Chairmanship, basis preconditions, situation in the region and the world as well as the outcomes of the diplomatic measures Kazakhstan had taken earlier. The Astana Summit is regarded as the *event* representing the result of a diplomatic act and which, at the same time, manifests the confidence of the majority of the participating countries in Kazakhstan's abilities to resolve numerous issues.

SWOT – analysis stands for Strengths, Weaknesses, Opportunities, and Threats.

Strengths

Kazakhstan, during its Chairmanship in the OSCE, facilitated a number of processes:

1. Reduction of the growing tension in the conflict zones in the Caucasus, Transdniestria, Kyrgyzstan, Afghanistan through a tripartite dialogue (Kazakhstan being an arbitration party);
2. Inclusion into the OSCE instruments the use and implementation of new methods of political influence with the emphasize laid on diplomatic measures and peaceful means of conflict resolution;
3. Creating a new paradigm of security system maintenance through the creation of the common Eurasian response to confront new threats and challenges;

In this fact pattern, it is obvious that the final stage of Kazakhstan's OSCE Chairmanship and the Summit in Astana played a significant role in intensifying conflict resolution process having infused both necessary dynamics and practical instruments for their settlement.

Tandem of Russia and Kazakhstan is very much worth mentioning here. Throughout the 2010, the joint efforts of the leaders of the two states set the tone for all negotiating processes. It revealed not only the willingness and readiness of Kazakhstan and Russia as well as their adherence to the principles of strategic cooperation, but a true ability to work together in order to resolve regional problematic issues.

Weaknesses

1. Kazakhstan made an attempt to change the system: to reorganize the OSCE and alter the outdated principles of the Organization. However, the "Old World" made it clear that the "newcomers" had no right to command and blocked a number of the initiatives Kazakhstan had made to improve the mechanisms of the OSCE. The weakness of official Astana manifested in excessive flexibility of the Kazakh diplomats. Kazakhstan did not insist on the need for drastic changes, but chose to play in accordance with the rules, which had been imposed by the West.

2. Lack of efficient instrument for pressure (economic, political, legal); Kazakhstan being the Chairman "de jure" and "de facto" was not able to influence the conflicting parties, all we had were the diplomatic means, namely conflict resolution plans and recommendations.

3. Kazakhstan was overexcited about its Chairmanship, genuinely believing in its peacekeeping mission. The Summit, having met most of the expectations of both the organizers and majority of participants, had a number of drawbacks, although this criticism can be easily applied to all summits of Heads of States and Governments. The experience shows that not a single summit was 100-percent successful, moreover, none of the declarations adopted were even half-fulfilled.

Opportunities

Still, Kazakhstan had certain achievements in conflict resolution. The Head of the European Union Delegation welcomed the Joint Statement by the Heads of Delegation of the Minsk Group Co-Chair countries and the presidents of Azerbaijan and Armenia. The fact that the two presidents attended the Summit in Astana is a proof that the tension in the bilateral relations eased and they were willing to conduct further negotiations with the participation of the Kazakh side as an arbitrator. The "road map" for the Nagorno-Karabakh settlement with its clearly designed mechanisms and tools, which Kazakhstan saw as the basis to achieve further progress, became the first instrument having genuine capacity to reduce conflict-generating potential in the region.

The initiatives, President of Kazakhstan presented in the course of the Summit to implement structural and content changes, could have been a good opportunity. However, the audience, being unmotivated, was not ready for such radical changes. Subsequently, the issues of increasing the number of baskets and other OSCE institutions are more likely to be discussed under other circumstances.

Summing up, in terms of the opportunities for Kazakhstan, we shall mention not only an increased political authority and new image, but the long-term benefits of economic character. As experience shows, foreign investments go to the countries which are rather reputable within international community, those enjoying a considerable level of social and political stability and high potential.

Threats

Resolution of frozen conflicts, being the most problematic and sensitive, requires a more specific approach. Kazakhstan took a great risk and responsibility for the settlement of the conflicts in the post-Soviet space. None of the previous Chairman countries had taken up these challenges, waiting quietly for the end of the term

The Summit revealed a number of conflict moments which could have posed a potential threat. For example, the "one touch" game of Russia and Georgia, where the conflict over South Ossetia and Abkhazia became a sensitive issue. Russian President D. Medvedev stressed again "that the attempts to resolve any problem through military means and use of force is unacceptable" while M. Saakashvili tried to express his view. Georgian position was supported by the EU; the United Kingdom and France spoke for the integrity and sovereignty of Georgia within its recognized borders. The move was naturally strongly opposed by Russia; it stated that it would not tolerate if the final documents had any references to the "conflict in Georgia". The situation was quite tense.

The 250 documents of compromising character placed at the "WikiLeaks" website just before the OSCE Summit are also worth mentioning. The materials were mostly the leakage of the diplomatic correspondence of the US ambassadors and consular officers touching a number of issues of the world politics. The fact that the materials were released a day before the Summit could have been a coincidence, however, taking into account the content of the documents with rather harsh opinion on the world's political leaders, namely President D. Medvedev, Prime Minister V. Putin, German Chancellor A. Merkel and others (all of them participated in the Summit) there are solid grounds to assume that this leakage was a deliberate action.

Given all these circumstances, it is clear that the risks were high enough, and the Summit could have either consolidated the participating sides providing a platform to reach the common position, or escalated the conflicts. In this regard, Astana had to consider all possible risks and minimize the conflict potential. To that end, the diplomatic protocol and other details had been very precisely considered beforehand: the order of precedency at the airport and receptions, the accommodation details and seating charts. In the end, during the Summit in Astana, the hosting side successfully handled all the issues.

Basing on the SWOT- analysis above, we can make the following conclusions:

1. Before Kazakhstan assumed its Chairmanship, the OSCE had been a "fading" organization failing to gather all member states at one table for 11 years. The Organization underwent the process of "rebooting" (if not "reformatting") and got a fresh start due to its gradual expansion from the West to the East.

2. Despite all skepticism, the OSCE Summit in Astana was a success mainly due to the impeccable work of the chief moderator N. Nazarbayev who demonstrated excellent abilities to feel the audience, detect the attitudes of the participants, anticipate the conflicts, persuade and find compromise, accidentally leaving the conference hall to discuss the most sensitive topics.

3. The OSCE has deprived itself from the real instruments to influence the security architecture in Europe and especially in Eurasia, gradually turning into a mere dialogue platform.

4. The Summit did not mean instant success for Kazakhstan, however there are a number of benefits in the long-term perspective of economic (meaning foreign investments) and political character. Kazakhstan had been working hard on the final document of the Summit within the previous months. This process has resulted in refreshment of the previously established relations as they require constant attention. Moreover, this is how the mastery of Kazakhstan diplomats is being perfected.

Priorities and Directions of Current Foreign Policy of Kazakhstan

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At the beginning of 2011, the foreign policy of Kazakhstan entered a new stage. The country passed a serious political test; it was the Chairmanship of the OSCE and hosting the summit meeting in Astana. This year, it faces two new challenges: the Chairmanship in the Organization of the Islamic Conference and in the Shanghai Cooperation Organization. Additionally, Kazakhstan is to host two major events, namely the Council of Foreign Ministers of the Organization of the Islamic Conference and the SCO Summit.

The OSCE Summit in December 2010 showed that the significance of such events go much further than formalities of paying official tribute to political obligations, this time in Astana. Conduction of such events is often closely related to a specific problem in international relations. In this context, the present turning point in foreign policy of Kazakhstan clearly meets the demands of the times.

The recent developments give us a good example to speculate on the transformation in foreign policy of Kazakhstan as well as its international status. The year 2010 will be regarded as a crucial in historical terms for Kazakhstan and its foreign policy for several reasons. The OSCE Summit in Astana is the most obvious. However, in terms of strategic consequences, establishment of the Customs Union among Kazakhstan, Russia, and Belarus should be considered even more important.

Kazakhstan's Chairmanship in the OSCE set the pace for the country's foreign policy for the whole 2010. As one Kazakhstan observer rightly noted, the country faced the task not to meet the OSCE standards, but to create new ones adjusted both to the current reality and to the interests of the member states of the Organization. Moreover it was about turning the OSCE into an effective mechanism for maintaining stability and security with the help of those countries.

The participation of the President of Kazakhstan in the Nuclear Security Summit in Washington in April 2010 may be regarded as one of the most worthy among his recent foreign appearances. The historical meeting of three presidents, namely B. Obama of the USA, D. Medvedev of Russia, and N. Nazarbaev of Kazakhstan in Washington once again reminded the international community about Kazakhstan's enormous contribution to nuclear non-proliferation. This was largely promoted by the initiatives Kazakhstan President laid on the table before the leaders of the leading, primarily nuclear, nations and the world community as a whole. Nuclear security and non-proliferation is an area where Kazakhstan holds its high moral stand. It is also the source and essence of Kazakhstan's foreign policy conception.

Kazakhstan called the members of the nuclear club to abandon their nuclear sovereignty as they had committed at the end of the 1960s while the NPT was being drawn. The President of Kazakhstan also urged on reconsideration of international law in order to safeguard nuclear non-proliferation. According to N. Nazarbayev, an expert analysis of all current international treaties on non-proliferation and nuclear terrorism is needed in order to work out a single international document of strategic character which would become a new universal agreement on comprehensive horizontal and vertical non-proliferation and nuclear disarmament. According to this revolutionary initiative, a new international arrangement shall exclude any double standards applied to its violators in terms of sanctions and other forms of international respond.

Maturity of Kazakhstan's foreign policy was also tried during the events in Kyrgyzstan in April and June of 2010. In fact, Kazakhstan was being tested both as the OSCE Chairman and a responsible regional leader. The political situation that developed as a result of the events in Kyrgyzstan was fraught with many ambiguous consequences for Kazakhstan's foreign policy, economy, and national security. Kyrgyzstan is Kazakhstan's closest neighbor and, besides, it is the closest country to us culturally, historically, and mentally. Kazakhstan cannot afford being indifferent to the further development in Kyrgyzstan due to its geographic proximity, specific international status, national security interests, and the close social and economic ties between the two countries.

Kazakhstan's policy toward Kyrgyzstan was built on certain fundamental criteria. The moves taken by Astana were closely coordinated with Russia, which was also extremely interested in rapid stabilization of the situation in Kyrgyzstan. Astana made it clear to all the participants in the political struggle in Kyrgyzstan through diplomatic and political channels (primarily via the OSCE) that it would not tolerate the use of armed forces or repetition of the bloodshed in the republic. Astana also supported all progressive and moderate forces in the republic in order to bring about rapid stabilization and normalization of the situation. Regular consultations were held with the provisional government of Kyrgyzstan on the current and mid-term issues regarding further development, particularly holding full-fledged and legitimate parliamentary and presidential elections soon enough to retain stability. The Kazakh and international law enforcement agencies coordinated their efforts to neutralize the Kyrgyz criminal environment and its influence on the republic's political life.

Official visit of N. Nazarbaev to South Korea can be regarded as a key event in the context of promotion of the Asian vector in the foreign policy course of Kazakhstan, which brought both countries to a new level of cooperation. The sides agreed to mark the 2010 as the Year of Kazakhstan in South Korea and 2011 the Year of South Korea in Kazakhstan.

The third CICA (the Conference on Interaction and Confidence-Building Measures in Asia) Summit should be mentioned as one of the most significant events in the cause of maintenance of security. Kazakhstan passed on the CICA Chairmanship to Turkey, but retained control over the Conference through the system of partner organizations. The delegation of Kazakhstan attended the third CICA Summit held on June 8, 2010 in Istanbul representing the country was as the current Chairman of two large regional structures on the continent, namely the CICA and the OSCE. In the course of the Conference, the mandate for Chairmanship was passed from Kazakhstan to Turkey. This move demonstrated that the CICA is not merely a Kazakh project. At the Istanbul Summit, the participants condemned Israel's attack on Turkish ships taking humanitarian aid to the Gaza Strip, but Israel refused to support the inclusion of any provisions condemning its actions in the text of the final resolution.

The final document adopted in Istanbul was a corrected and updated version of the Declaration of the second CICA Summit hold on June 17, 2006 in Almaty. The amendments were both stylistic in nature and reflected the changed situation in terms of the regional risks and threats. For example, the Istanbul Declaration has an entire section devoted to Afghanistan. In his message to the forum participants, N. Nazarbaev said that the CICA was quickly adapting to the changing world and consistently increased its cooperation with the OSCE. Therefore, Kazakhstan would not exclude the possibility of creating "some joint platform regarding security and trust throughout the Eurasian space " in the future.

German Federal Chancellor A. Merkel's visit to Astana in July 2010 signified the intensification of the foreign policy moves of Kazakhstan in its European vector. Kazakhstan confirmed its readiness to deliver natural gas to Germany via the Nabucco pipeline. It stands to reason that Germany is interested in this project. However, its resource base has not been ultimately determined. The improved project presumes transporting of natural gas from the Caspian region to the European countries from Turkmenistan through Azerbaijan, Georgia, Turkey, Bulgaria, Hungary, Rumania, and Austria overpassing the territory of Russia. The pipeline shall serve a supplement the Baku-Tbilisi-Erzurum gas pipeline, which is already in operation. President N. Nazarbaev claimed that the deliberation of the European Union made Astana increasingly hesitant. According to Kazakhstan leader, there are two conditions necessary for country's participation in this project: the gas pipeline built along the bottom of the Caspian Sea through the Caucasus to the Black Sea and further and the LNG plants constructed on the Kazakhstan coast of the Caspian. This is how Kazakhstan tries to probe the possible respond of the West and Moscow. Astana has changed its tactics by simultaneously considering several projects in order to indentify the most beneficial.

At the beginning of 2010, both Uzbekistan and the USA expressed serious objections to have Astana as a location of the OSCE Summit. In March N. Nazarbaev met with I. Karimov and all problematic issues were settled. Later, Astana also managed to secure Washington's support.

In August 2010, Japanese Minister of Foreign Affairs Katsuya Okada visited the republic. The visit was aimed at promoting the interests of Japanese companies in developing energy resource fields in Kazakhstan and other republics of the region. Cooperation in nuclear sphere was also a fundamental topic in the course of the discussion. President N. Nazarbaev had outlined his vision of bilateral cooperation being in Tokyo at official visit in the summer 2008 as following: "We have the uranium and you have the high technology". This plan is still being implemented. The problem is delivering Kazakhstan uranium to Japan. Japan gets the uranium from St. Petersburg, the USA, Canada, and France where it first goes for enrichment. Moreover, only a small amount of nuclear fuel is enriched in Russia. The two sides are currently working on the project aimed at development of an eastern route for delivering uranium from Kazakhstan via the Far East to Japan. In exchange, Japan suggests that all the uranium imported from Kazakhstan would be enriched in Russia.

Japan is also interested in oil and gas industry of the region. Japanese JOGMEC Corporation in the Caspian Sea, which is actively cooperating with National Company KazMunaiGaz, is a good example of the bilateral cooperation in oil and gas sphere.

The meeting of the Russian and Kazakhstan presidents in Ust-Kamenogorsk in September 2010 is an important move in the Russian direction of the foreign policy course of the republic of Kazakhstan. The two sides signed 27 agreements on cooperation covering almost every sphere of economies of Kazakhstan and Russia.

As for Astana Summit, it was an impressive finale of the last year, moreover, it signified the successful close to an entire era in the history of Kazakhstan's foreign policy, and proved that the republic is a responsible member of the international community and capable of hosting such high-level meetings.

Overall, 2010 was a year when the foreign policy of Kazakhstan, its main vectors, goals, and objectives were revisited. This change signifies that Kazakhstan is transforming from a regional country into one of the main international players, moving up to a higher and more important rung on the world's ranking ladder. Kazakhstan factually goes beyond the boundaries of Central Asia. The world community regards it as a responsible Eurasian state with its own interests and healthy ambitions.

All the same, despite the successes and achievements of the past year, there are several problematic issues relating to Central Asian security and Kazakhstan's international status, along with the constant geopolitical pressure it feels from elsewhere, all these factors are still very evident and have shifted to a new level.

Traditional Policy

The Russian vector is still vitally important for Kazakhstan and it has an extremely extensive agenda, ranging from security and economy to social and humanitarian cooperation. There can be no doubt that 2010 was an outstanding year in terms of cooperation between Kazakhstan and Russia. The establishment of the Customs Union, Kazakhstan's OSCE Chairmanship, and the political interaction between Astana and Moscow, particularly at the presidential level, determined the character of the bilateral cooperation during the last year. Russia rendered unconditional political support to Kazakhstan during its Chairmanship in the OSCE.

Kazakhstan and Russia are strategic partners and close allies in the post-Soviet space. The cooperation between the two states encompasses almost every sphere possible of bilateral interaction: currently, cooperation is actively developing in the political, military-technical, economic, and humanitarian spheres, which is of particular significance for the internal development of the two states and their interaction on the international arena.

During 2010, Kazakh-Russian relations developed both at the bilateral and multilateral levels via the institutions such as the CIS, EurAsEC, Customs Union, CSTO, SCO, and OSCE. The joint action plan for Kazakhstan and Russia in 2009-2010 played an important role in the development of bilateral relations, formed the backbone of the agreements reached between the two countries, and included 40 specific undertakings. They cover the entire range of Kazakh-Russian cooperation in the political, economic, scientific, and humanitarian spheres, whereby the scope of these undertakings is enormous. For example, a joint oil balance and transportation plan is being developed in the fuel and energy complex, and a comprehensive cooperation program with respect to peaceful use of the atom is being implemented.

Kazakhstan's share in bilateral trade turnover amounts to more than 18% of the total volume of the country's foreign trade. Industrial cooperation covers energy, space exploration, and innovative technology. After the establishment of the Customs Union, Kazakhstan became the closest ally to Russia in the post-Soviet space. When the Common Economic Space (CES) is launched in 2012, both countries, along with Belarus, might be able to form a structure similar to the EU.

The chronology of 2010 is a graphic illustration of the progress accomplished in Kazakh-Russian relations. The Customs Union of Belarus, Kazakhstan, and Russia has been functioning officially since January 1, 2011 and in practical terms since July 1. This factor in the relations among the three countries was being vividly discussed in Kazakhstan throughout the year. There have been numerous observations that Kazakhstan is supposedly losing large amounts of money; the figure differs from KZT75 billion to $500 million, due to the reduction in customs revenue into the budget. This gives a reason to conclude that Kazakhstan decision to join the Customs Union had political rather than economic motivations. But it should be noted that similar points have been made both in Russia and Belarus. Many people in these countries also believe that significant losses have been incurred from establishment of the Customs Union. The question is who benefited from it?

In reality, the Customs Union will enable to attract investments in the non-raw-material sector of Kazakhstan's economy. Kazakhstan manufacturers can take their opportunities in the pharmaceutical industry. Mutual recognition of all medical requirements will make it possible for medications to be distributed within the Customs Union. The current barriers in Russia are too high for foreign manufacturers, however, these restrictions no longer apply to Kazakhstan. On the whole, in the long-term perspective, the Union should have a positive effect on Kazakhstan's economy. In particular, it shall increase competitiveness of Kazakhstan manufacturers and supposedly decrease smuggling.

In terms of grain production, Kazakhstan and Russia provide up to 17% of the world's wheat export. There are currently around 3,000 companies with Russian share operating in Kazakhstan, and most of them are involved in crossborder cooperation. The southern border of Kazakhstan, which is now the border of the Customs Union, is the most problematic. Transfer of customs control to the external borders of the countries has only been partially accomplished: the Russian-Belarusian customs border has disappeared, while the Russian-Kazakh border will continue to exist until July 2011, by this time Kazakhstan must put a stop to smuggling and Chinese goods re-export through Kyrgyzstan.

At the beginning of December, the Customs Union member states agreed to introduce the unified regulations and standards for oil and petroleum products within the framework of the Common Economic Space. Kazakhstan is eager to increase the throughput of the pipeline to 67 million tons of oil per year. But this will require to construct new pumping stations and oil reservoirs at the terminal near Novorossiysk and install another single mooring point. The hopes rest on Russia, which agreed to double Kazakhstan's quota in the CPC from 27.5 million to 52.5 million tons, in order to distract Kazakhstan from seeking for alternative routs for delivering crude oil to Europe. Currently Kazakhstan is pretty much satisfied with the pumping capacities through Russia.

Close cooperation between the two states has made it possible to soften the aftermaths of the world financial and economic crisis. There has been a drop in demand for bank loans in both Kazakhstan and Russia. In the uranium industry, the national nuclear companies of both countries are acting as a united front in relations with foreign partners. In so doing, the Russian nuclear industry is still the main partner of Kazakhstan, ensuring the complete processing and enrichment cycle of Kazakh uranium.

Russia and Kazakhstan are also closely cooperating in the space industry. Both states are about to launch a large-scale international program. The fact that the launching pads at Baikonur are designed for Russian- and Ukrainian-made missile carriers is particularly important.

In 2010, cooperation between Russia and Kazakhstan actively continued in the transportation sphere. As early as 2008, the transport ministries of Kazakhstan and Russia signed the memorandum on cooperation and the maintenance of communication infrastructure linking Western Europe and Western China.

Kazakhstan has begun constructing the Western Europe-Western China highway and has already begun rebuilding the roads in certain sections of this major artery. Russia, in its turn, is carrying out feasibility studies of this project. By 2013, it will be possible to put the Kazakh-Chinese sections of the highway into operation. By this time, Russia is expected to start building of its section of the highway.

However, there are a number of unresolved problems in bilateral relations: one of them is the time the residents of one country can stay in the other without registration (for example, the Ukrainians may stay 90 days in Russia without registration, while the period fixed for Kazakhstan residents is only three days).

The other problematic issue is that Central Asia suffers of considerable drinking water shortage. President N. Nazarbaev suggested in Ust-Kamenogorsk, that the project to divert to the flows of Siberian rivers would be considered again.

The participation of Kazbrig in the peacekeeping operation in Afghanistan remains a sensitive issue in the military-strategic relations of Moscow and Astana. Kazakhstan, in its turn, is not interested that the policy of Russia will make Georgia increasingly remote from the Commonwealth affaris regardless the fact that Georgia has already officially withdrawn from the CIS.

The 2011-2012 joint action plan, conducive to Kazakh-Russian relations, will be extended to 2020. In the next ten years, Russia will evidently play increasingly important role as Kazakhstan's main political, economic and trade partner.

Security Issues and European Vector

Kazakhstan's main objective is to strengthen the collective security system in Central Eurasia; that shall be fulfilled by settlement of situation in Afghanistan and elimination of the threat posed by radical Islamism in general. The goal requires some increase in cooperation among all security institutions in Central Asia, namely the NATO, CSTO, OSCE, and SCO (possibly also the CICA). The OSCE Summit in Astana was a step toward this end.

As Astana Summit demonstrated the Afghan problem, is in many respects, the major one for both Central Asian regional security and national security of Kazakhstan. A clear understanding of Western strategy and plans regarding this country is extremely important, as Afghanistan is a source of military-political, religious, and drug threats. In the geopolitical context, the situation in Afghanistan affects the security of a much broader scope that includes South Asia, the Middle East, the CIS, and the PRC. From the very beginning, Astana has suggested that the states located along the perimeter of the geographic zone of the OSCE would be directly involved in this process. Pakistan is a country that holds the keys to settlement of the Afghan problem. The issue is one the security in Central Asia depends on to one extent or another.

In 2011, Chairmanship in the OSCE will go to Lithuania. It stands to reason that Vilnius will shift the accent in the OSCE to Central and Eastern Europe. Such issues as Eastern Partnership of the European Union, Belarus, relations between the European Union and Russia, energy supply to Europe are very likely to be put on the agenda.

The EU countries will try to shift the OSCE's geopolitical activity to Europe and European security. There are indeed many problems in this area: the Treaty on Conventional Armed Forces in Europe, deployment of the US AMD, the European Security Treaty, and several others. It should be mentioned that Astana also addressed these topics during its Chairmanship. Despite the possible strong influence of the European factor, Kazakhstan, like the other Central Asian states, is able continue to use the OSCE Astana Declaration of 2010 as an effective political tool. It is to the historical credit of the Astana OSCE Summit that it designated Afghan problem within the Organization's framework and proposed the number of mechanisms to resolve it.

The relations of Kazakhstan in particular and the Central Asian countries as a whole with the European Union are also quite significant. The relations of Kazakhstan with the European Union are rather specific. Technically speaking, many foreign partners think that Kazakhstan belongs to Asia; and from time to time Astana also emphasizes this aspect of its geopolitical identity. However, at the doctrinal level, Kazakhstan is positioning itself as a Eurasian state for a very objective reason.

As for the strategy and tactics of Kazakhstan and the other Central Asian countries with respect to the EU, we should proceed from an understanding of the nature of Europe's interest for its cooperation with the region as well as common interests of the EU and CA. It stands to reason that the European Union is very much concerned about Central Asia as a stable source of natural resources. At the same time, Brussels intends to expand its standards to the region. On the other hand, being the members in NATO, the European countries play an important role in combating the threats coming from Afghanistan. Moreover, the EU does not welcome the US's domination in Eurasia and, therefore, is more likely to tolerate the role Russia plays in the region. Some experts argue that the European Union could act as a future counterbalance to China in terms of its growing domination in Central Asia since Russia has removed itself. These are the factors we should keep in mind when forming the position of the Central Asian countries regarding the EU.

In these conditions, Kazakhstan's policy aimed at stabilizing Afghanistan and the situation in the region as a whole is objectively a policy that protects direct interests of the European Union, primarily those of security nature.

In its relations with the European Union, Kazakhstan will have to keep in mind the fact that the EU is currently undergoing significant internal transformation, which affects all the areas of cooperation between this organization and the outside world. At present, the external activity of the EU is being hampered by the acute budget deficit crisis in the South European countries such as Greece, Spain, Portugal, and Italy.

Germany, during its Chairmanship in the EU, made an attempt to reconsider the relations with the CIS countries. In so doing, the EU's new foreign policy at times was far from successful. The EU was unable to enter a new agreement on partnership and cooperation with Russia or ease the contradictions over Ukraine, Belarus, and the Caucasian and Central Asian states. What is more, certain contradictions and even competition for control over the transportation of hydrocarbons from the CIS countries intensified between the old and new EU members. Additionally, the EU strategy aimed at control over traditional and alternative sources of energy fuel is inevitably encountering that of the USA, Japan, China, and India.

Given the EU's growing interest in the region, Kazakhstan should use various tools and methods of pressure on its powerful partner. The attention of European partners must be directed toward the shortcomings and drawbacks in Europe's strategy for Central Asia. For example, the EU is not taking seriously enough the threats coming from Afghanistan and the vast region to the south of Central Asia such as religious radicalism, drug trafficking, illegal migration.

Kazakhstan shall try to shift the attention of the EU to the dominance of political, rather than economic, approach in the EU's Central Asian strategy. The EU's priorities regarding building democracies in the region often change and even contradict each other. The EU traditionally exaggerates the potential of civil society as a driving force behind democratic changes and underestimates the state's role in these issues.

The relations of the EU with Armenia, Azerbaijan, Georgia, Moldova, and Ukraine are being established within the framework of the "European Neighborhood and Partnership" and its relations with Central Asia are regulated by the "Document on Economic Cooperation" and "Cooperation in Development", which do not relate to a specific region. It is similar to forming an island in the center of Asia that is regarded neither as "Asia" nor as part of the "European Neighborhood". This is a basis for unjustified discrimination of the interests of Kazakhstan and other Central Asian countries. In addition, Kazakhstan must ensure that the visa regime for its citizens is simplified as much as possible. In trade relations, Astana must promote favorable changes for Kazakhstan in the EU's tariff policy with respect to some of its export commodities such as steel, uranium, and others. This issue could be resolved through specific steps and concessions in the energy dialog between Kazakhstan and the EU.

It appears that the EU will have a long-term impact and that it is here to stay in the post-Soviet space, including Central Asia. Therefore, the EU is still one of the most important geopolitical and geoeconomic dimensions determining the future and security of Central Asia.

In its relations with the European Union, Kazakhstan must realize that the EU may lose its dominating position as the main economic center of Eurasia. Moreover, the EU countries are becoming targets of external migration. Extensive transformation processes are occurring in the social structure and industry of the EU. At the same time, the EU will remain dependent on Eurasian sources of energy.

Kazakhstan program "Path to Europe" stipulating greatest possible political and economic integration into the European Union has very few chances to be implemented in the current conditions due to the special features of the EU's political culture, its geopolitical and geographic imperatives, and, most importantly, its prejudiced attitude toward the post-Soviet states. This attitude is clearly revealed in the complicated relations the Union has with Russia and other CIS states. The key problem for Kazakhstan, Russia, and several other CIS countries is the systemic incompatibility between the states motivated by the principles of sovereignty and the European Union's integration machinery with its "bureaucratic imperialism."

It is obvious that geopolitical factors and the geoeconomic situation will have an impact on the relations between the European Union and Kazakhstan, as well as Central Asia as a whole. There will be influenced by a number of factors including the US new strategy in Central Asia, the unclear prospects of the development of the military-strategic situation in Afghanistan, the character of relations between Russia and the West, the world economic crisis, the growing significance of energy resources, and food safety. These factors may have both positive and negative influence on the further development of the relations between Europe and Central Asia.

Conclusion

In 2011, Kazakhstan's Chairmanship in the SCO will come to its end. The final move shall be Summit scheduled at this summer. In this respect, the Kazakh-Chinese relations will be increasingly important. Development of China and its ability to resolve the arising problems will greatly influence Kazakhstan and the other Central Asian states.

It must be admitted that neither the Central Asian countries nor Russia can do anything to prevent Chinese trade and economic penetration into the region. Moreover, China is more important for Central Asia than Central Asia is for China. Today, it is utterly clear that cooperation with the PRC is crucial for maintaining positive economic dynamics in the states of the region. Therefore, Kazakhstan should try to make Chinese presence work for its socioeconomic development.

This could be accomplished by expanding of Kazakh-Chinese cooperation in the non-raw-material branches of the economy. We must carry out a thorough expert analysis of all the contracts signed with China and take every effort to ensure their transparency. Unfortunately, Chinese labor migration is an objective reality that must be reckoned with. But we are capable to strict the registration procedures of migrants and control over their activity.

The only thing that can realy stop China's advance into the region is the integration processes in Eurasia (the CIS). The establishment of the Customs Union among Russia, Kazakhstan, and Belarus is a significant step forward limiting Chinese expansion in the post-Soviet space.

China has become an acting rival in the region, not only to the West, but to Russia. Chinese presence in Central Asia, which is traditionally Russia's zone of influence, is becoming increasingly perceptible. It is very likely that in the near and mid term, China and Russia, being either rivals or united to counteract the West, will become engaged in the competition for the geostrategic space and strategically important minerals of Central Asia and the Caspian region.

The prospects for further cooperation between Kazakhstan and the SCO should be viewed from the perspective of intensifying cooperation and achieving the following strategic objectives: promotion of regional integration in order to reduce the negative impact of globalization; maintenance of regional security in Central Asia; attracting the investments of other member states to implement economic projects in Kazakhstan; protecting the SCO countries from the impact of external economic crises, as well as their consequences; further strengthening Kazakhstan's relations with the SCO states; and increasing of its participation in the regional structures. Additionally, an effective counter-terrorism and drug trafficking policy can be pursued within the framework of the SCO.

In terms of customs relations, the procedure for crossing the SCO's internal borders and transportation documents registering must be simplified. Increasing access to foreign markets, including those of the SCO countries, is extremely important for the further development of Kazakhstan. The most efficient way to achieve this goals is in a rational use of the transportation and transit potential of the region and formation of a transportation service market. In order to raise the efficiency of freight and passenger traffic, a common tax system for transportation means and services should be introduced.

The crises in the financial markets of Europe and the USA are dictating the need to take countermeasures not only at the national, but also at supranational level. In this respect, the SCO countries must be economically protected; Kazakhstan suggests creating a Regional SCO Center for monitoring world financial markets and macroeconomic processes. Additionally, Kazakhstan's focus on space research might be a qualitatively new and promising.

It is obvious that the only way to prove the efficiency and importance of the Organization in the region is to strengthen the economic cooperation within the SCO. The SCO Investment Bank may be the first step in this direction. There is also the question of China possible involvement in the integration structures in the Central Asian region as well as within the CIS.

As Afghan problem is the key element in many areas for Central Asian security and Kazakhstan's national security, a clear understanding the Western strategy toward this country is needed.

The USA has long been talking about the possibility of sending a Kazakh contingent to Afghanistan, particularly in the context of Kazakhstan's Chairmanship in the OSCE. It should be kept in mind that such a step could have certain political repercussions, both domestically and in terms of its negative impact on Kazakhstan's international status. It is already obvious that Moscow reaction to these developments will be extremely negative. On the other hand, Kazakhstan, like the other Central Asian states, cannot remain inactive as destabilizing effect of the withdrawal of US and NATO troops from Afghanistan may escalate.

Evidently, Kazakhstan and the Central Asian countries must intensify the cooperation with the nations whose responsibility in Afghanistan will automatically rise after withdrawal of the Western forces. These nations include Pakistan, China, India, Iran, and Russia. The Central Asian states only have the CSTO and SCO at their disposal as the tools for strengthening their own security; the organizations need institutional enhance and strategic reformation. Kazakhstan also has such a political tool as the OSCE Astana Declaration, which makes it possible to initiate measures in Eurasian security, including those regarding the Afghan problem, which one way or another affects most of the OSCE members.

In 2011, the Republic of Kazakhstan is chairing (technically) the Council of Foreign Ministers of the OIC. The tempestuous events in several Arab countries at the end of 2010 and beginning of 2011 will inevitably have an impact on the OIC and Kazakhstan's Chairmanship.

Maintenance of stability in the direct geographical proximity to the zone of Kazakhstan's geopolitical interests, namely Central Asia, Afghanistan, XUAR, Iran, and the Caspian-Caucasian region, is the primary task in terms of Kazakhstan's security. It is also important that, in addition to Kazakhstan, the other CIS republics are also the members of the OIC and the Russian Federation is an observer.

Therefore, Kazakhstan's Chairmanship in the Council of Foreign Ministers of the OIC in 2011 is aimed at preventing the conflict-prone political processes within the Organization of the Islamic Conference. At the same time, as the Chairman of the Council of Foreign Ministers, Astana can concentrate its activity in economic cooperation, public health, cultural and humanitarian, inter-confessional and inter-civilizational cooperation.

Chairmanship in the OIC will make it possible for Kazakhstan to actively assist in resolving the number of problematic issues such as Afghanistan, Iran's nuclear program, and the water shortage.

Kazakhstan must intensify cooperation in the oil and gas industry. In this respect, Qatar's experience in the gas sphere is quite relevant, since the production of liquefied natural gas will give Kazakhstan the access to new markets and innovative technologies.

In trade and economic cooperation, it would be expedient to initiate talks on developing a system of free trade, investments, technological exchange, and economic cooperation within the OIC (possibly via a multilateral agreement).

In the public health sphere, the session of the Council of Foreign Ministers of the OIC may (on Kazakhstan's initiative) intensify cooperation in children's health care and in combating polio and epidemic diseases (within the framework of OIC resolution No. 3/36).

As for cultural, humanitarian, inter-confessional, and inter-civilizational cooperation, Kazakhstan would facilitate the adoption of an OIC resolution, addressed to the UN and the OSCE, stipulating establishment of an international institute (center) in Astana for developing a dialog among the world religions with the support the Organization.

UN-US Post-Cold War Relations: Competition or Cooperation?

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After the end of the Cold War the necessity to find and preserve sustainable mechanisms to maintain peace became one again relevant as it was when the World War II ended and the United Nations Organization was founded with the aim to prevent aggression and breach of peace. The UN Charter gives the United Nations Security Council main power and responsibility to maintain international security by all means including use of force when necessary. Moreover, its resolutions passed under Chapter VII of the Charter have binding character making the UNSC the *only international law enforcement organ*. However, the practice of world politics showed that the UNSC failed to fulfill the task at times. This discrepancy of the norms of international law and political practice of individual states is particularly visible when analyzing a number of foreign policy moves of the USA administrations resulting sometimes in questioning the relevance of the UN itself as an efficient institution of peace preservation. Thus, the USA remains the major actor influencing the pattern of political behavior both within and beyond UN mechanisms and institutions on the background of changing international system. This article dwells on the evolutions of the US position (still being the only superpower) on the UN (still being the only universal intergovernmental organization) in the cause of world peace while a new post-bipolar world order is being formed because the character of their relations concerted or inharmonious will inevitably impact its possible outline.

The UN was the first intergovernmental organization enjoining wide political support in the USA (unlike the League of Nations some decades earlier) yet, the USA confronted a number of the member states, mainly the USSR, since its establishment. Having considered the UN as a major tool for its foreign policy especially in the third world, the USA found it increasingly difficult to pursue its goals while the number of member states increased due to decolonization and political weight of the USSR enhanced. This geopolitical and ideological confrontation had been the major feature in the Security Council until 1989. The situation drastically changed with the support of the USSR to the Gulf War in 1991. It resulted in considerable increase of the number of resolutions passed by the UNSC: in 1988-1989 it passed 20 resolutions, by 1991 the UNSC passed more than 40, whereas in 1993 the number of resolutions reached 100. In other words, we can see that Security Council work became five times more intensive if compared to 1988.

Surprisingly enough, the end of the inter-block confrontations did not make the end to the tensions between the USA and the UN. After the end of the Cold War there have not been any other systematic changes in international relations system. The US self-perception as well as understanding of its national interests have not changed either, yet there have been a number of alterations of the US position towards the UN and the role of this organization in maintenance of international peace and security.

What may be the reasons for these changes? Obviously, there might be a number of factors influencing the political behavior of the United States abroad, their analysis may provide an answer to the question whether the USA is ready to rely on the UN in maintenance of international peace, share the responsibility or assume it all by itself depriving the UN of its principle reason d'etre? We shall trace here the evolutions of the US position in effort to find the answers.

The factors of internal influence may include ideological traditions, partisan association of individual presidents and partisan configuration in the Congress in whole and in its main Committees in particular, national and international security priorities of individual administration. The factors of external influence may include the changes of global balance of power, changing nature of threats to international peace and national security and subsequently better mechanisms to address them, and the position of the other four permanent members of the UNSC as well as the UN and its Secretary General.

Speaking on ideological and political traditions we shall note their constant character; they are very hard to change and their influence is manifested in the foreign and domestic policy of a state throughout considerable period of time (centuries in some cases). The ideological traditions, having a long history of their formation, are reflected in the US perception of its role at international arena and, therefore, influence its foreign policy course regardless the administration being at office. It is worth mentioning here that these traditions and their content may be applicable in the effort to explain the tensions which at times occur between the USA and the rest of the world as a whole and the UN in particular. Amongst these traditions we shall mention the concept of *manifest destiny*. Although the term itself is rarely used nowadays, it invariably influences at least the political rhetoric of American presidents. Those having been in power after the end of the Cold War are not the exception [2, 3, 4]. The American belief of their ultimate role in international politics impacts the perception of the other actors claiming the similar position (such as the UN); they are considered to be either a 'helper' or an 'obstacle' worth overcoming as soon as possible.

The other thing in American political tradition worth special mentioning here is how the relations of international and domestic law are perceived in the country. Unlike the majority of states, the USA consider its domestic law to prevail international treaties which are incorporated into the body of domestic legislature and, therefore, can be amended by the national legislative. The UN Charter, being an international treaty, may be amended by the Congress or its provisions may be found inconsistent to the norms of the US Constitution by the Supreme Court (although it has never happened). These aspects of American political traditions are constantly present in foreign policy decision-making.

Having enumerated the external and internal factors influencing the position of the White House towards the role of the UN in the cause of maintenance of international peace and security, we shall now study their impact on the course of the three presidential administrations, namely G.H. Bush, B. Clinton and G. Bush Jr.

President G.H. George Bush came to power in the times of systematic change at international arena. The idea of 'new world order' was the most popular. But Gorbachev's vision of this new world order was much more daring than that of Bush; it should incorporate the principles of rule of international law and collective security maintained if necessary by use of force under the provisions of the UN Charter. Gorbachev's world order project was influenced by the idealism; however its realization was hampered by the internal crisis of the soviet system [5].

Bush's position was more pragmatic and responsive; the USA was the only superpower having no rivals and enjoying high credits due to its victory in the Cold War and being a proponent of democratic values. In this context, the USA was ready to enhance the UN potential as a peacemaker and peace builder in a new US-led world order as there were nothing and nobody to resist the spread of 'American' values. Moreover, the USA were very well aware that the nature of threat to international security would change as well. In December 1992 Bush called UN Secretary General Butros Butros Ghali to examine the ways to enhance the UN efficiency in the maintenance of international peace and security in a changing global context and promised the whole-hearted support of the USA. [6, p. 6]. The results of this examination were presented in the *Agenda for Peace* report.

Our argument that the position of the US administration of that time was the most pro-UN oriented since Truman times, can be sustained by the analysis of the texts of a number of documents issued in Washington DC: National Security Directive (NSD 1989-93), emphasizing the role of the UN, contained a number of recommendations to strengthen its peacemaking potential [7]. The 1991 National Security

Strategy, although stating the need to enhance UN as a global peacemaker, stipulated the responsibility of the USA only in paying off its debts to the Organization [8]. Speaking before the UNGA in 1992 president Bush called the member states to contribute more moneys and efforts in establishing and training of the 'Blue Helmets', and to provide personnel and enhance crisis management capacities [9].

As for the Congress, it did not make any moves to stop the Bush administration from pursuing its pro-UN course. They passed the bills on financing of the UN mission on Kuwait-Iraq border and on pay-off of the US debts in UN peacekeeping budget as well as providing additional financing of more comprehensive UN missions [11].

This drastic change of the US position towards UN peacekeeping role was reflected not only in political rhetoric and documents of strategic character, more importantly it manifested in its foreign policy course. The Gulf War as well as US involvement in sixteen UN missions is the perfect example. The position changed and US paid off its debts. In 1988 the US contribution to the UN peacekeeping budget was $36.7 million and it increased up to $991.4 million in 1994 [12].

Gulf War against Iraq fought by international coalition led by the USA under the resolution of the UNSC was aimed at liberation of Kuwait and restoration of its political independence in accordance to Chapter VII of the Charter which stipulates the right of self-defense by use of force to a state or coalition of states in the case of aggression of the other state. This was a classic example of the implementation of collective security principle of the Charter resulted from occurrence of interstate conflict. There were no contradictions or tensions between the USA, the UN and the other permanent members of UNSC over the way the international community should respond the aggression perpetrated by Iraq. There were two good reasons for it. First, the Charter has very precise provisions when it comes to interstate conflicts and acts of aggression. Second, the inter-block confrontation had ended and there was no any opposition in the international community over the way to respond to this particular situation. Additionally, the UN was willing to assume its new more comprehensive peacekeeping role in the changing world and was supported there by both the USA and the USSR.

Summing up, we argue that the position of the G.H. Bush administration was that of enhancing multilateral approach in maintenance of international peace and security including increased UN peacekeeping role.

It is a conventional wisdom that the Democrats are traditionally more oriented to multilateralism when it comes to international peace and security maintenance. However, the attitude of the Clinton administration towards the UN may be described as ambivalent; initially the White House was ready to enhance the UN peacekeeping potential, but it gradually became more ad hoc or pro-NATO oriented. The question is why?

Bill Clinton was the first American president whose term fell entirely within post-cold war period. The USA faced the task to determine its role as the only superpower as well as the extent it was ready to be involved into the peacekeeping within and beyond the UN mechanisms and institutions on the background of reconsideration of international relations principles, particularly those of sovereignty and non-interference. In the result, two concepts were very much discussed, namely 'failed state' and 'humanitarian intervention'. The foreign policy course of the Clinton administration was that of interventionalism stated to be aimed at democratic leadership at international arena in order to guarantee adherence to humanitarian international law norms globally, the latter was incorporated into American national interests. All in all, the foreign policy course during the first term of the Clinton administration, as State Secretary M. Albright defined, was that of 'assertive multilateralism'.

The documents of strategic character issued during Clinton's term of office give us the idea about American stand in the world and the role of the UN within its strategy. National Security Strategy published in 1998 states the US role of the most powerful actor determined to enhance peace, well-being and universal values of freedom throughout the world. According to the Strategy, the UN is the institution created by the USA to sustain its global leading posture. On the first page of the document the significance of multilateral institutions was emphasized [13, p.1]. Thus, UN was to assist the USA to achieve the goals of preventing aggressions, enhancing democracy, resolution of conflicts, promotion of free market, environmental protections and countering terrorism and organized crime. President, being the Commander-in-Chief, did not reject the idea to deploy a number of American troops under UN command. In 1994 Clinton issued Directive № 25 where he stated that national peacekeeping policy should be reconsidered and adjusted to a new reality. Thus, the increased involvement of the USA in the UN peacekeeping was considered as one of (but not the only) the methods to maintain international peace and security. The USA was interested in sharing the peacekeeping burden instead of taking it all by itself. The UN and other organizations' peacekeeping capacity building was seen as a part of National Security Strategy [14, p. 14].

However, the Republicans, being the majority in the Congress, pressured the White House to alter its position; the USA were now unsupportive towards the idea of standing UN armed forces and having American troops under UN command. Moreover, the policy of the USA should not be aimed at enlargement of scope of the UN missions; neither should they increase the financial share or personnel contribution. The decision of US involvement in any of UN missions should take into account the following factors: compliance with the national interests, possible causalities, precise time limits, public and Congressional support. Notwithstanding that the USA were not going to deploy any personnel if it would not have vital importance for the success of the mission altogether. By the end of Clinton's term, the US personnel in the all UN mission numbered 785, in other words, they were 2,6% of the total number of UN peacekeepers worldwide. The USA itself initiated five comprehensive UN missions. The number of UN personnel doubled reaching 40 000.

In the meantime, both the Republicans and some of the Democrats did not see any need in UN peacekeeping potential as ten years after the end of the Cold War the USA found itself having unprecedented strong posture both military and economically. Having won the elections, the Republicans had now the control over the US Senate Committee on Foreign Relations. The Congressional support of pro-UN course, the administration had enjoyed during the term of G.H. Bush, changed. In 1993 the Congress rejected White House request for full financing in the UN operations, similarly did they refuse to pass $300 million bill from Defense Department for UN peacekeeping. Moreover, the Congress demanded the administration to reconsider US arrears issue. $65 million were not paid because of the position of the Congress. The Congressional policy towards the operations in FRY, Haiti and Somali was also incoherent mostly due to Republicans' efforts to make pressure on the Clinton administration on the matters far beyond the scope of UN and peacekeeping.

However, ambiguity of the course the Clinton administration towards the UN can not be explained exclusively by reluctance of the Congress. There were a number of other factors; although it was G.H. Bush who stated the necessity to alter the principles of so-called Yalta and Potsdam world order, Clinton declared that it should be built on the basis of prevalence of democracy values and the *concept of sovereignty needed revision*. The USA having no rivals internationally faced some resentment from abroad; their moves in the UNSC were not met with unconditional support of the otther permanent and non-permanent members any more. Additionally, the relations between the USA and UN Secretary General Butross Butros Ghali were quite tense. Eventually, he was not elected for the second term.

Aside from abovementioned factors, there wee some others; unlike the realists in the administration of G.H. Bush, the team of Clinton regarded the violation of humanitarian law as the major threat to security. They were very pro-interventionalist, they accepted the idea of 'failed state' and 'humanitarian intervention'. Moreover, the nature of conflicts occurred in the world had changed; these were no longer interstate wars, but fault line conflicts arising very often from within the state in many cases due to the process of disintegration. The UN Charter, being very well fit to resolution of 'classical' interstate wars, was not fully adapted for handling these kinds of conflicts when it comes to the issue of political independence and principle of non-interference into internal affairs. Although the *UN Agenda for Peace* stipulates that the sovereign states remain to be the major actors of international relations, their primary responsibility is to maintain security of the people within their borders. If a state fails or is unwilling to do so, there should be the measures of enforcement character taken from beyond. We argue that these were the reasons for alteration of the US policy towards the UN; it changed from 'assertive multilateralism' to 'assertive unilateralism' not by Bush Jr. but by the Clinton administration. The USA, not having their vision of ideal world order' and the ways to build it supported either by the UN or some other the UNSC members, decided in favor of ad hoc coalitions and NATO

If Clinton's foreign policy may be described as a shift from 'assertive multilateralism' to 'assertive unilateralism', the position of the administration of President G. Bush Jr. is going beyond that. Bush doctrine, stated mostly in the National Security Strategy issued in 2002, is that of 'preventive war on terrorism' mainly but not exclusively, the 'axis of evil', 'rouge states' and 'enemies of freedom' were also quite popular terms in foreign policy rhetoric of the Bush administration [15]. When G.H. Bush regarded interstate wars still being the major threat to international peace and was willing to cooperate with the UN to challenge them and the Clinton administration faced burst of fault line conflicts leading to massive violence of humanitarian law and were ready to exceed when necessary both the UN Charter provisions and non-interference principle in favor of interventionalism,G. Bush Jr., in his turn, stated that national and international security concerns required 'preventive war' fought by 'coalitions of willing' under USA unquestionable leadership. Comparing the ideologies prevailing in the closest circles to each of the abovementioned presidents we shall notice that the G.H. Bush administration was predominantly consisting of traditional realists and Clinton was surrounded by interventionalists influenced greatly by idealist and globalist ideas. In the Bush Jr. administration the realists had to confront neoconservative figures such as Crystol, Wolfowitz and Ramsfeld. The position of neocons about the UN is very well known. These people are more than skeptical towards the UN in particular and any other multilateral institutions in general.

The other factor of internal influence is the lack of any opposition to the administration foreign policy from the Congress. When G.H. Bush's term was marked with unanimity of the US executive and legislative to build a new world order through cooperation with multilateral institutions, during the term of G. Bush Jr. the administration once again enjoyed support of the Congress, but this time it was the opposite approach. Unilateralism was seen as the only way to pursue foreign policy and preserve national interests, moreover, it was the best way to maintain international security The Congress passed Iraq Liberation Act in 1998 and Authorization for Use of Military Force against Iraq giving the president the carte blashe to use all means to get rid of Saddam's regime in order to protect national interests of the USA against the threats posed by Iraq and to realize the Security Council Resolutions [16]. Reference to the UNSC resolutions is worth special mentioning here; although both US and UK were very much criticized for noncompliance with the UN Charter they had been always claiming to act in accordance with the UNSC resolution 660, 678 и 1441 and therefore having not violated international law.

In December 2004, the Congress initiated the establishment of a working group comprising the representatives of the both parties to study the issue of making the UN more efficient in fulfillment of its major task of maintenance of international peace and security. The report made by United State Institute of Peace entitled *American Interests and U.N. Reform* was published in 2005. Contrary to what some Republicans might have expected, it did not make any implications about irrelevance of the UN calling the member states, including the USA, to enhance its peacekeeping potential both in terms of personnel and financing given that the UN missions would become more comprehensive on the background of changing global security agenda, otherwise this universal organization was bound to experience more failures which very undesirable scenario for both the USA and international community – the Report stated [17, p. 90-91].

It appears sensible to compare the two cases for better understanding the nature and reasons for changing the US position towards the UN during the term of G. Bush Jr., namely Afghanistan and Iraq operations. Use of military force against Afghanistan did not require special resolution of the UNSC (yet it was adapted) because under article 51 of the Charter it was the act of collective security [1]. Thus, the operation may be seen as realization of collective security principle in international practice.

The case of Iraq is much more complicated in terms of both the USA position and international response. This 'preventive war' was a manifestation of fundamental change of the US foreign policy. Its compliance with the norms of international law is still questionable. Preventive war cannot be led given existing provisions of the UN Charter; there shall be imminent threat to international security or breach of peace to give the UNSC the power for resolution under Chapter VII which has binding character. Moreover, the USA was very well aware of the fact that they would not reach the support of the all permanent members of the UNSC. In the result, being determined to make the preventive war on terror, the USA was deprived of the mechanism provided by the UN Charter and, therefore, of the peacekeeping instruments of this organization. In the result, US administration made an ultimate choice in favor of unilateralism.

Having considered the factors of internal and external influence which changed the positions of the three administrations being at office after the end of the Cold War, we are able to speculate of the possible character of the Obama position towards the UN and its role in maintenance of international peace and security. Given the fact that financial resources of the USA are quite limited due to economic crisis and national economy issues are quite pressing, one may assume that Obama's policy will be mainly aimed at resolving the problematic issues of internal character because the successes of domestic policy determines whether the current administration will retain the office for the second term. The Obama administration is likely to avoid enlargement of US military involvement neither through UN missions or unilaterally. Thus, in a short-term perspective there shall not be any considerable tensions between the USA and the UN. The rhetoric so far confirms this assumption. The National Security Strategy published in May 2010 mentioned the policy to enhance cooperation with and to strengthen the United Nations. To this end, the USA is paying the bills and makes "efforts with partners on and outside the UN Security Council to ensure timely, robust, and credible Council action to address threats to peace and security". The USA favor Security Council reform and is "supporting new UN frameworks and capacities for combating transnational threats such as proliferation of weapons of mass destruction, infectious disease" [18, 46 p].

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Prognostic Evaluation of Kazakhstan's Economy for 2011: External Factors and Potential for Growth

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Any assessment of the prospects the economy of Kazakhstan for 2011 requires the prognosis of the dynamics of its main growth factors and their impact on the growth of the national Gross Domestic Product (GDP). Preliminarily enumeration of such factors is needed and as well as understanding of the correlation of their dynamics with those of GDP. The most important factors for Kazakhstan economy are obviously the following: macro-branches with the maximum share in the GDP structure, export volumes, and credit policies of the banks as it gives us the information on financing of production and consumption.

Traditionally, the industry remains the largest branch of economy with the biggest GDP share of 29.4% according to the 2009 data. The major branch in the industry is crude oil extraction comprising 51.2% for the last ten months of 2010. Both of these indexes are the most important factors for the GDP dynamics. Export-oriented nature of Kazakhstan economy remains the most important factor of GDP growth. Therefore, we need to take a closer look at the influence of the export on GDP. In the early 2000s credit activity of the second-tier banks became another important driving force of GDP growth which, in many respects, predetermined the rapid development of trade, construction, and real estate operations in the mid-2000s. The share of these categories in the national GDP was considerably increasing during that period due to the aggressive loan and mortgage policies. The banking sector became the second strongest driving force for Kazakhstan economic growth after the raw materials industries. The 2008-2009 crisis proved that, when the branches which had been growing so fast earlier, experienced a severe recession.

Thus, oil production industry in general and the dynamics of export in particular, as well as credit policies of the second-tier banks, are the factors directly interrelated with the GDP dynamics. Table 1 shows the growth of these four indexes in comparison with the dynamics of Kazakhstan's GDP for the period of 2001-2010 (three quarters of 2010 are compared with the same period of 2009).

The analysis of dynamic of the indexes given in Table 1 leads us to the following conclusions. First, it is obvious that the dynamics of the national GDP is more similar to the rate of industrial production growth. This is quite logical as the production industry makes the maximum contribution to GDP compared with the other spheres of economy. In the period of 2005-2007 when the industrial growth indexes were not at all high, GDP continued to grow rapidly due to the other sectors such as construction and finance, which were growing and significantly increased their share in the national GDP. By 2007 the combined share of these two raised up to 15.3% from 9% as of 2004. The rapid growth of these industries reimbursing the insufficiently high industrial growth at that time was due to the explosive dynamics of loan activity. The volume of second-tier banks' loans increased from KZT 1.48 trillion in 2004 to 7.26 trillion in 2007. Thereby, the credit activity of the banks became a very important factor of the growth, which was

Table1. Kazakhstan's GDP indexes of growth in comparison with the dynamics of industrial production, oil production, export and loans provided by second-tier banks as of 2001-2010*.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	9 m-s 2010
GDP Growth	13,5	9,8	9,3	9,6	9,7	10,7	8,9	3,3	1,2	7,5
Industrial Production Growth	13,8	10,5	9,1	10,4	4,8	7,2	5	2,1	2,7	10,4
Oil Production Growth, in natural units	13,5	17,9	8,8	15,6	3,4	5,7	3,3	5,3	8,2	4
Export Growth	-3,9	12,3	32,0	55,7	37,4	37,0	24,7	48,9	-38,9	47,2
Loans Growth	77,3	37,3	45,5	51,7	74,7	81,0	54,7	2,8	2,5	-6,6

* Calculated according to the R K Agency's for Statistics and the National Bank's data.

directly reflected on the GDP growth rate reimbursing insufficient dynamics of industrial growth at the expense of credited branches.

On the other hand, the industry still remained the main factor of growth. Its value increased significantly during the crisis and post-crisis periods when the role of loan factor was neutralized. The major drive in industry was oil production which was as closely correlated with the GDP dynamics as industry dynamics in general. Starting from 2008 when the banks stopped financing the economy, the industry with its oil and gas component became the main "anchor" for Kazakhstan economy preventing GDP from going into the red.

As for export share, the dynamics of this index had not much influence on GDP especially during the crisis period of 2008-2009. Thus, almost 39% reduction of export volumes in 2009 led to only 2.1% loss of GDP growth. The expansive growth of export volumes in 49% (comprising nearly $24 billion, around a quarter of Kazakhstan's GDP) in 2008 did not prevent growth slowdown which decreased in 5.6%.

Isindustrial growth and credit activity of the banks are the major macroeconomic factors that determine the dynamics of GDP. However, the credit activity was no longer a decisive factor in the post-crisis period as the banks stopped financing the economy. Therefore, dynamics of the national GDP will be determined by the production industry in the short-term period, this year as well.

Oil and gas industry, as well as metallurgy remains the main sector in production determining its growth. About a half of manufacturing production volume falls on the metallurgy which was rapidly growing for the whole year of 2010. Domination of the metallurgy as the main component of the manufacturing production caused the expansive growth of manufacturing industries in general. According to the data on the results for eight months of 2010, the expansion rates in the manufacturing sector increased by 19.1% compared to 5.8% in the mining industries, this is faster than in any other industry sector (comparative dynamics of expansion rates in the main trades of industrial production is shown in Fig. 1).

The factor of prices also played a significant role in outrunning growth of the manufacturing industries. Last year, the production growth in the metallurgical industry can be explained by world markets prices increase on metal commodities, which were higher than oil prices. Brent oil rose in price from $70 to $76 (by 8.5%) during the period from July 2009 to July 2010, and aluminum price grew by 19% (from $1667 to $1988 per ton), copper price rose by 29% (from $5215 to E6735), zinc - by 17% (from $1579 to $1843), gold - by 28% (from $934 to $1193 per ounce). Thus, the price factor played the major role in increase of the metallurgical production volume which predetermined higher rate of the manufacturing industry compared with the mining.

All this data indicates that Kazakhstan industry growth, including extraction and proceeding industries, still remains almost entirely caused by conjuncture changes on commodity and financial markets of the world. In its turn, the industry determines the dynamics of GDP, and the dependence of the dynamics of Kazakhstan economy looks as following: the prices on world market determine industry volume in monetary terms due to its two major components, namely the oil and gas and metallurgical industries; these two macro-branches

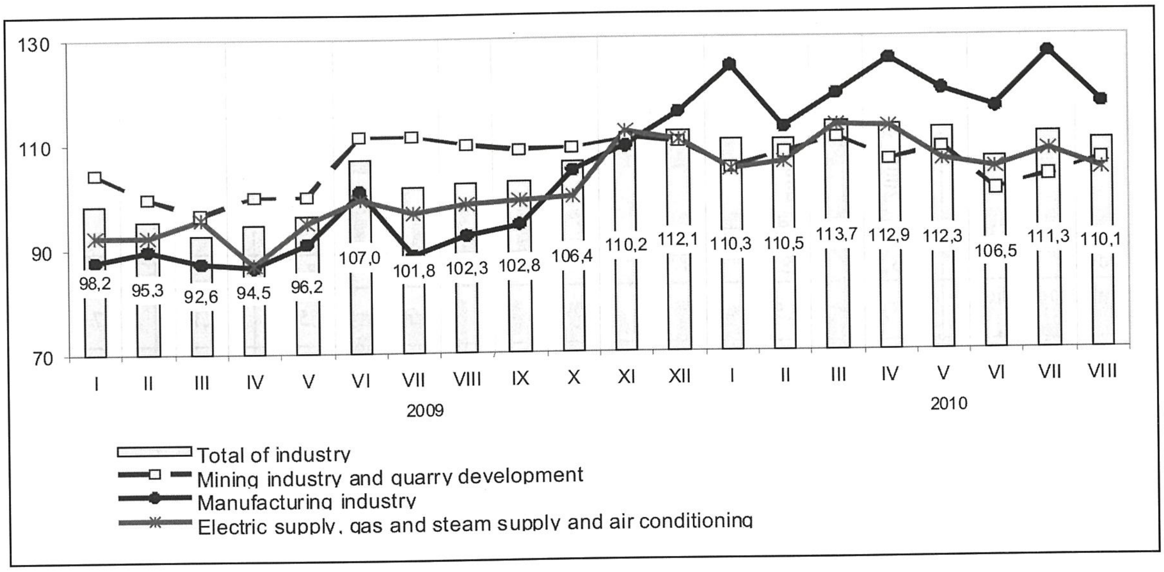

Figure 1. **Physical indexes of industrial production in% to the same month of preceding year***

* Source: Republic of Kazakhstan Agency for Statistics. Results of work of industry of the Republic of Kazakhstan in January-August 2010.

providing in total more than 70% of the industrial production (Fig. 2). The industry, in its turm determines the dynamics of GDP as a whole.

The structure of industrial production shows that over 20% of the GDP of Kazakhstan is formed by its industrial branches, oil and gas and metallurgical industries in particular, and they are dependant on world market prices. That means that the dynamics of Kazakhstan economy is defined by the dynamics of world raw materials markets. Therefore, the forecast of the prices on international oil and metal markets is needed in order to make the prognosis about the national economy for 2011.

The prognosis given by authoritative profile organizations such as the Organization of Petroleum Exporting Countries (OPEC) and US Energy Information Administration, and the leading financial institutions specialized in commodity markets provide the ground for assessment of the perspectives of the oil market in 2011.

Speaking on the briefing in the Ecuadorian capital Quito in early December, the Minister for Non-Renewable Resources of Ecuador Wilson Pastor, the current president of the OPEC, said that oil demand growth in 2011 would be lower compared with the 2010. He also stated that the price of $75-85 per barrel would satisfy both oil producers and consumers.

According to prognosis made by of the US Energy Information Administration (EIA), in 2011 the price for crude oil of West Taxes Intermediate (WTI) sort will be $83 per barrel, that is $3 lower than the EIA predicted earlier. By the end of 2011 the EIA is expecting the price of $84 dollars per barrel for that sort of oil.

The prognoses made by the Russian government are very similar to the abovementioned. In June the Ministry for Economic Development of the Russian Federation (RF) forecasted the reduction of average annual oil price in 2011 from $76 to $75 per barrel. Russia passed its budget of for the next year where the price on one barrel of oil was $75 dollars.

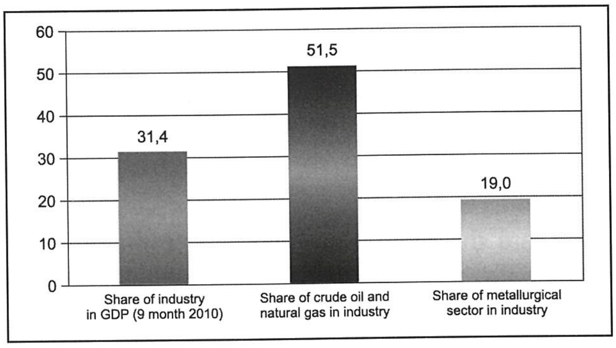

Figure 2. **The value of the leading macro-branches in the economy of Kazakhstan (by the results of 11 months of 2010)****

*Source: Social and Economic Development of the Republic of Kazakhstan (Short statistical bulletin). January-November 2010. Republic of Kazakhstan Agency for Statistics, Astana, 2010

**In Figure 2 there are both metallurgy (component of manufacturing industry), and extraction of metal ores (component of mining industry) included metallurgical sector.

Oil traders and financial companies operating on this market also gave the prognoses within quite narrow range. In the mid October, 2010 Ian Taylor the head of the world's largest Swiss oil trader "Vitol" claimed that next year oil prices would reach $85 per barrel maximum despite the market expectations of their growth to $100 dollars per barrel.

The prognoses given by the largest financial institutions in late November and early December were also around $75-85. One of the world's largest banks the JP Morgan lowered its price estimations for American WTI of crude oil from $88 to $81.75 per barrel, the price on the North Sea Brent from $88.6 to $82.25 per barrel. According to the JP Morgan analysts an average price for WTI in 2011 would be $90 dollars, and $92 per barrel of Brent oil.

Capital Economics, one of the leading British consulting firms for economic research says that the average price of the Brent oil in 2011 will be $60 per barrel. These estimations, however, clearly differ from the others and appear to be deliberately underestimated. Deutsche Bank forecasts the $80 average price per barrel in 2011.

According to the majority of expert opinions, with few exceptions, the price range in 2011 will vary within the interval of $75-90 per barrel.

As for the prices on industrial metals, the most experts also expect them to increase. This is quite logical as most of the segments on commodity markets tend to change in the same directions and, if oil, being the most liquid commodity asset, is forecasted to grow in price, then other commodities will also follow an upward tendency. The experts opinions differ only about the levels of growth in the metals prices but the tendency for the metal prices to increase is forecasted by the majority of market participants.

The Barclays Capital increases their forecasted estimation for nonferrous metals prices in 2011; copper will averagely cost $9550 per ton against the previously expected $8038. The aluminum price is expected to increase to $2.500 per ton, lead price will grow up to $2475 per ton, and nickel - up to $25.625. In addition, experts' assessment for tin grew up to $26 875 and for zinc - up to $2538 per ton.

The Natixis Commodity Market company evaluations for nonferrous metals are also positive expecting that the average price on copper will be $8,476 per ton, which is 7.5% higher than forecasted index for 2010. Citigroup analysts also increased the forecasted metals prices in 2011; the average price on aluminum of $1.178 per pound, 16% higher than the previous expectations, and copper price as high as $4.14 per pound (increase by 26%). nickel prices are expected to increase by 18%, it was up to $11.3 per pound, and zinc prices will grow by 25%, it came up to $1,124 per pound. The forecast for lead price increase most significantly, i.e. by 36% up to $1.16 per pound.

Deutsche Bank AG analyst John DeAngelis believes that the price on copper may reach its new maximum in 2011. In his opinion, the increase in prices on copper will be caused by the high physical demand for metal accompanied with the low rates of its reserves and a significant investment demand. The market situation has already surpassed the prognoses made for November. The price on copper set a new historical record this year. On December 14, 2010 London auction marked the record level of $9259.75.

Majority of analysts and experts of global markets argue that the prospects for 2011 both on oil and metals are favorable and presume price increases on these assets. This increase will have a positive impact on the monetary value of industrial production in Kazakhstan and, as a consequence, increase the national GDP. The question in this case is the concrete estimates of this growth.

Specification of the parameters for the Kazakhstan economy dynamics in 2011 is possible through the comparison of the national GDP dynamics with the oil prices on international markets (Fig. 3).

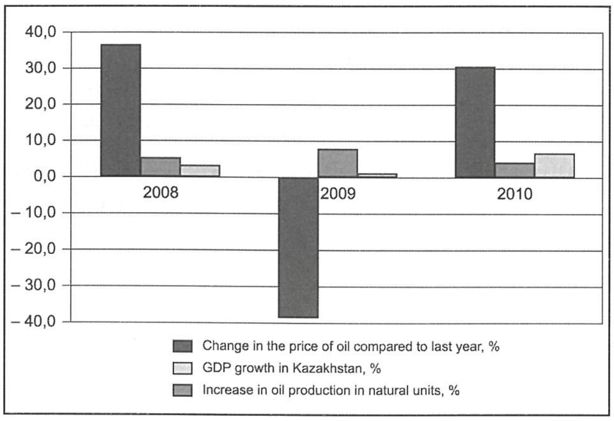

Figure 3. **Comparative dynamics of change in average annual oil price, oil production volumes in Kazakhstan and the country's GDP (2010 - the forecast)**

The 2010 data given in the table is based on our estimations of GDP growth of 6.5 % and expected average oil prices of $80-85 per barrel (average price of Brent crude oil in 2008 was $99, and in 2009 it was $61). Growth index of oil and gas condensate production in Kazakhstan in natural units for 11 months of 2010 was 4%.

On the basis of abovementioned dynamics we can expect 10% increase in the oil prices under stable conditions shall secure the growth of Kazakhstan GDP by approximately 2-3%. The stable conditions in this case mean that the development of world and Kazakhstan economies will not experience crisis, and moderate and stable tempo of growing of natural oil production comprising about 5%.

This trend is confirmed by comparing the dynamics of the oil prices and Kazakhstan GDP within a longer period. From 1998 to 2008 the average annual Brent oil price increased 8.1 times from $12.2 up to $99 per barrel (in 710%). In natural expression the growth of oil production for the same period was 195%, increasing from 26 million tons in 1998 to 76.5 million tons in 2008. The total cost of crude oil produced in the country by annual average world market prices has increased approximately in 24 times (by 2300%).

According to the IMF data Kazakhstan GDP increased 6.2 times from $21.6 to $133.7 billion (by 520%). 2300% growth of produced oil cost correspond to 520% of the GDP growth in a ratio of 4.4, in other words, 10% increase of oil prices lead to 2.3% GDP growth. Rough price leaps during the crisis of 2008-2009 slightly altered the general tendency but interdependence between the oil prices and GDP growth is the same.

Basing on the abovementioned figures representing the typical ratio of increase in the oil prices and the GDP of Kazakhstan, and having the oil prices forecasts for 2011 one may make the prognosis of the prospects of economic growth of the national economy.

First of all, it is necessary to specify the value of the oil price forecast for 2011. According to numerous leading international organizations the price on crude Brent oil can fluctuate between $75 and $90 per barrel. It is quite reasonable for the average annual price. Taking the most optimistic maximum annual price forecast of $90 per barrel, it is possible to speculate on its impact on the macroeconomic dynamics of Kazakhstan in 2011.

Given that the current oil prices are above $90 and the average annual price is $83 for Brent sort and the 2011 forecast is $90, we can see that the price growth this year compared to 2010 will only by about 8%. That correlation between oil prices and the GDP of Kazakhstan with the growth of oil prices having been experienced earlier gives us the ground to state that national economic will increase by 2%.

Other growth factors, in our opinion, are not significant for the GDP increase. In particular, the dynamics of the manufacturing industry this year is unlikely to be similar to 2010 (18.8%) as the possible price increase in the metallurgical industry is lower. In 2011 20-30% increase in prices for base metals is very unlikely after achieving historic maximum points by certain metals. On contrary, we should expect the prices to drop. In the case of noticeable correction of prices on metals industrial production index in metallurgical industry shall not longer rise, a certain decrease can be expected, at least in some quarters. That will impact the dynamics of the industry as a whole, as well as on GDP growth.

Credit activity in the banking sector in 2011 will not become the major factor of the growth due to both the continuing problems the banks are experiencing these days and the lack of reliable borrowers in the post-crisis period.

There is no any ground to expect any significant increase in the export volume in 2011 similar to 2010. The export grew in 2010 because of the price increase. As the potential for oil and metals prices to increase more is rather limited, we shall not expect the volume export to raise more than 15-20% even with its natural increase in turnover.

Summing up, the dynamics of the Kazakhstan economy for 2011 can be characterized as moderately positive due to abovementioned external factors. The national GDP growth index may fluctuate at 1.5-3%. However, some negative indexes possible in some quarters against the same periods of 2010. The most probable decline of GDP may occur in the second quarter. This can be explained by two things: firstly, the 2nd quarter of 2010 demonstrated the maximum growth and it will be difficult to maintain the same positive growth rates; secondly, the prices on commodity markets may change, in the first or early second quarter.

Kazakhstan in Asian Economy: Prospects of Globalization and Cooperation

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The role of Asia in the world economic system is being reconsidered. If the Asian region used to be considered as a subject of competitive struggle for political influence and control on material resources, now it has become a driver of the world economy. The global economy is gradually gaining Asian features. However, the issues of competition and rapprochement between the developed West and developing East has now transformed into the issue of formation of a united integrated Asia in the conditions of the integration process of its regions (Eastern and South-Eastern Asia, Western and Southern Asia, Eastern and Southern Asia) and the leading regional countries in international unions.

The Central Asian region happened to be in the centre of the processe of geopolitical and geo-economic balancing between the Western and Eastern countries and economic integration of the Asian regions.

As the influence of Asian countries on global tendencies is growing, the format of the relations of Kazakhstan with Asian countries is also changing in terms of the concept and strategy of international economic cooperation in the Eurasian region, particularly with the countries of foreign Asia.

Asia in Global Economy

The collapse of the Soviet Union and change in economic influence balance (tendencies to multi-polarity) affected the contemporary world economy. The both processes are correlated due to world economic globalization and a changed role of Asia in the global economy. The main transformations took place in global management during the establishment of new financial institution "G20".

The Asian economy is currently considered as the main element of global economic development and an independent pole of economic growth.

Changing role of Asia and its influence on world economy tendencies resulted in:

- economic growth of Asian countries, their material (natural resources) potential, and their labor forces;
- policy of open regionalism aimed both at expansion of bilateral relations and strengthening of the regional unions.

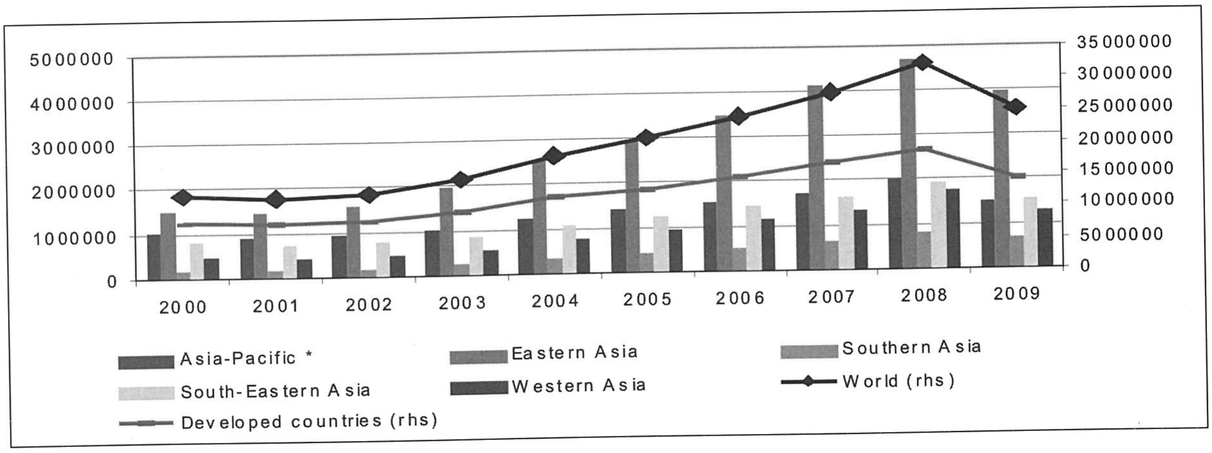
The Asian developing countries have doubled the share in the world trade and tripled in the world GDP for the last two decades. Within the next five years, the Asian economy is to increase by approximately 50%. Over one third of goods produced globally will be made in Asia. Asian economy will be equal to that of the USA and Europe. And by 2030 the GDP of Asian countries will exceed the GDP of "G7" [1].

The countries of Eastern Asia dominate in the dynamics of growth and turnover volume. The turnover growth of Eastern Asia is comparable with the dynamics of growth in the world trade. Generally, the turnover in Asian countries* is increasing faster than in the developed countries of Asia-Pacific region and the whole world (Fig. 1).

According to the forecast the world trade will increase in 6.5% by 2011 and 2012 [2]. Asia will make larger contribution to the global economic growth than any other regions through stimulation of domestic demand and export.

For many Asian countries, the regional factors are essential in stimulation of economic activity of the region. Over the half of the total export volumes fall on intraregional trade in Eastern, North-Eastern and South-Eastern Asia (Fig. 2).

Asian integration has two major characteristics: they are financially and economically driven and intensified in the post-crisis period. China and India are not only the fastest developing world economies but also the fastest growing oil and gas markets. In the forthcoming decade they are expected to consume more than a half of the world energy materials and, therefore, stimulate the countries of Western Asia with hydrocarbons deposits. Commercial activity between the Gulf States, China and India has increased in 30-40% within the last decade. By 2015, China and India intend to raise the annual turnover up to $100 billion [3].



*Australia, New Zealand, Japan.

Figure 1. **Dynamics of turnover in Asian countries and the world as of 2000-2009 in mln US dollars, % of the preceding year.**

Source: 2009 International Trade Statistics Yearbook. Dec. 2010. http://comtrade.un.org

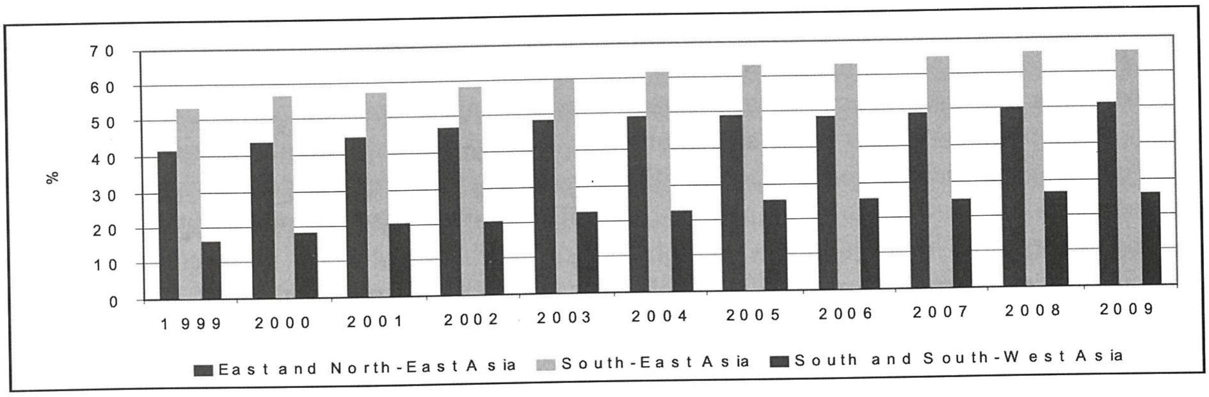


Figure 2. **Export share in intraregional trade by the regions of Asia as of 1999-2009 in %**

Source: Asia-Pacific Trade and Investment Report 2010.Recent Trends and Developments- NY- ESCAP, 2010 // www.un.org

*Eastern Asia: *China, the Republic of Korea, Mongolia; Southern Asia: Afghanistan, Bangladesh, Bhutan, India, Iran, Malaysia, Nepal, Pakistan, Sri Lanka; Western Asia: Bahrain, Cyprus, Israel, Jordan, Kuwait, Lebanon, the Palestinian territory, Oman, Qatar, Saudi Arabia, Syria, Turkey, the UAE, Yemen; South-Eastern Asia: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam.*

Mutual investment is motivated by the developed infrastructure of India and the industrial potential of China. China is the main trade partner of Japan and South Korea. The share of China in the foreign trade turnover of Japan is 20% and 25% in Korea.

The policy of "open regionalism" in Asia determines its dependence on the world economic tendencies on one hand, and gives the opportunity to influence on them through the regional unions on the other.

The regional integration processes are developed within the intraregional union of the Asia-Pacific Economic Cooperation (APEC) and such regional unions as Association of Southeast Asian Nations (ASEAN) and ASEAN+3 (including China, Japan and Korea). The of increase ASEAN* share in the world export and turnover illustrates the growth of influence of South Eastern Asia countries on world trade while the largest international unions' shares are decreasing (Fig. 3).

The free trade area was recently established by the ASEAN and China (integrating the economies of Hong Kong, Macao, Taiwan) as well as the CAFTA free trade area** where the interests of India and other countries of South Asia are satisfied.

The issues of the regional financial cooperation were once again raised as Asian financial markets were not large enough, the there was the need to recover macroeconomic stability after crisis in 1997-1998. Until very recently, the financial integration in Asia has not been so rapid as in North America or Europe.

Asian financial integration on the regional level is limited while the process of integration into the global financial system is progressing very substantially***. Development and diversification of the Asian financial markets through their integration increases the possibilities to absorb instable flows of international capital similar to the markets in the USA and Europe [4].

Financial integration is restrained by the following factors: differences in the economic development levels of the countries in the region, different approaches to financial regulation, the size of financial markets. Development of financial relations concentrates primarily in the region of Eastern Asia where the major international financial centres of Tokyo, Hong Kong, Singapore are located.

Today, the Asian countries are taking the measures on coordination of monetary policy, and the growth of volume of the intraregional trade in Eastern Asia provides the preconditions for financial and monetary integration in the region.

The main obstacle for the rapidly developing Asian economy is their increasing involvement in the world economic processes and, as a result,

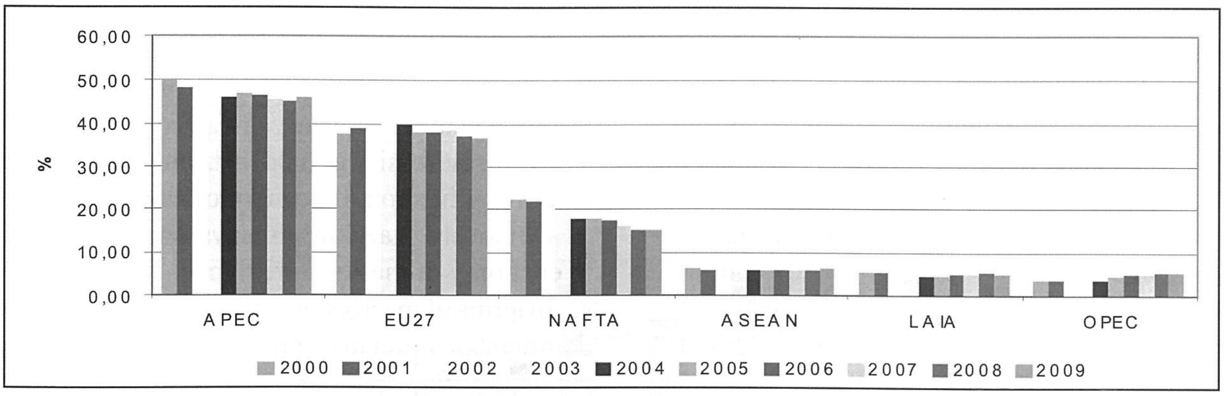


Figure 3. **Share of ASEAN and the largest international unions in the world turnover as of 2000-2009 in %**

Source: 2009 International Trade Statistics Yearbook. Dec. 2010. http://comtrade.un.org

*ASEAN: *Brunei, Vietnam, Indonesia, Cambodia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand.* APEC: *5 countries of America, 13 countries of Asia, Russia, Australia, New Zealand*; NAFTA: *Canada, Mexico, the USA*; LAIA: *Argentina, Bolivia, Brazil, Venezuela, Colombia, Cuba, Mexico, Paraguay, Peru, Uruguay, Chile, and Ecuador*; OPEC: *Algeria, Angola, Iran, Iraq, Venezuela, Kuwait, Saudi Arabia, Qatar, Indonesia, Libya, the UAE, Nigeria, Ecuador.*

**Free Trade Area CAFTA (China-ASEAN Free Trade Area): population of member states is 1.9 billion people, GDP is about $6 trillion, turnover of $ 4.5 trollion.

***Over $1.4 tln. were accumulated for the period 2000-2006 in Eastern and South-Eastern Asia. They were placed mainly in the government securities, which limited possibilities of their use for economic development in the region.

aggravation of existing global development disproportions both of macroeconomic (commodity exchange) and social nature.

Eastern Asia is a leader in terms of foreign trade in the region. However, in terms of growth of export and import volume rates this region is behind Western and Southern Asia. The countries of Southern Asia are characterized by the highest growth of import goods consumption in the region. For the period of 2000-2008, the import increased fivefold. Though, the biggest number of the poor people (up to 40% of total population) lives in this region. Income inequality in Asian countries is the main reason for social and economic disproportions acquiring global dimensions.

The global issues also include ecological problems such as environmental degradation, exhaustion of natural resources, and irrational power consumption.

The United Nations experts believe that the integration of regional market can be a solution for Asia. The main issue is lack of a common economic security structure on the background of Chinese rapid economic growth alongside with economic rise of South Korea, India, Indonesia, Vietnam, inexhausted potential of Japanese economy, with per capita income 8-9 times higher than in China, and contradictions between political and economic models of development in Asian countries [5].

According to recommendations of the international institutes, the intraregional economic cooperation in these conditions should be developed in the following directions:

- intensification of the processes of regional economic integration;
- comprehensive trade and transport policy;
- universal use of information and communication technologies;
- establishment of regional financial system.

These recommendations are equally suitable both for the CIS region and for Central Asia in particular.

Characteristics of Economic Cooperation

Economic significance and the role of Kazakhstan in Asia are currently determined with the following factors:

- importance of Central Asian region and the status of the Republic of Kazakhstan as a regional economic leader;
- economic potential of the Republic of Kazakhstan;
- nature of economic cooperation in the region.

The place of Central Asia in the contemporary world system is determined by economy and geography, namely:

- *mineral resources potential*. Central Asia possesses considerable reserves of oil, gas, gold, nonferrous metals, uranium, etc. Mineral resources export revenues provide a substantial part of the budgets facilitating the investments and development of the countries;
- *transit potential*. The territory of Central Asia has the area of about 4 million sq. km. It is landlocked and borders on the regions essential for global and regional security. This leads to the following consequences:

a) export and import for Central Asian can be possible only through the neighbouring territories, mainly Russia and Iran;

b) access to the countries of Europe and Asia;

c) Central Asian countries have to participate in the regional security arrangements to prevent transnational threats such as terrorism, drugtrafficking, religious extremism, etc.

Effective use of economic potential of raw material resources in particular is the issue common for Kazakhstan and the developing economies of Asia resulting in the dependence on raw materials export as well as necessity in modernization of economy and diversification of economic relations.

Obviously, Kazakhstan plays a significant role in economy of the Asian region.

In terms of macroeconomic, Kazakhstan takes a dominant position in Central Asia in terms of GDP per capita (Fig. 4);

Kazakhstanis a leading player in the world and regional trade dynamics comparable to export and import in Asian developing countries (Fig. 5, 6);

According to the classification of the ESCAP*, Kazakhstan is a leading regional exporter and importer in the APR (Fig. 7, 8).

The global role of Kazakhstan as a regional leader in Central Asia is, in our view, in main-

*Asia-Pacific Trade and Investment Report 2010. Recent Trends and Developments- NY- ESCAP, 2010 // www.un.org

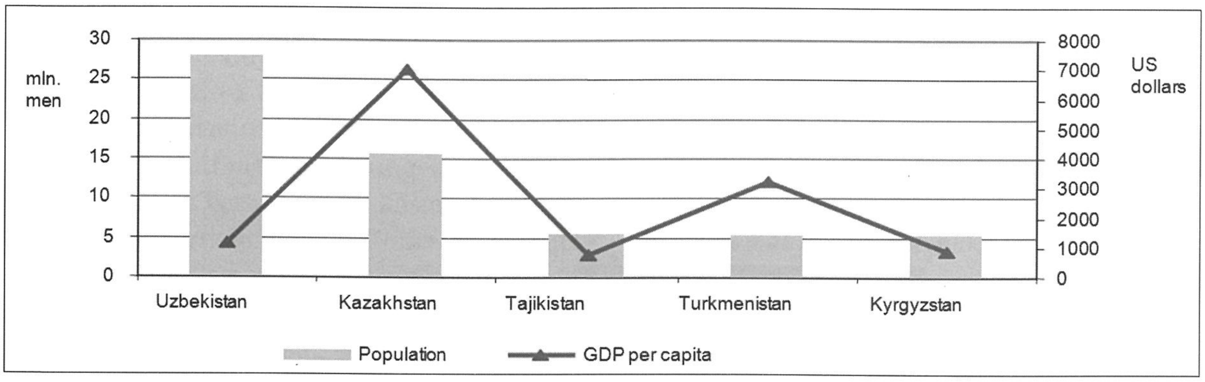
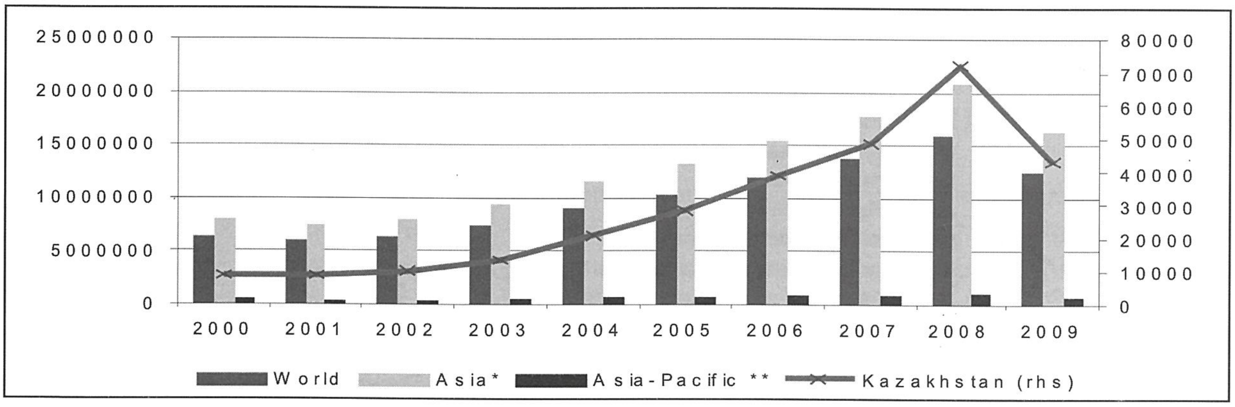


Figure 4. **Population and GDP per capita in the countries of CA as of 2009**

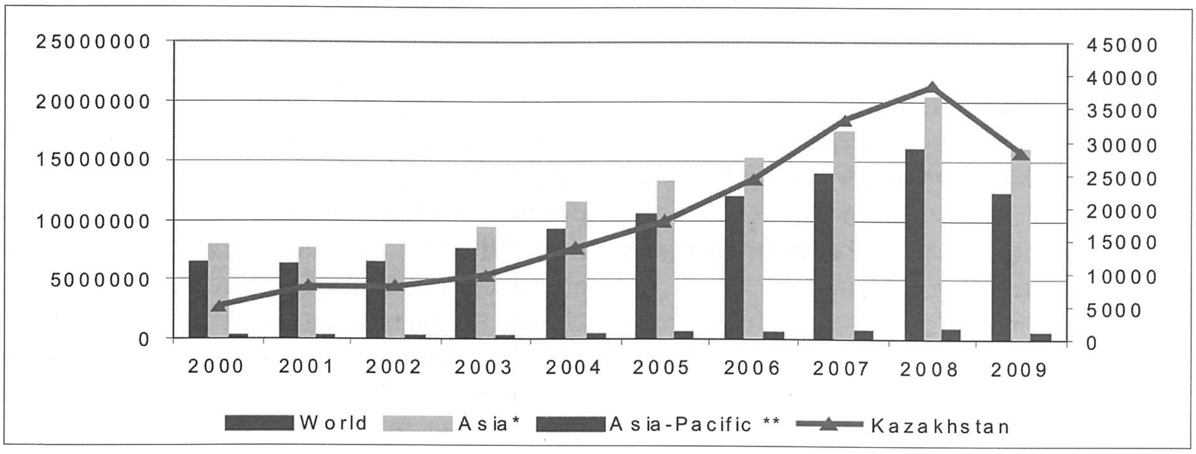
Source: Prospects of development of the regional economy: Middle East and Central Asia. The IMF report (2010) //www.imf.org



*Asia - regions of East, South-East, Southern and Western Asia.
**developed economies of APR – Japan, Australia, New Zealand

Figure 5. **Growth dynamics of world, Asian, and Kazakhstani export as of 2000-2009 in mln US dollars**

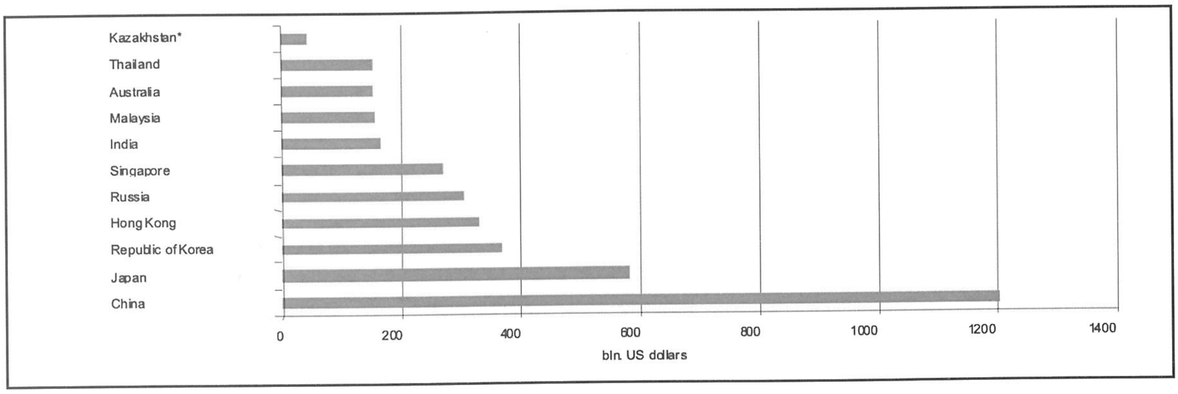
Source: 2009 International Trade Statistics Yearbook. Dec. 2010. http://comtrade.un.org



* Asia – Eastern, South-Eastern, Southern and Western Asia
** developed economies of APR – Japan, Australia, New Zealand

Figure 6. **Dynamics of import in world, Asia, and Kazakhstan in mln US dollars, % of the preceding year**

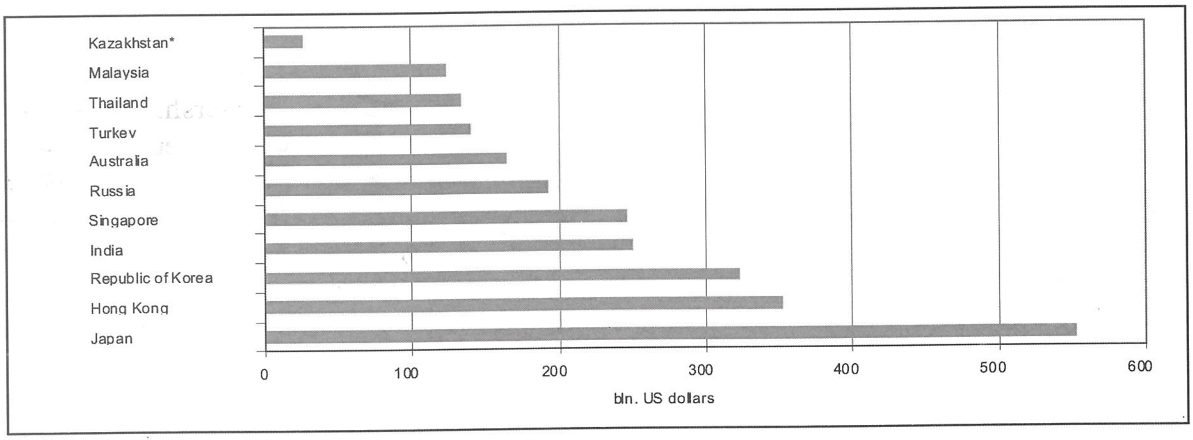
Source: 2009 International Trade Statistics Yearbook. Dec. 2010. http://comtrade.un.org



* *Kazakhstan is on the 15th place in top 20 of leading regional exporters*

Figure 7. **Leading regional exporters of APR as of 2009 in bln US dollars**

Source: Asia-Pacific Trade and Investment Report 2010. Recent Trends and Developments - NY- ESCAP, 2010 // www.un.org



* *Kazakhstan is on the 16th place in top 20 of leading regional importers of APR*

Figure 8. **The leading APR importers' share in the world import as of 2009 in percentage**

Source: Asia-Pacific Trade and Investment Report 2010. Recent Trends and Developments - NY- ESCAP, 2010 // www.un.org

tenance of the economic stability and security in the region by consolidating the efforts of Eurasian countries. As for the Europeans, they may be interested in cooperation for the following reasons:

- predictability of the Kazakhstan policy in economy and international relations;

- common economic area (Russia and the countries of the EurAsEC);

- resource base, consumer market, transit of oil and expansion of the market (China and India), uranium and supply of nuclear technologies (Japan), transit of energy fuels and transit potential (the countries of Southern Asia).

The potential of economic cooperation for Kazakhstan is the main facilitator for a global image of the country as a regional economic power.

The advantageous and rather specific position of the Republic of Kazakhstan resulted in promotion of the concept of Eurasian integration. With this concept, Kazakhstan is regionally integrated in the format of the the Customs Union, Eurasian Economic Community (EurAsEC), Commonwealth of Independent States (CIS), Shanghai Cooperation Organization (SCO) and other international organizations. Being a member of these organizations, the republic has additional opportunities to solve economic issues of diversification of the economic structure as well as export, investment and technologies.

The nature of cooperation among the countries of the "Economic Triangle" in Northe-East Asia (Kazakhstan – China - Japan) is changing*. The bilateral format of relations is supplemented with the negotiations on signing of the Free-Trade Agreement between Kazakhstan and Japan with possible participation of China. In parallel, the experts discuss a possibility of formation of the integral FTS system with participation of Japan, China and Kazakhstan, on one hand, and the ASEAN countries, on the other [6]. The China – ASEAN Free Trade Area officially came into effect on January 1, 2010.

Specific character of the international economic relations of Kazakhstan with Asian countries is not only in use of the neighbourhood policy advantages. Today, Kazakhstan is rapidly expanding economic cooperation with the countries of the Middle East and the Arab world: with Iran (South Asia), Turkey, Saudi Arabia, the United Arabian Emirates (UAE), Kuwait (West Asia).

One of the determining factors for cooperation between Turkey and Kazakhstan, apart from the republic's economic potential and territory transit peculiarities, is the common Turk cultural heritage**. For the Islamic Republic of Iran, the important factor of cooperation with Central Asian countries is the Muslim population living in Kazakhstan. The Kazakhstan Chairmanship in the Organization of Islamic Conference (OIC) should become another reason for promotion of economic collaboration of Iran and Kazakhstan in power engineering and other fields.

Cultural and civilizational interaction between Central Asian countries and the Arab world started in the early 1990s. Since 2000, the issues of economic cooperation including the struggle against religious extremism have been the most significant. Generally, the main reason to activate the international relations of the Arab world and the Republic of Kazakhstan is the need of diversification of economic relations and regional security in the Middle East.

The foreign policy and economic development strategy enabled Kazakhstan to achieve a regional and worldwide acknowledgement. The Chairmanship in the Organization for Security and Cooperation in Europe (OSCE) defined clear opportunities and prospects for Kazakhstan in participation in the formation of the European political and economic space.

Currently, Asia is becoming the key vector for the development of international relations, while economic integration of Asian regions into a united area is one of the main global tendencies.

Kazakhstan is to determine the concept and strategy of Asian dimension of foreign economic policy because it has not had a national concept of strategic economic partnership with Asian countries and a general basic conception about the Asian regional integration. This Asian dimension should become a priority in the foreign economic relations and cooperation projects.

There are a number of following prerequisites for strengthened cooperation:

- Kazakhstan is considered in the world community as a key element of the economy of Central Asia which global political and economic significance is increasing;
- Kazakhstan borders on China which global dimensions influence the economic prospects of the country in the world community;
- Kazakhstan, China and Japan (accumulating 90% of GDP in East Asia) are the initiators of the integration projects in the region; therefore, the nature of their relations determines a "vector of evolution in all East Asia relations" [6];
- for western countries, the improvement of cooperation with Kazakhstan becomes not only

*The meetings of the leaders of China, Japan and Kazakhstan in Washington and Dazaifu in 2008 were devoted to development of the coordinated measures on overcoming of the global threats.

**The Joint Administration of Turkic Arts and Culture (Türk Kültürve Sanatlar ı Ortak Yönetimi – TURKSOY) was set on July 12, 1993 in Almaty. Besides Turkey and Cyprus, 14 countries of CA and the federal subjects of the RF entered this association. The Turkish authorities planned to create a general political and economic area for the Turkic countries with general market, one regional power network,energy resource transportation system in the long term. On September 18, 2006 on the Summit of the Turkic-speaking countries in Antalya the prime minister of Turkey Erdogan came forward with initiative of establishment of the Commonwealth of Turkic-speaking Countrieswhich would allow all Turkic peoples to appear in the world arena with a general position. The Cooperation Council of Turkic-speaking Countries was established on September 15-16, 2010, in Istanbul on the 10th anniversary summit of the Turkic-speaking countries (Turkey, Kazakhstan, Kyrgyzstan, and Azerbaijan); the agreement for its establishment was signed earlier at the suggestion of the President of the republic pf Kazakhstan N. Nazarbayev one of the factors of economic presence in Central Asia but of maintaining their relations with China and strengthening their commercial, economic and political influence in East and South Asia;

- role of Kazakhstan in formation of Asian cooperation vector in the Common Economic Space (CES) is increasing due to its historical, cultural, and civilizational proximity to Asian countries;

- potential of the "Turkic factor" has not been fully realised in terms of improvement of economic cooperation with the countries of Western and Southern Asia.

It is essential today to activate the "Path to Asia" and grow an "Asian look" of Kazakhstan economy, as well as its global prospects and opportunities in the format of the EurAsEC (and also the Eurasian Union), the SCO and the Chairmanship in the Council of Ministers of Foreign Affairs of the OIC.

Trade and Economic Partners

The commodity structure of Kazakhstan foreign trade reflects the nature of the country's international specialization. Integration of Kazakhstan in the system of international economic relations is currently based on its key role in the fuel and energy complex economy. About 90% of the total amount of export and 70% of import operations of Kazakhstan fall on foreign countries.

Mineral products and the metals are two major commodity groups in the general structure of export to the CIS countries and far abroad (Fig. 9).

The major commodity groups in the import structure from the CIS countries are the mineral and agricultural products, machinery and equipment. More than 50% of import from far abroad is machinery, equipment and vehicles (Fig. 10).

The foreign trade commodity structure reflects the level of competitiveness of goods produced in the republic. Mineral products and metals are the most competitive goods in the foreign markets.

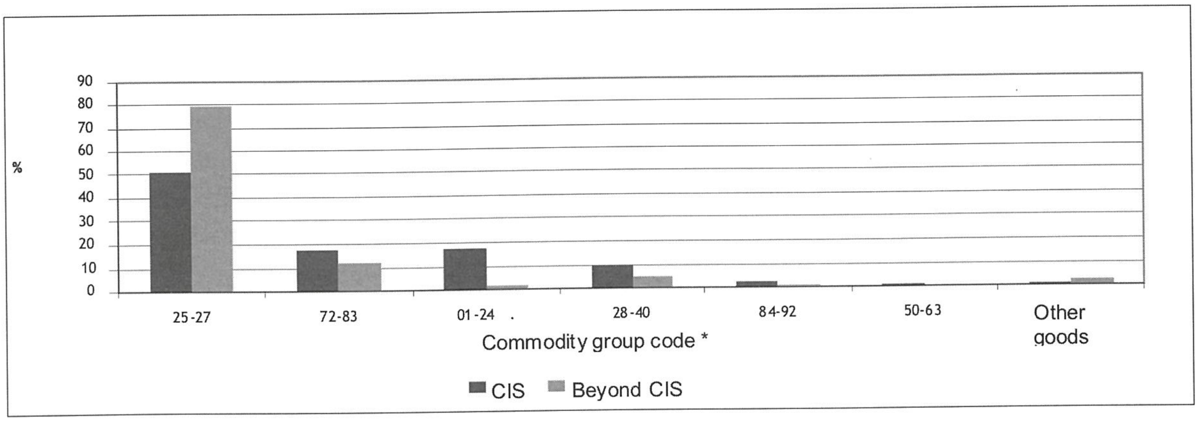
Today, the world trade tendencies are formed on the Asian continent by the developing economies of Eastern Asia. The consumption volumes in Eastern Asia exceed the volumes of consumption in all other Asian regions (Fig. 11).

Therefore, the Asian region as a new global consumption market has enormous impact on the foreign trade structure of Central Asian countries and Kazakhstan in particular.

Kazakhstan foreign trade concept in relation to Asia shall take into account a specific character of trade and economic relations with various regions of Asia.

The countries of East and South East Asia are the largest regional exporters of investment goods (machinery, equipment, vehicles), while the countries of South and West Asia are suppliers of raw materials (mostly mineral) (Fig. 12).

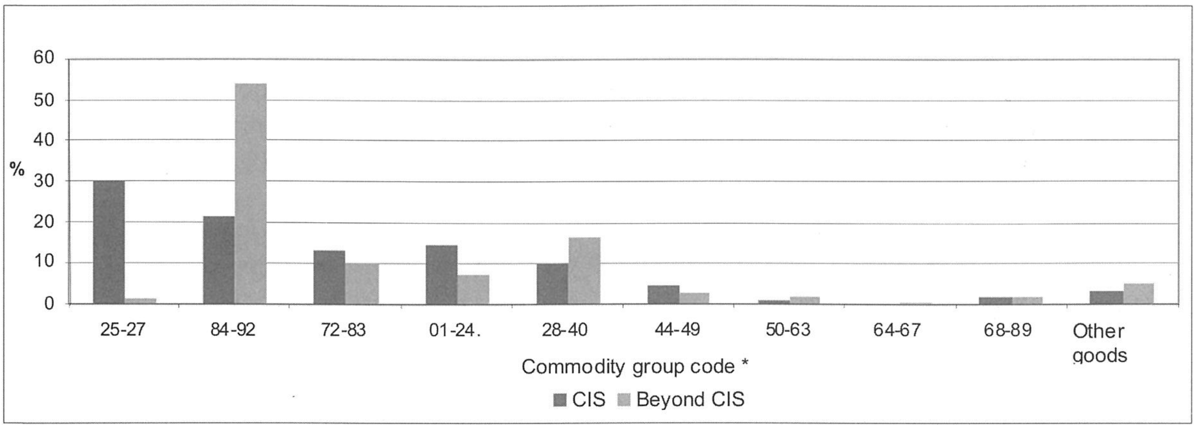
The consumption structure differs between the regions in the volumes of mineral products consumed. The West Asian countries experience the least demand for such products. The largest



**Commodity group code and name: 25-27 mineral products; 72-83 – metals and metallic products; 01-24- products of animal and plant origin, ready food products; 28-40- products of chemical industry and the industries connected with it; 84-92 – machinery, equipment, vehicles, instruments, devices; 50-63 – textile and textile products.*

Figure 9. **Export of Kazakhstan by the key commodity groups as of 2010 in % from the total volume**

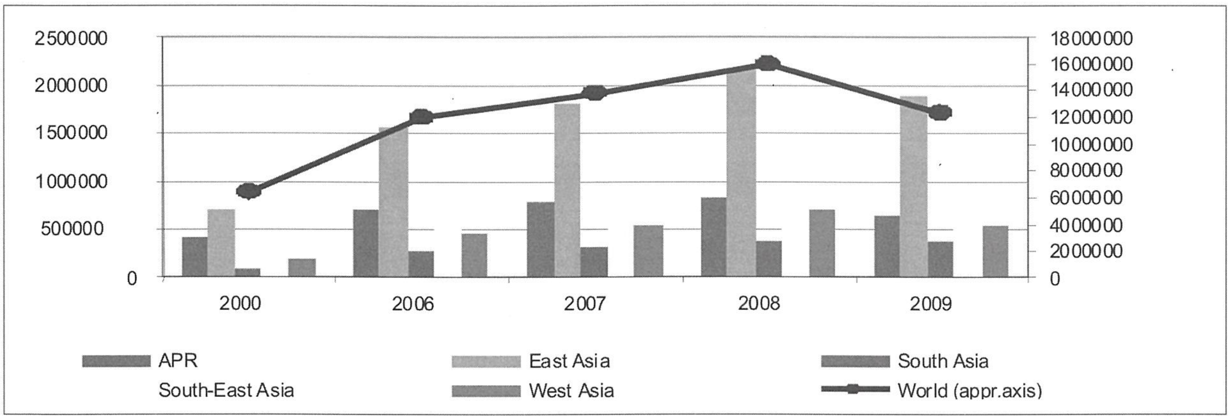
Source: www.stat.kz



** Commodity group code and name: 25-27; 84-92; 72-83; 01-24; 28-40; 50-63 (see fig. 13); 44-49 – wood, timber; 64-67 – footwear, headwear, haberdashery; 68-89 construction materials*

Figure 10. **Import of Kazakhstan by the key commodity groups as of 2010 in % from total volume**

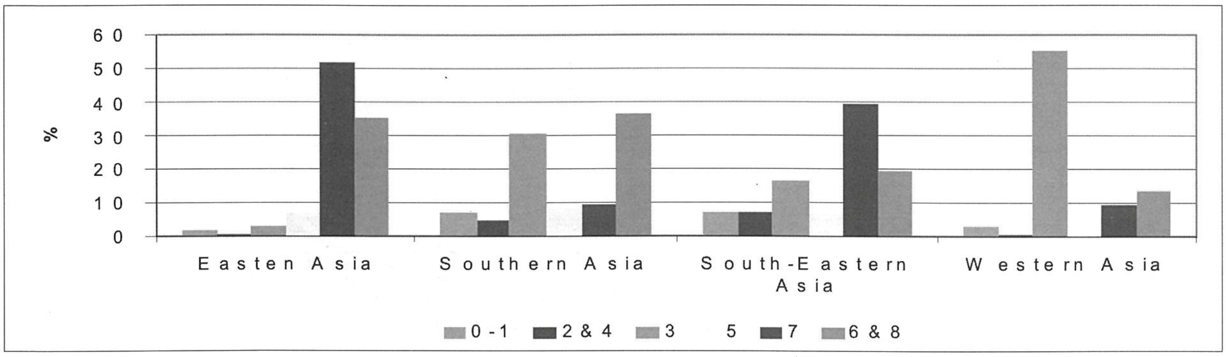
Source: www.stat.kz



*APR: Australia, Japan, New Zealand

Figure 11. **Supply of goods from the foreign countries to Asia by the regions as of 2000-2009**

Source: 2009 International Trade Statistics Yearbook. Dec. 2010. http://comtrade.un.org



** According to SITC (Standard International Trade Classification): 0-1 – food products and live animals, drinks, tobacco; 2&4 - nonfood raw products (except fuel), oils, fats; 3 - mineral fuel and similar goods; 5 - chemicals; 6&8 - processed products and other manufactured goods; 7 - machinery, equipment, vehicles*

Figure 12. **Export from Asia by regions and commodity groups as of 2009 in percentage**

Source: 2009 International Trade Statistics Yearbook. Dec. 2010. http://comtrade.un.org consumers of this commodity group are East Asian countries (Fig. 13).

Geographical structure of the officially registered commodity foreign trade in 2010 is the following: 48.7% of the trade turnover are covered by Europe (including Italy – 13.7%), the CIS countries – 24.2% (including Russia – 17.8%), the Asian countries – 26.7% (including China – 17.3%), other countries – 7.6%.

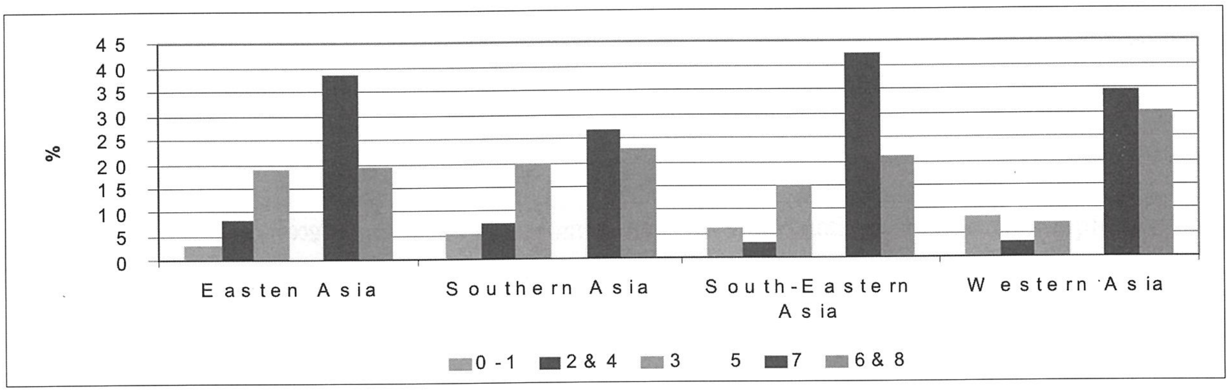
The main stages of formation of the current foreign economic relations of Kazakhstan are related to the periods of economic reforms implemented according to the 2020-2030 National Strategy of Economic Development. On its initial stage, there was practically no alternative to economic relations within the CIS. The dynamic development of economic cooperation with the West started in 1995. The period of the Asian economy revival caused the increase of commodity exchange between Kazakhstan and Asian countries.

Thus, Kazakhstan chose the priorities trade partners. Russia became the main economic partner in the CIS; Italy, France, the Netherlands, Austria, Germany became the main partners in Europe, in America it was the USA, and in Asia - China (Fig. 14).

The main economic partners of Kazakhstan in Asia, besides China, are the Republic of Korea and Japan in East Asia, Iran and India in South Asia, Turkey, Israel and the UAE in West Asia (fig. 15).

China has the biggest share in the volume of Kazakhstan commodity exchange with the countries of foreign Asia (Fig. 16).

China became the second trading partner of Kazakhstan after Russia and the first in terms of the export operations volume with the foreign partners. The Kazakhstan share in export to China in 2010 was $10.1 bln and its export to Russia was $4.8 bln (Fig. 17).



** See the commodity groups codes and names in Fig. 12.*

Figure 13. **World import to Asia by regions and commodity groups as of 2009 in persentage**

Source: 2009 International Trade Statistics Yearbook. Dec. 2010. http://comtrade.un.org

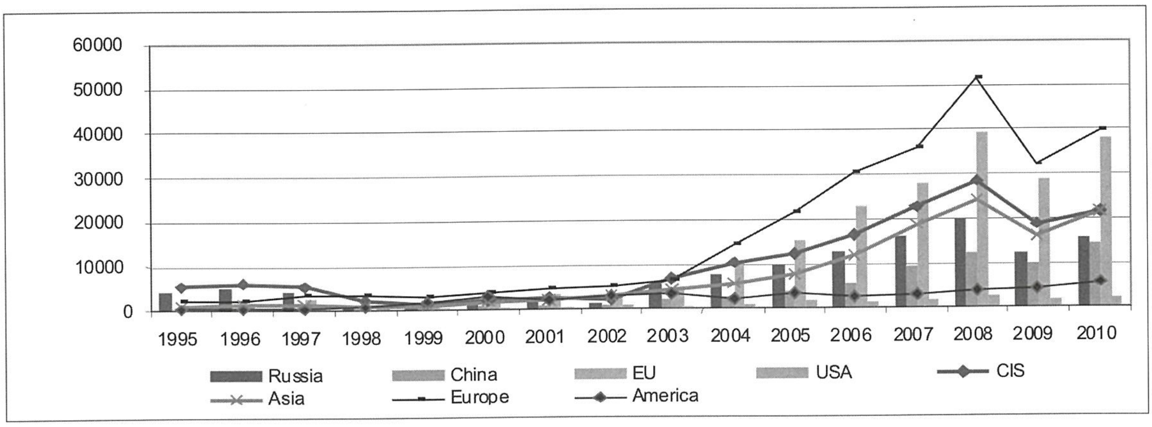


Figure 14. **Dynamics of Kazakhstan turnover by the regions and key trade partners in percentage in preceding year**

Source: www.stat.kz

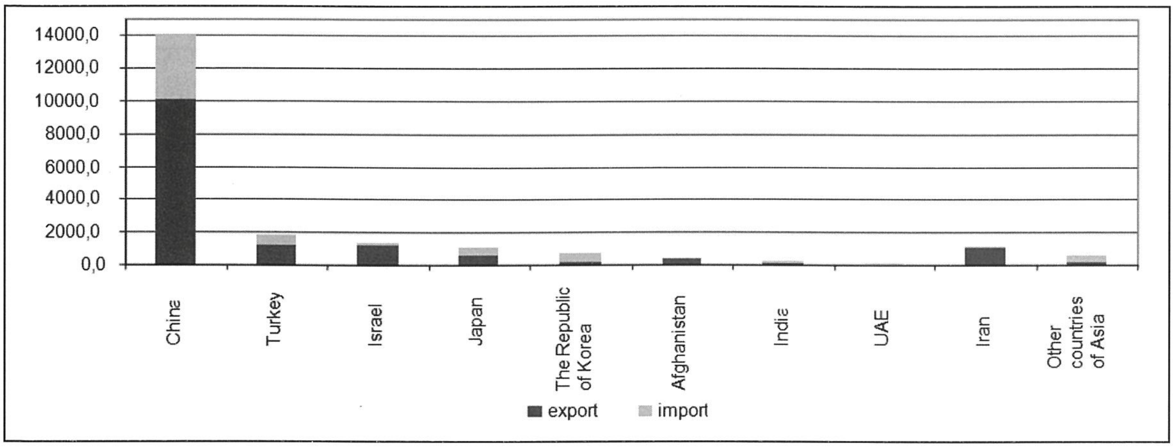


Figure 15. **The Kazakhstan turnover with the countries of Asia as of 2010 in mln US dollars**

Source: www.stat.kz

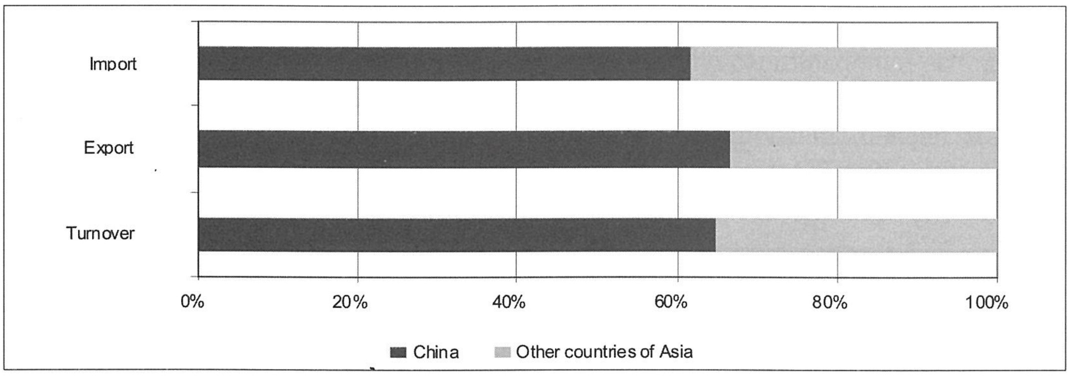


Figure 16. **China share in Kazakhstan foreign trade with Asian countries as of 2010 in persentage**

Source: www. stat.kz

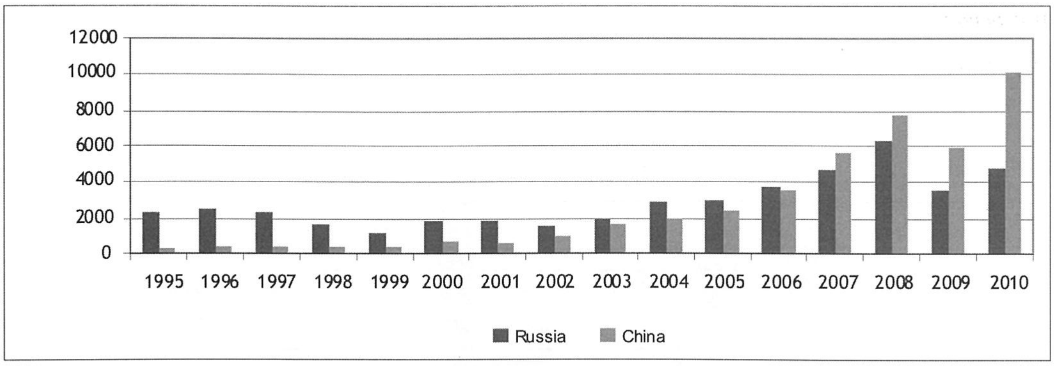


Figure 17. **Dynamics Kazakhstan export to Russia and China as of 1995-2010 in mln US dollars**

Source: www.stat.kz

For the last decade, China has been systematically increasing export of goods to Kazakhstan. The amount of supply increased by 18.5% in 2010 as compared to 2000 (Fig. 18).

In long-term perspective, the Asian vector in Kazakhstan foreign trade policy will remain and even strengthened due to the change of the Asia's role in the world economy. If earlier the West considered Asia as its own market today the new production and investments centres are located in Asia particularly in East Asia.

Accordingly, the role the Asian vector in the

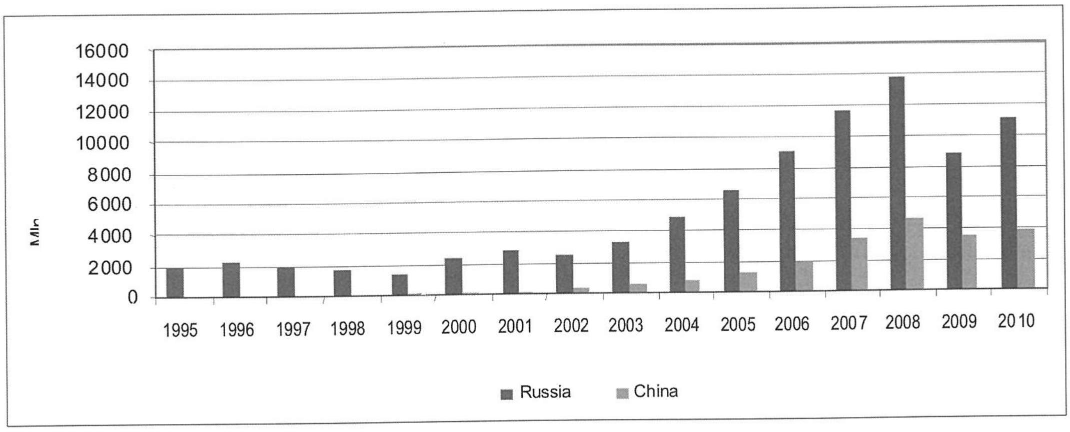


Figure 18. **Dynamics of import from China and Russia to Kazakhstan as of 1995-2010 in % to the preceding year in mln US dollars**

Source: www.stat.kz

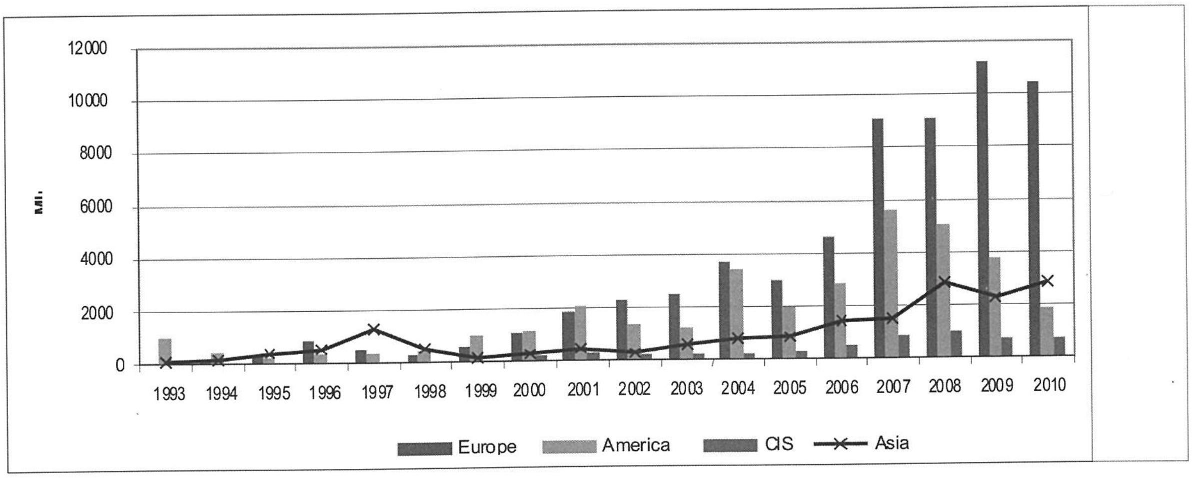


Figure 19. **Direct foreign investments in Kazakhstan in mln US dollars**

Source: www.nationalbank.kz

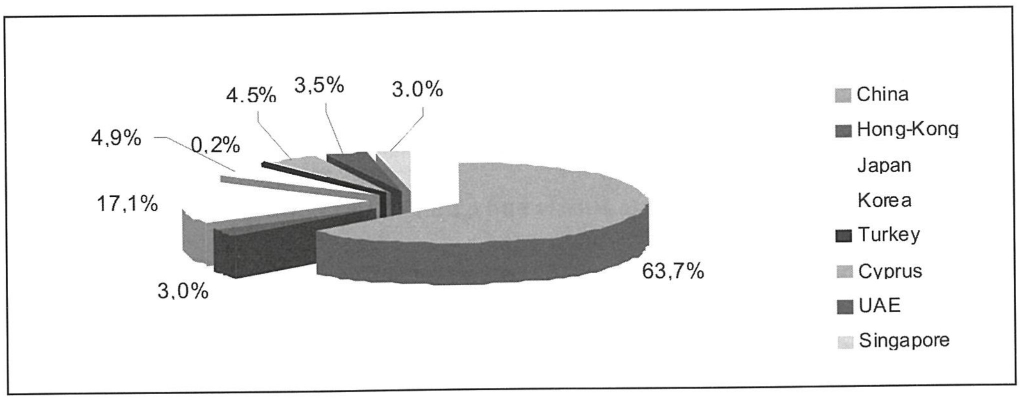


Figure 20. **Foreign investments in Kazakhstan by the Asian countries as of 31.12.10 in %**

Source: www.nationalbank.kz

foreign economic policy of Kazakhstan is changing. New opportunities appear for Asian export of the consumer goods, finances and investments, as well as investment goods such as new technologies. In the meanwhile, the regional market infrastructure is not well developed. This can become a reason for global economic disproportions between production and consumption in the commodity and financial markets of East and West.

Asian investments in Kazakhstan are lower than European or American but higher than the investments from the CIS (Fig. 19). The similar situation with the gross outflow of investments from the republic reveals unspent potential of financial cooperation with Asian countries.

China is the largest Asian investor in Kazakhstan. Its investment share is over 60% from the total amount of the regional direct investments to the republic. It is followed by Japan (17.1%) and the Republic of Korea (4.9%) (Fig.20).

The key sectors of direct investments in Kazakhstan in 2010 from Asia were construction, real estate operations, financial activity and mining industry (Fig. 21).

The same industries were considered as the most attractive by the foreign investors from other regions.

Kazakhstan can solve its main economic problems via its economic cooperation with Asian countries by the following means:

- attraction of financial resources by expansion of cooperation in investment. It is necessary to use the potential of expanded partner relations with the countries of the Middle East, Arab world, Japan, India, Singapore, South Korea, etc., and also the prospects of the EurAsEC, East and South East Asian countries with their regional financial markets;

- industrial modernization through development of innovative technologies market. Encouragement of scientific and technological trade in the foreign economic relations mainly depends on the scope and diversification of cooperation with East and South East Asian countries;

- regional economic security by coordination and setting the general integration direction for the existing unions. The economic integration in the Asian region can be achieved by conducting formal and informal summits both on intraregional and global levels to provide the platform for discussion of problems and coordination of actions in economic (energy) development of the region by interaction between the regional multilateral structures such as the CIS, SCO, ASEAN, OPEC (Organization of the Petroleum Exporting Countries), etc.

* * *

Asian economy is becoming the world economic engine not only because of the sizes of China and India economies and economic growth rates in East and South East Asia, but also due to realization of regional cooperation potential. The regional economic integration is rapidly developing in the countries of East (China, Japan) and South East Asia (ASEAN) as they economically complement each other.

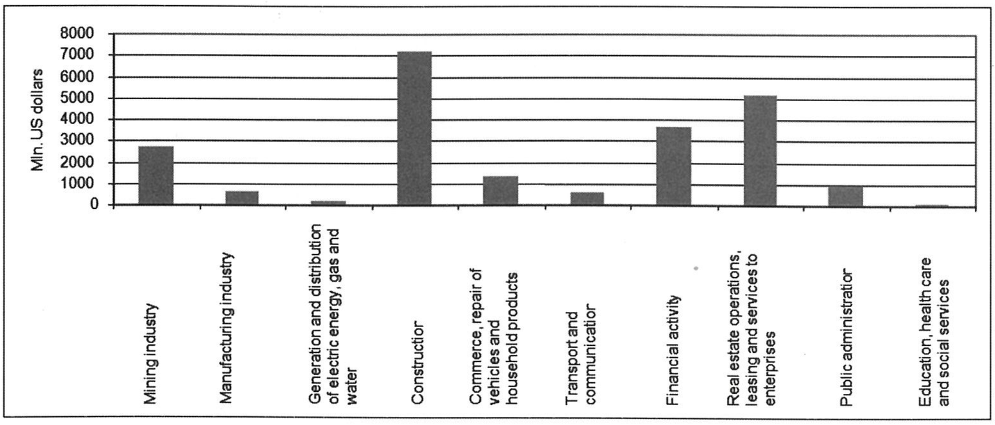


Figure 21. **Investments to the Kazakhstan economy from the Asian countries by the investment industries as of 31.12.10 in mln US dollars**

Source: www.nationalbank.kz

Pro-Asian bias is becoming a global tendency in the world economy. The East-West issue is getting a new dimension in terms of economic rapprochement of Asian regions and the leading regional powers within and multilateral integration structures.

The economic posture of Kazakhstan in Asia is determined by its leading status in the Central Asian Region and the role the region plays globally, as well as the potential of economic development and character of foreign economic cooperation of Kazakhstan with the countries of Asia.

The relations of Kazakhstan within the regional system are specific due to the possible transformation of the concept of the Eurasian integration into the Asian-wide concept. The Eurasian concept allows Kazakhstan to integrate in the format of the Customs Union, EurAsEC, CIS, SCO and other multilateral structures. Being a member of these organizations, Kazakhstan has additional opportunities to resolve the issues common for the whole Asia, these of diversification of economic structure as well as, export, investment and technological flows in Asian regions.

While Asia is becoming the main vector for international relations development, and the economic integration of Asian regions is becoming a global tendency, the lack of a common regional integration concept is the major problem of economic cooperation of Asian countries.

As Kazakhstan does not have a national concept of strategic economic partnership with Asian countries or a consolidated concept of integration, it is important to draw the Asian direction of the foreign economic policy course as a priority to restrain and strengthen Kazakhstan regional leadership, to provide economic stability and security of the region by consolidating the efforts of the all Eurasian countries.

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Energy Economies of Kazakhstan and China

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Background

Kazakhstan is a huge country covering a territory of 2,717,300 km2. Total population living in the country is 15,340,533 people in 2008. That makes it the largest country in Central Asia and one of the most sparsely populated in the world with density of 5.5 people per square kilometer. 56.4% of the population lives in urban areas. Kazakhstan is a unitary state with a presidential form of governance. N. Nazarbaev is the President of the Republic of Kazakhstan. The country's capital since 1997 is the city of Astana with continuously growing population, currently amounting to 502,000 people. The biggest city in the country is the former capital Almaty with population of 1,147,500. Kazakhstan is administratively divided into 14 provinces and two cities (Almaty and Astana) holding special status because of "republican significance" and the territory of Baykonur, which contains the space launch center that is leased by the Russian Federation.

Kazakhstan had real GDP growth of 9.1% in 2003 and 9.3% in 2004. The growth of GDP can be explained by first, favorable situation in the world market: in particular, high prices for the main exports from Kazakhstan: oil, ferrous and nonferrous metals. Second, there have been high industrial growth rates, especially in construction. These high rates are also typical of transport and communications, and other service sectors. According to the World Bank data, Kazakhstan's GDP reached $103,840 in 2007, making it the 54th largest economy. The composition of GDP in 2007 is: agriculture (5.8%); industry (39.4%); and services (54.8%).

About 0.5% of world's fossil energy resources are found in Kazakhstan; that is equal to 90 billion tons of oil equivalent (toe). This amount includes 70% of coal, 22% of oil and oil condensate and 8% of gas. In addition, the largest uranium reserves that amount to 29% of the world reserves are found in Kazakhstan and 1.6 thousand tons of uranium are yearly extracted. Prospective oil-and gas-bearing areas comprise 62% of the entire country's territory, and only roughly half of them has been explored. Energy resources are unevenly distributed over the territory of the Republic: major coal deposits are located in the northern and central regions; oil and gas deposits are located in the western region and minor resources of gas and coal are in the southern region; hydroenergy resources are found in the eastern and southeastern regions.

Between the late 1980s and the early 1990s, the approaching collapse of the Soviet Union was an unattractive scenario for the Kazakh Soviet Socialist Republic. N. Nazarbayev was aware of the outcomes that abrupt rejection of the failing centralized administration could bring. For a resource-rich country that had been managed from an imperial "center"—first Russian, then Soviet—for over a century, sudden sovereignty could easily have led to serious social strife and a national security crisis. Under the centralized Soviet economic model, Moscow had held the "monopoly on foreign trade" as envisaged by V. Lenin. The mostly ethnic Russian communist bureaucracy in Moscow held the reins of both internal economic development and trade with the outside world tightly in its hands. Lacking direct foreign economic connections, Almaty was fully dependent on the Soviet foreign trade establishment and its Moscow-based state trading companies.

N. Nazarbayev was a supporter of the USSR's "velvet reformation" program, which had been developing since 1989. Then-Soviet president

M. Gorbachev was planning to carry out it after the constituent USSR republics would have signed the Novo-Ogarevo agreements to reconstitute the Union, however the August 1991 coup effectively killed this idea. This approach held out the promise of a more independent ethnic policy and greater authority and autonomy for the Soviet republics while preserving domestic economic links. In March 1991 national referendum, most of Kazakhstan's population voted in favor of continuing the USSR in the form of a confederation. However, after the Belovezhskoe Agreement formalized the dissolution of the Soviet Union in December of 1991, the pressure toward economic independence became irresistible. In 1991, on the eve of independence for many of the former Soviet republics, the international community was concerned with potential instability in the Caspian region.

Immediately following the collapse of the Soviet Union, without economic alternatives, Kazakhstan tried to preserve the trade, political and military connections it had developed over the preceding 70 years. With this reason in mind, N. Nazarbayev became a favor for creating the Commonwealth of Independent States (CIS). On December 1, 1991, N. Nazarbayev won the first nationwide presidential election with a result of 98.7% of the vote.

In the following years, all fifteen of the former Soviet republics lived through a difficult period of post-communist transition. Their economies suffered from hyperinflation, abrupt industrial recessions, and food crises. For months, people went without receiving their wages and social security payments. The break-up of the Soviet Union resulted in serious financial, transit, management and political problems for the former states of it. The emerging relationships between its former constituent parts were initially shaped by unrealistic commercial expectations from the newly independent governments, hungry for extra budget revenues at the time of political and economic turmoil.

Fortunately, the economy of Kazakhstan regained momentum at the beginning of the 21st century, and it is obvious that rising energy exports are the engine that drives Kazakhstan's economy. Between 2000 and 2005, GDP growth averaged some 10% a year, led by the petroleum sector and supported by a favorable external environment. By 2004, Kazakhstan's oil export revenues made up 30 % of GDP and 60 % of all export revenues. The oil sector amounted to 30 % of total government revenues.

Energy wealth has been important to Kazakhstan's economy since then. In 2002, for example, every one dollar increase in price of oil in Kazakhstan translated to about US$100 million increase in budget revenues. The Kazakhstan National Fund (NF) was created in 2001 to help lessen the impact of volatile market prices on the economy and to smooth the distribution of oil wealth over generations. Its founding documents describe its mission as "stabilizing the socioeconomic development of the country, piling up savings for future generation and reducing the country's vulnerability to external factors. Because of high oil prices the international reserves and assets in the oil fund have doubled in the last year to US$20 billion in October 2007. Many governments try to smooth domestic oil product prices to mitigate the impacts of large change. In Kazakhstan, the refining industry is heavily regulated through direct administrative measures and control of the transport tariffs by KMG (pipelines) and Kazakhstan Temir Zholy (Railway).

Since 2008 China has been the third largest economic entity, after the United States and Japan, with its nominal GDP amounting to US$4,401.6 billion. This was totally unthinkable three decades ago. Similar to Kazakhstan, China has undergone the transition from communism to, more or less, capitalism, or what they call "socialism with Chinese characteristics". The economic reforms were introduced in December 1978, led by Deng Xiaoping. Economic reforms have not been conducted according to a comprehensive blueprint, but have rather been piecemeal and ad hoc, best summarized by the Chinese phrase "crossing the river by touching the stones." The process started with the gradual phasing out of communes in the agriculture and their replacement by the semi-private household responsibility system, a change that gave individual families the right to keep and then sell at market any produce above a set level procured by the government.

The Chinese government also set up Special Economic Zones (SEZs), the authorities of which were given the power to offer tax incentives to attract foreign direct investment (FDI). Over time, reforms have affected all sectors and have become progressively more far-reaching: some state-owned enterprises (SOEs) have been privatized and others have listed minority stakes on stock markets in China and abroad; private-sector companies have been allowed to be formed; price controls have been lifted; and credit quotas in the banking sector have been abolished.

There are two phases of economic transition in China. The first one occurred during 1978-1993. In the end of 1978 on the Third Plenum of the 11th Chinese Communist Party Congress, China's leaders decided to ease the terms of trade with agriculture and "give farmers a chance to catch their breath". This involved implementing the household responsibility system in agriculture, by which farmers were able to retain surplus over individual plots of land rather than farming for the collective. Procurement targets were stabilized and slightly reduced; procurement prices were raised; and, most importantly, prices for farm deliveries above the procurement target were raised dramatically. What happened next was quite astonishing. The institution of contracting land to households spread rapidly throughout rural China and became nearly universal by the end of 1983. This was followed by the establishment of rural industries, owned by townships and villages. An open door policy was also introduced by which China began to allow international trade and FDI. The first phrase of reform, however, was threatened to stop in wake of the Tiananmen event in 1989.

Deng's swing to conservatism did not last long. In early 1992, Deng took a "Southern Tour" that had him visit the SEZs he himself had authorized more than a decade earlier. Deng endorsed the concept of the SEZs. He reemphasized the need for accelerated economic reform and specifically reaffirmed a no ideological, pragmatic approach to experimentation. And the economic reforms, therefore, re-accelerated in 1993 and continue through the present.

Thanks to the economic reforms, China's real GDP has grown rapidly, with an average annual growth rate of 9.8% during 1978-2007. When it comes to economic structure, industrialization has been the main source of economic growth. In 2010, industry contributed 48.6% of China's GDP, an increase of 7.3% over 1990 (Table 2.1).

The Chinese economy has become increasingly integrated into the world economy, particularly since its entry to the World Trade Organization (WTO) in 2001. China's shares of world trade and FDI have sped up within the past several years. China is the world's third largest trader, after the United States and Germany, with the sum of imports and exports reaching US$1.8 trillion in 2006. China is the leading destination for FDI, with inflows amounting to US$108 billion. Its share of global steel production doubled to 31% between 2000 and 2005, while its share of world telecommunications equipment jumped by 14% points to 20%.

The increase in China's own domestic consumption and investment, relocation of many manufacturing processes from other parts of the world to China, and burgeoning exports all underpin the dramatic increase in the production of energy-intensive goods. China benefits from having cheaper labor, lower land costs and faster factory construction than most other countries. China's sheer market size also gives rise to economies of scale in the production and distribution of goods. The surge in cement production reflects a rise in the rate of fixed investment in infrastructure and real estate, which has risen by more than 20% annually over the past few years. Output of services is also rising rapidly, as China seeks to move up the global value chain. In 2004, China surpassed the United States to become the world's biggest exporter of information technology goods.

At the turn of the century, China has emerged as "World's Factory". Exports and investment together accounted for about 80% of GDP in 2006. The export sector grew by 30% per annum over 2002-2006, exceeding the increase in imports. As a result, the external surplus reached $178 billion, or 7% of GDP, in 2006, which boosted foreign exchange reserves to above $1.3 trillion by mid 2007 – the largest in the world. The share of exports in GDP increased to 37% in 2006 from 20% in 2001.

Energy policy in Kazakhstan

The newly independent state faced several alternatives in the energy policy field. Kazakhstan could take the road of full nationalization of the extractive industry, as has been usual in the Middle East and other oil provinces, or it could transfer some energy assets to the private sector. However, all scenarios included risks, such as Kazakhstan could become a "banana republic" — a raw material appendage of Russia or the West. It could also become internationally isolated and squander its energy potential.

N. Nazarbayev made a wise decision; he chose the third road. To exploit its oil fields, Kazakhstan has entered joint ventures and production-sharing agreements with foreign investors. But at the same time, Kazakhstan also limits the role of foreign capital by tightening the investment law. The Kazakh government preferred to internationally recognized companies interested in developing long-term projects and ready to consider the country's domestic interests. They had to highlight environmental safety programs, train local staff, and exercise corporate social responsibility. Transnational companies, such as ChevronTexaco, ExxonMobil, Agip/Eni, Royal Dutch Shell, British Group, TotalFinaElf, Impex and others emerged as the winners in this race.

Later, Canadian, Middle Eastern, and Russian companies have been rapidly showing their presence in the Caspian region. China's need to strengthen its role became more obvious in 2005 and 2006, with Russia's presence on the increase and American influence on the wane. With Chinese and Indian extractive and financial corporations entering the scene, the interests of all major world players were represented in the Caspian region. To realize the full potential of its oil fields, Kazakhstan had to assure export routes that would guarantee its ability to fill the demand for "black gold" to the West and China. N. Nazarbayev was also aware that respecting the interests of all the major players in the Caspian region, namely the West, Russia, and China would improve the stability of the energy sector in Kazakhstan. This approach would promote a balance of power in the region, keeping major players in check.

Energy policy objectives are presented throughout several documents. One of the most important is the Development Strategy of Kazakhstan until 2030, which focuses on energy as one of the priority areas and determines the necessity of a "rapid increase of production and export of oil and gas to receive revenues that would contribute to lasting economic growth and an improvement of the living standard of the people". The energy policy of the Republic of Kazakhstan within a long-term outlook has four main goals:

– to ensure reliable power sources needed for sustainable economic growth

– to meet the demand of the population for energy services at acceptable prices

– to develop reliable energy saving systems that would guarantee energy security

– to preserve a sound environment and prevent uncontrolled climatic changes.

The main objectives of the governmental policy in the energy sector are:

– to ensure fuel and electricity independence of Kazakhstan

– to create fuel and electricity markets in Kazakhstan

– to work out legislation that will encourage development of the energy sector

– to carry out energy saving policy

– to improve the ecological situation in Kazakhstan

– to involve renewable energy sources into the energy balance of the Republic

– to attract foreign investors.

As opposed to the former orientation towards a large-scale energy production, heightening efficiency of energy consumption and energy saving is the supreme priority of the energy strategy. The new structural policy in the area of energy sector development within the following 15-30 years provides for:

– growth in oil production, more efficient oil use, increased domestic consumption and export of oil;

– more efficient natural gas use, increased domestic consumption of natural gas;

– priority of fine processing and complex use of hydrocarbon raw materials;

– as ecologically acceptable technologies will be introduced, improvement of quality of coal products through increased volumes of high calorific coals, and stabilization and further building up of coal production rates (mostly by surface mining) coal products through increased volumes of high calorific coals, and stabilization and further building up of coal production rates (mostly by surface mining); and

– intensified development of local energy resources (hydroenergy, minor deposits of hydrocarbons, etc.), greater use of nonconventional and, firstly, renewable resources (wind, solar and geothermal energy, mine methane, biogas, etc.). hydrocarbons, etc.).

Safe Delivery of Energy Imports in China

Safe delivery of energy imports is another part of China's energy security. There are a number of energy import-related problems that Chinese leaders are unease about. (1) More than 80% of total oil imports need to ship through the Strait of Malacca, a very narrow, busy chokepoint, filled with frequent pirate activities. (2) China does not have marine power to be against US Navy if US Navy "selectively" seal off the sea lane between oil producing countries and China coast. (3) More than 90% of marine oil imports are shipped by non-China-flagged vessels.

The Chinese government and the national oil companies agree that the key to enhancing oil security is via diversification of oil suppliers and transport routes. In terms of oil suppliers, they have sought not only to expand the number of countries from which China imports oil, but to decrease China's dependence on the Persian Gulf, which in 2005 provided almost half of China's crude oil imports. Chinese and international energy experts expect that the country's reliance on the Persian Gulf will remain substantial because of the region's large oil reserves.

China has achieved considerable success in diversifying the sources of its oil imports. In 1995 the Persian Gulf and the Asia Pacific regions supplied almost 90% of China's oil imports, with Indonesia alone accounting for 31%. Over the past decade, China's oil imports from the Persian Gulf have hovered just below 50%. At the same time, growth in the share of supplies from Africa and Russia has offset a dramatic decline in the contribution of the Asia Pacific region to China's oil import mix. In 2005 the Persian Gulf and Africa accounted for more than three quarters of China's crude imports. Russia, China's fourth largest supplier of crude oil, provided 10%.

Two factors explain the diminishing role of the Asia Pacific region and the increasing importance of Africa in meeting China's oil import requirements. First, the gap of oil demand exceeds supply in the Asia Pacific region has increased over the past ten years. For example, Indonesia, the region's second largest oil producer (behind China) and once China's largest supplier, is now a net oil importer. Consequently, countries throughout the region are seeking supplies elsewhere. Second, in contrast to the growing oil deficit in the Asia Pacific region, Africa's oil surplus has grown over the past decade, and the light, sweet crudes of West Africa are well suited for China's refineries.

Diversification of Oil Routes

In terms of transportation routes, both the government and the NOCs want to reduce China's reliance on the sea lines of communication—through which almost 90% of the country's crude oil imports travel—because of their vulnerability to disruption on the high seas by various modern navies. On November 29, 2003 Central Economic Work Conference, Hu Jintao reportedly voiced concern about the security of the delivery of energy imports to China with his discussion of the "Malacca Dilemma," referring to the passage of about 80% of China's oil imports through the Strait of Malacca. And the fact China does not possess the naval power projection capabilities to protect its seaborne energy imports annoys Chinese leaders.

Two more factors contributing to the lack of reliability of China's oil imports through the Malacca Strait are piracy attacks and potential terrorism attacks. Piracy attacks in the strait have risen rather quickly. According to statistics from the International Maritime Bureau, the year 1999 only witnessed two piracy attacks in the area. But the number of piracy attacks skyrocketed to 75 at the peak in 2000, petered off in the following two years, but bounced back in last two years. These attacks make the strait one of the most dangerous waters in the world. In addition to piracy attacks in the Malacca Strait, a terrorism attack has become an increasing concern. With more than 63,500 ships passing through and traffic growing at more than 5% a year, the International Maritime Bureau's Piracy Reporting Center warned that freighters carrying payloads of fuel through the strait could be hijacked and used in terror operations similar to the 11 September attacks on America. Piracy attacks or potential terrorism attacks can endanger China's oil security because they can not only literally force the closure of the Malacca Strait and cut off China's oil imports through the shipping lane, but also dramatically mark up the shipping costs of China's oil imports.

Energy Production, Consumption and Trade

Overall Energy

As a large energy exporter, Kazakhstan produces energy more than it consumes. During 1990-2010, Kazakhstan's primary energy production increased from 145.5 Mtce to 243.5 Mtce (Table 2.2), while its primary energy consumption declined from 105.0 Mtce to 86.9 Mtce (Table 2.3). The remarkable decrease in Kazakhstan's energy consumption is because of efficiency improvement: The improvement of Kazakhstan's energy efficiency is also impressive. Total final energy consumption/GDP decreased from 2.394 tons of oil equivalent per US$1000 in 1992 to US$1.112 in 2003. The composition of Kazakhstan's energy production does not overlap to that of its energy consumption. Oil dominates the primary energy production mix whereas coal dominates the primary energy consumption mix.

For production fuel mix, the share of oil increased from 26.1% to 45% during 1990-2010, coal decreased from 65.7% to 39.6%, natural gas rose from 6.5% to 16.7%, nuclear and hydropower edged down from 1.7% to 1.4% (Table 2.2). In terms of consumption fuel mix, the share of oil was reduced from 29.5% to 18.2% between 1990 and 2010, coal declined from 52.0% to 51.1%, natural gas shot up from 16.1% to 30.2%, and nuclear and hydropower inched from 2.4% to 3.3%.

A country's demand for energy mirrors the size of its economy. China's primary energy consumption increased fast, from 987.0 Mtce to 3,032.6 Mtce between 1990 and 2010 (Table 2.4), having grown faster than primary energy production in the same period, which increased from 1,039.2 Mtce to 2,745.3 Mtce. Admittedly, the balance of overall energy in China has been reversed. Given that China's demand for energy grew more quickly than it could produce, China's self-sufficiency of overall energy could no longer be sustained since 1992. The rate of self-sufficiency of overall energy dropped significantly from 105.3% in 1990 to 86.8% in 2010.

When it comes to the fuel mix of overall energy, the fuel mix of primary energy consumption, to some extent, reflects that of primary energy production. In 2010, coal accounted for 70.1% of total primary energy consumption; oil, 21.3%; primary electricity, 7.2%; and natural gas, 2.9%, (Table 2.5) while coal took up 76.3% of total primary energy production; oil, 11.1%; primary electricity, 8.1%; and natural gas, 3.8%.

Overall speaking, the patterns of both have been relatively stable from 1990 to 2010. In terms of primary energy consumption, the share of coal decreased from 76.2% to 70.1%; oil increased from 16.6% to 21.3%; primary electricity increased from 5.1% to 7.2%; and natural gas increased from 2.1% to 2.9%. In terms of primary energy production, the share of coal increased from 74.2% to 76.3%; oil decreased from 19.0% to 11.1%; primary electricity increased from 4.8% to 8.1%; and natural gas increased from 2.0% to 3.8%.

Kazakh Oil

Proven Reserves of Oil in Kazakhstan amounts to 5,320 million tons in 2007, representing 3.2% of the world's total. Industry and government estimates of the remaining hydrocarbon potential were highly speculative, but current assessments are more realistic than the inflated, unsubstantiated claims of 1990s. Oil reserve totals are comparable to Nigeria and Libya. Kazakhstan's combined onshore and offshore proven hydrocarbon reserves have been estimated between 9 and 40 billion barrels (comparable to OPEC members Algeria on the low-end and Libya on the high-end). Reserves and Production ratio in 2007 was 73.2, which means that meaning that if no added proven oil reserves are found, Kazakhstan can uphold the current crude oil production level for 73.2 years.

During 1990-2010, Kazakhstan's oil production rocketed from 26.6 million tons to 75.2 million tons (Table 2.7). Kazakhstan is now the 19th largest crude oil producer and is the second largest oil producer after Russia among the former Soviet republics. The Government forecast of oil production predicts levels of 3.0 - 3.4 million barrels per day by 2011. Over the next 15 years, Kazakhstan can reasonably expect crude oil and liquid production to increase more than 3-fold and reach between 3.0 and 3.5 million barrels per day (Mb/d). At 3.0 - 3.5 Mb/d oil production, Kazakhstan is expected to be one of the world's top 10 producers, behind the Gulf States and Russia, but on par with North Sea production at its height. Kazakhstan may even become one of the world's top 5 producers.

Kazakhstan's oil deposits are found primarily in Western part of the country, near and under the Caspian Sea. Currently, the basic stock of petroleum in Kazakhstan (over 90%) is concentrated in 15 largest deposits, that is in the Tengiz, Kashagan, Karachaganak, Uzen, Zhetybai, Zhanazhol, Kalamkas, Kenkiyak, Karazhanbas, Kumkol, North Buzachi, Alibekmola, Central and East Prorvas, Kenbai, and Korolevskoye Fields whereas a half of all petroleum reserves is concentrated in two huge hydrocarbon fields of Kashagan and Tengiz.

Most of production growth in Kazakhstan is expected to come from four fields: *Tengiz, Karachaganak, Kashagan and Kurmangazy*. Major producers include:

Karachaganak	250,000 bbl/d
Tengiz	280,000 bbl/d,
CNPC-Aktobemunaigas	120,000 bbl/d
Uzenmunaigas	135,000 bbl/d
Mangistaumunaigas	115,000 bbl/d
Kumkol	70,000 bbl/d

These producers account for 1 Mb/d (or around 70%) of liquids production in the country. Other production is centered in smaller fields.

Kazakhstan's oil consumption is substantially lower than its production, enabling it to export oil massively. During 1990-2010, the country's oil consumption decreased drastically from

21.7 million tons to 9.7 million tons. As a result, Kazakhstan's oil exports on a net basis skyrocketed from 1.9 million tons in 1992 to 67.1 million tons in 2010. Kazakh oil exports are growing rapidly, with current infrastructure delivering it to world markets via the Black Sea (via Russia), the Persian Gulf (via swaps with Iran), to the north pipeline and rail (through Russia), and now to the East to China. According to the IEIA (2008), during 2007, Kazakhstan exported around 1.2 million bbl/d of petroleum on average in all directions:

– 34% exported to Russia via pipelines and rail.

– 53% exported to Western markets via he Caspian Pipeline Consortium system;

– 6% exported to Iran via a swap agreement;

– 7% exported to China on the Atasu-Alashankou pipeline route.

Currently, the cheapest route for Kazakhstan's oil exports is via the Atyrau-Samara pipeline, which connects to Russia through its oil pipeline network. KazTransOil with Transneft own it. The transit tariff is $0.73/ton /100km, which translates into around $2-3 per barrel excluding the tariff through Kazakhstan. However, both the capacity of the Atyrau-Samara pipeline and current agreements between Russia and Kazakhstan limit shipments through this route to 15-17.5 million tons a year. For this reason, government-owned or affiliated oil companies get priority rights to its use (Figure 2.2). The second most feasible route is the Caspian Petroleum Consortium (CPC) with its tariff set up at $3.70 per barrel. Use of the CPC's capacity, however, is restricted to CPC members; and while they may reassign their capacity to third parties, this requires the approval of all members of the Consortium.

Another alternative is for Kazakh producers to ship oil from the port of Aktau in western Kazakhstan across the Caspian Sea to the eastern shore ports (Baku/ Makhachkala), and from there onwards by rail to the Russian port of Novorossiysk or the Georgian port of Batumi. The Baku-Novorossiysk oil pipeline has a limited throughput and cannot be a strategic export route. Another profitable trans-Caspian export pipeline—the Baku-Tbilisi-Ceyhan (BTC)—became available in 2005. The total expense of shipping though the BTC pipeline amounts to $3-4 per barrel, including tanker and offloading costs.

Iran represents a profitable, though politically complicated export route. Kazakhstan may export oil to the Southeast Asian markets by conducting oil swaps with Iran. These swaps make much sense for the Iranian side, considering that most of Iran's refineries and petrochemical complexes are found in the country's northern and central regions, while the principal oil fields are in the south. Swap deals enable Iran to supply its refineries at a lower cost, while making income for handling swap operations and transit. On average, transporting oil swapped with Iran costs about $4 per barrel, including a swap fee of approximately $3 per barrel, tanker shipments to Neka, and an offloading fee. (See Map)

Considering Washington's close attention to the Kazakh-Iranian relationship, Astana has taken a wait-and-see position on the development of any large-scale energy projects with Teheran. A transit route through Iran still makes economic sense, but has political outcomes since the Iran–Libya Sanctions Act forbids US companies from conducting business with Iran and imposes sanctions on non-US companies investing in the oil/gas sector.

After Iran completes the construction of its domestic pipeline system, the estimated volume of Kazakhstan's oil transit via the southern ports of Iran could reach 500,000 bpd. However, the USA will object to an increase of Kazakhstan's oil exports to Iran, considering Washington's current sanctions regime against Iranian oil and gas investment projects, caused by the non- transparent Iranian nuclear program and deep geopolitical disagreements with Teheran. Therefore, whether Kazakhstan can use the southern export route via Iran remains a question.

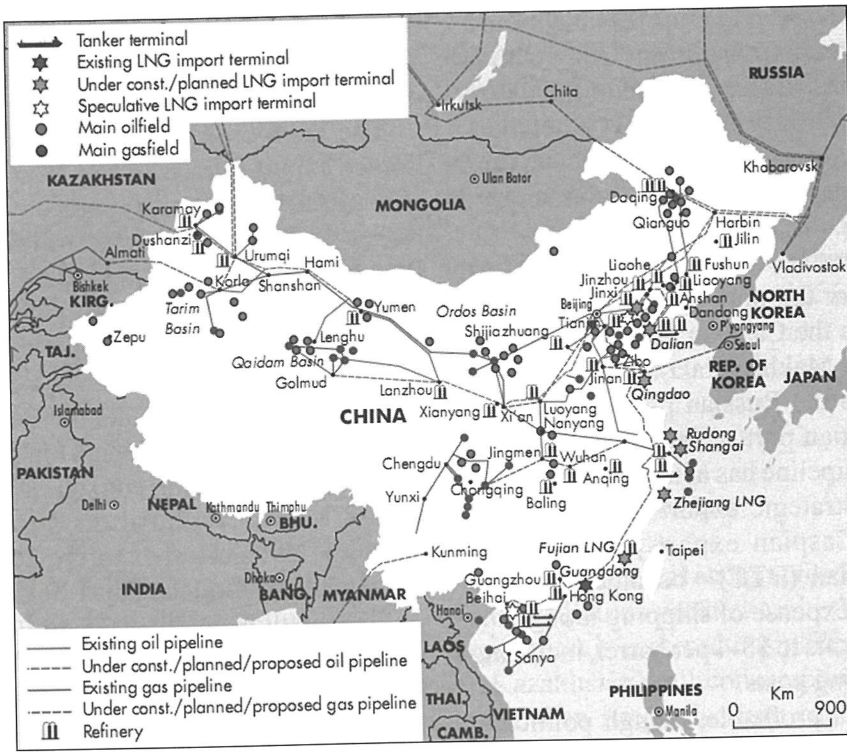
The main problem is that Kazakhstan has the limited export infrastructure. This is because about 80% of Kazakhstan oil exports now still depend on Russia-controlled pipelines and railway system. In June 2002, Kazakhstan signed a 15-year oil transit agreement with Russia. Under which, Kazakhstan has to export at least 17.4 million tons per year (or 350,000 bpd) of crude oil via a pipeline system owned by the Russian state monopoly Transneft.

The 1577-km long Caspian Pipeline Consortium is an oil pipeline from Tengiz field to the Novorossiysk-2 Marine Terminal on Russia's Black Sea coast. It is also a major export route for the oil from Kashagan and Karachaganak fields.

The pipeline is an extension of the existing oil transit infrastructure surrounding the Caspian Sea. Newly constructed parts of the line run from the Russian town of Komsomolskaya straight westward to Novorossiysk. The pipeline is supplied with Kazakh oil through the Soviet-era links surrounding the Sea, which the consortium members have refurbished. The CPC pipeline exported around 690,000 bbl/d of crude oil in 2007, and the consortium has plans for a $1.5 billion expansion project to increase the pipeline's peak capacity to 1.34 million bbl/d. With the completion of the two pipeline spurs from Kenkiyak and Karachaganak to the CPC at Atyrau and the usage of additives, CPC transport levels have increased from around 600,000 bbl/d in 2005 to a monthly peak of 800,000 bbl/d in February 2007. China had proven oil reserves of 2,113.7 million tons at the end of 2007 and stood 13th in the world, with an R/P ratio of 11.3:1, meaning that the proven oil reserves can allow China to maintain the current rate of oil production for 11.3 years if without any addition to proven reserves. The reserves are mainly located in five sedimentary basins: Bohai Gulf (35%), Songliao (22%), Tarim (12%), Junggar (11%) and Ordos (6%). Almost all the reserves are located onshore; only the Bohai Gulf basin is partly offshore (Figure 2.3). The Daqing field in the Songliao basin is by far the biggest in China. It still holds 14% of China's remaining proven and probable reserves, even though it has been producing since 1960. Most other big fields are also mature, having been discovered in the 1960s and 1970s.

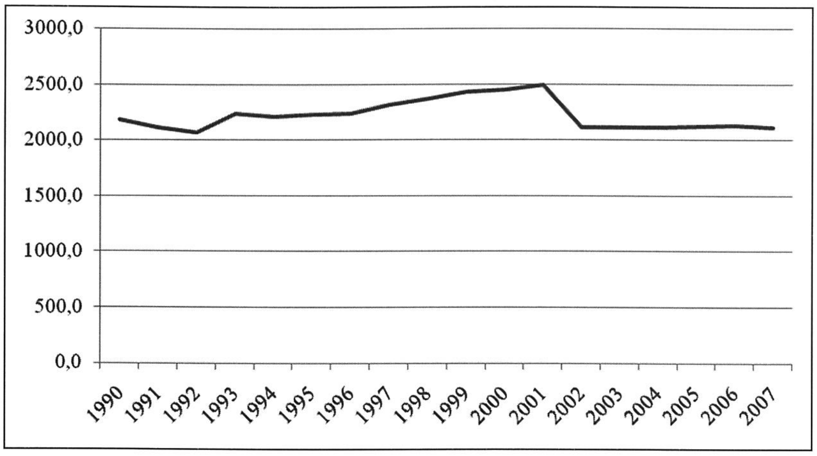
China's oil production has seen slow growth. It increased from 138.3 million tons in 1990 to 186.3 million tons. Most of China's oil production is onshore, mainly at its largest production fields in the northeast at Daqing and Liaohe. Production from the east is starting to show a declining trend, but currently accounts for 65% of the total. Production from the west and offshore in recent years has increased rapidly. During 1990-2004, the contribution from these sources rose from 7-5 to 21.7% and 0-9 to 13% respectively. Therefore, a likely trend will be an increase in production from the west and offshore making up for the decrease in supply from the east. Moreover, given that the biggest 11 fields, out of a national total of 492 in production, contribute close to half. Production at only one of them, Tahe, has not yet peaked. About half of proven and probable reserves from known fields have been produced. China's oil production is unlikely to grow faster in the foreseeable future. The gradual reduction in proven reserves of oil explains the slow growth of China's oil production. During 1990-2007, China's proven oil reserves declined from 2,182.5 million tons to 2,113.7 million tons.

China's Oil and Gas Resources and Supply Infrastructure



Source: IEA (2007).

Figure: **China's Proven Reserves of Oil, 1990-2007**
Million Tons



Source: BP (2008).

Table 1: **China's Oil Production, Consumption and Trade, 1990-2010**

	Oil Production	Oil Consumption	Oil Imports	Oil Exports	Net Oil Imports	Import Dependency
	Mt	Mt	Mt	Mt	Mt	%
1990	138.3	114.9	7.6	31.1	-23.5	-20.5
1991	141.0	123.8	12.5	29.3	-16.8	-13.6
1992	142.1	133.6	21.2	28.6	-7.3	-5.5
1993	145.2	147.2	36.2	25.1	11.1	7.5
1994	146.1	149.5	29.0	23.8	5.2	3.5
1995	150.1	160.6	36.7	24.5	12.2	7.6
1996	157.3	174.3	45.4	27	18.4	10.6
1997	160.7	194.1	67.9	28.2	39.7	20.5
1998	161.0	198.2	57.4	23.3	34.1	17.2
1999	160.0	210.7	64.8	16.4	48.4	23.0
2000	163.0	224.4	97.5	21.7	75.8	33.8
2001	164.0	228.4	91.2	20.5	70.7	31.0
2002	167.0	247.9	102.7	21.4	81.3	32.8
2003	169.6	271.3	131.9	25.4	106.5	39.3
2004	175.9	317.0	172.9	22.4	150.5	47.5
2005	181.4	325.3	171.6	28.9	142.8	43.9
2006	184.8	348.8	194.5	26.3	168.3	48.2
2007	186.3	366.5	211.4	26.6	184.8	50.4
2008	188.8	374.2	218.5	25.8	193.2	51.3
2009	190.2	382.1	223.6	25.7	201.2	52.2
2010	192.4	390.4	228.5	26.1	208.7	53.3

Source: China Energy Statistical Yearbook, various issues.

The growth in China's oil consumption has accelerated remarkably since the 1990s in response to dynamic growth in industrial production and transport. China's oil demand in 1990 was only about 25% higher than that in 1978, the year economic reforms were introduced. By the year 2000, however, the demand was 2.5 times of the 1978 level. In 2010, the Chinese oil consumption reached 390.5 million tons, that is, about four times of the 1978 level. Industry and transport have been the largest contributors to the growth in Chinese oil consumption since 1990, with a combined share of total end-use demand of around 77%.

China became a net importer of oil in 1993, when its demand for oil surpassed its supplies of oil. By the end of 2002, it had overtaken Japan to become the second largest oil consumer behind the USA. The net import dependency of oil soared from 7.5% in 1993 to 53.3% in 2010. The Middle East is the principal source of China's oil imports, accounting for 40.4% in 2005. Another 21.1% came from the Asia Pacific region, about 23.1% from Africa, and 11.7% from Former Soviet Union. The main way of importing oil is by ocean tankers, which accounts for 93% of the total. Nearly 80% of these oil imports pass through the Strait of Malacca, exposing China to the insecurities of over dependence on a congested passage. China must then start looking for new supplies for oil. It has been agreed that Russia and Central Asia, particularly Kazakhstan, would account for an increasing share of China's oil imports by means of a pipeline.

According to China's dependence on imports rises from about 50% today to 80% in 2030, considering that potential of domestic oil production is small and room for oil demand is large. The gradual increase in the country's oil imports resulted from the stagnation of domestic oil production and the surge in domestic oil consumption. Although China became the fifth largest oil producer, after Iran, USA, Russia and Saudi Arabia, in 2007, the growth rate of oil production lagged behind that of oil consumption. The situation can be borne out by statistics. During 1990-2006, the average annual growth rate of oil production was 1.8%, whereas that of oil consumption reached 7.3%. The stagnation in oil production is due to limited oil endowment and aging of major oilfields. Although in 2007, China discovered the Jidong Nanpu oilfield in the offshore of Bohai Gulf, the biggest find in 40 years and the largest offshore discovery ever in China, the growth rate of domestic oil outputs will likely be moderate. This discovery would undoubtedly ease the domestic oil supply pressure, but it is unlikely to reverse the upward trend of China's oil imports. Given that most international agencies, except OPEC, predicted that oil production will increase from 184.8 Mt in 2006 to only 189.2-199.2 Mt in 2020, the country's net import dependency is set to go north.

Natural Gas

According to Kazakhstan's proven reserve of natural gas amounted to 1.9 trillion cubic meters (Tcm), which are comparable to Canada and Kuwait. Nearly all of this is associated gas. For some time Kazakhstan gas production has been hampered by lack of infrastructure, leading oil producers to flare gas instead of using it. However, domestic natural gas production increased over six times from 162.4 billion cubic feet (Bcf) in 1999 to 1201.2 Bcf in 2010. The Kazakhstan Government forecasts natural gas gross production will reach 61.4 billion cubic meters by 2010 and 106.1 billion cubic meters by 2015. However, much of this gas is planned to be re-injected into the ground, to help oil extraction by keeping wellhead pressure. Natural gas is mainly produced (97% of national production in 1998) in Atyrau, West Kazakhstan, and Mangystau regions.

Although production level of Kazakhstan's natural gas soared at the turn of the century, the country's consumption of natural gas also increased from 709.8 Bcf in 1992 to 1,104.3 Bcf in 2010 (Table 2.8), making Kazakhstan a net importer of natural gas. Kazakhstan's natural gas imports on net basis, however fell from 286.1 Bcf in 1992 to 113.2 bcf in 2009.

Kazakhstan could be a larger exporter of natural gas in Central Asia if related infrastructure is in place. Given the lack of export infrastructure, a tremendous amount of natural gas is wasted every year in form of gas-flaring. A World Bank commissioned study conducted by the National Oceanic and Atmospheric Administration (NOAA) estimated that Kazakhstan was flaring as much as 286 Bcf in 2006, making it the fifth largest flarier worldwide. If such wasted natural gas can be channeled for export, Kazakhstan would easily turn into a net exporter of natural gas.

Since Kazakh natural gas is a potential competitor with Russian natural gas, several new natural gas export pipelines from the Caspian Sea region also are in development or under consideration, potentially opening new markets for Kazakh natural gas. The two branches of the Central Asia Center (CAC) gas pipeline, the main gas export pipeline from Central Asia, meet in the southwestern Kazakh city of Beyneu before crossing into Russia at Alexandrov Gay and feeding into the Russian pipeline system. Therefore, Kazakhstan is a major transit route for gas from Turkmenistan to Russia and on to other markets across the territory of the former Soviet Union.

Turkmenistan-Kazakhstan-China Pipeline. In December 2007, Chinese |National Petroleum Company (CNPC) pledged to invest $2.2 billion in a 1.06 Tcf (30 bcm) natural gas pipeline that would run from Turkmenistan through Uzbekistan and Kazakhstan to China. According to the construction plan, the pipeline is expected to start at Gedaim on the border of Turkmenistan and Uzbekistan and extend 1,800 km. About 520 km would run through Uzbekistan and the rest in Kazakhstan to reach Khorgos in China's northwestern Xinjiang region. In August, Turkmenistan and China signed a 30-year supply agreement for the gas that would fill the pipeline. CNPC has set up two entities to oversee the Turkmen upstream project and the development of the second pipeline that will cross China from the Xinjiang region to demand centers in southeast China. The total cost of the entire project is expected to be $7.31 billion. Also, Russia is planning a natural gas pipeline to China.

Central Asia Center Pipeline Expansion. In December 2007, Russia, Kazakhstan and Turkmenistan announced the signing of an agreement to carry Central Asian natural gas from Turkmenistan to Russia via the existing Central Asia Center gas pipeline. After the pipeline's completion in 2012, the route will have a capacity of 2.6 Tcf (80 Bcm), up from around 2.1 Tcf (60 Bcm). The agreement stipulates that each country will be responsible for building the section of new pipeline in each of their respective territories. Russia's agreement with the two countries was reportedly contingent on a Russian pledge to increase its buying price of Central Asian gas, but the exact price is still undetermined.

China's proven reserves increased from 1.0 trillion cubic meters (Tcm) in 1990 to 1.9 Tcm in 2007. It now accounts for 1.1% of the world total, with R/P ratio of 27.2. Reserves are mainly located in five sedimentary basins: Ordos (27%), Sichuan (23%), Tarim (19%), Bohai Gulf (8%) and Songliao (7%). The remaining 16% are distributed in small reservoirs in about ten basins. The Ordos, Sichuan, Tarim and Songliao basins together hold the bulk of onshore non-associated gas and, therefore, form the core of potential future production. Gas reserves from the Bohai Gulf are mostly associated with oil in mature fields. Bohai Gulf is located closest to the consuming areas of the country and is, unsurprisingly, the most depleted. Yet the reserves in the recently discovered fields exceed those of all the previously discovered fields. The recently largest discovery, the Sulige field found in 2000, has proven and probable reserves of 466 Mcm.

China's natural gas production has been gradually rising since the mid 1990s, as new fields, particularly offshore, came on line, and new pipelines were built. The output level increased from 15,298 Mcm in 1990 to 89.978.2Mcm in 2009 (Table 2.9).

The major expansion of China's gas production projected here will call for considerable investment in pipeline and storage infrastructure, particularly since production will be increasingly concentrated in the centre and west of the country, while demand is concentrated in the southern and eastern provinces. The West-East pipeline, built by CNPC and fully completed in 2005, connects the Tarim basin in the remote western Xinjiang Uygur autonomous region to Shanghai. It has an estimated capacity of about 1,200 Mcm per year, which is to be increased to 1,700 Mcm by the beginning of the next decade. Pipeline capacity is expected to be supplemented substantially by 2010, through the addition of a second line with a capacity of 3,000 Mcm per year. The West-East pipeline forms the backbone of an ambitious plan to develop a national gas network, involving 20,000 km of pipelines. Reserves from the Ordos to Junggar basins, and imports from Turkmenistan to Kazakhstan will also feed into the pipeline later.

China's demand for natural gas increased remarkably from 15,250 Mcm in 1990 to 69,523 Mcm in 2007, generating pressure on the supply side. China imported gas – as liquefied natural gas (LNG) – for the first time in 2006, at 950 Mcm (Table 3.9). Natural gas imports in China are projected to increase sharply, to 1,200 Mcm in 2010, 2,800 Mcm in 2015 and 12,800 Mcm in 2030.

Most imported gas will come by pipeline from neighboring countries. Beijing has mooted several large-scale pipelines to bring supplies from abroad. Among these is a 3,000-km pipeline from Kazakhstan to Khorgas in Xinjiang which is due to come on-stream in 2010. It will carry gas mainly from Turkmenistan (which in 2006 signed

Table 2: **China's Natural Gas Production, Consumption and Trade, 1990-2010**

	NG Production	NG Consumption	NG Imports	NG Exports	Net NG Exports
	Mm^3	Mm^3	Mm^3	Mm^3	Mm^3
1990	15,298.0	15,250.0	0.0	0.0	0.0
1991	15,490.0	15,890.0	0.0	0.0	0.0
1992	15,790.0	15,880.0	0.0	0.0	0.0
1993	16,765.0	16,760.0	0.0	0.0	0.0
1994	17,559.0	17,342.0	0.0	0.0	0.0
1995	17,947.0	17,741.0	0.0	0.0	0.0
1996	20,114.0	18,488.0	0.0	0.0	0.0
1997	22,703.0	19,544.0	0.0	0.0	0.0
1998	23,279.0	20,257.0	0.0	0.0	0.0
1999	25,198.0	21,494.0	0.0	3377.0	3377.0
2000	27,200.0	24,505.0	0.0	3139.0	3139.0
2001	30,329.0	27,430.0	0.0	3039.0	3039.0
2002	32,661.0	29,184.0	0.0	3203.0	3203.0
2003	35,015.0	33,910.0	0.0	1873.0	1873.0
2004	41,460.0	39,670.0	0.0	2440.0	2440.0
2005	49,320.0	46,763.0	0.0	2969.0	2969.0
2006	58,553.0	56,140.9	950.0	2898.0	1948.0
2007	69,310.6	69,523.0	4020.0	5440.0	1420.0
2008	71,214.6	78,768.2	5003.4	6780.3	1007.3
2009	89.978.2	87,675.3	6123.5	7782.6	970.2
2010					

a 30-year deal with China to deliver 3,000 Mcm of gas annually) and also from other Central Asian countries and will ultimately connect with China's planned second west-to-east natural gas pipeline. Initial capacity will be 1,000 Mcm per year, rising to 3,000 Mcm per year by 2011. In addition, CNPC signed an agreement with Exxon of the USA and Russia's Rosneft for an 800 Mcm capacity pipeline from the Sakhalin-1 project via an as-yet undecided route from 2011. Two other agreements were also signed between CNPC and Russia's Gazprom in 2006 to import gas through pipelines running firstly via an as yet undetermined route from western Siberia to China's Xinjiang province, and secondly from eastern Siberia to Heilongjiang province in north-east China. These lines will have combined annual capacity of 3,000 Mcm per year, with delivery targeted for 2011.

Other gas imports will be in the form of LNG shipped in by tanker. The first LNG terminal, built by BP and Vhinese National Overseas Oil Company (CNOOC) in Shenzhen, opened for business in June 2006. The US$10 billion project will initially allow the import of 450 Mcm of LNG each year (sourced from Australia) and up to 1,100 Mcm each year by 2008. BP has a 30% equity stake in the project, while CNOOC controls 33%. Six 320 MW gas-fired power plants will ultimately be fed by gas piped from the terminal. The Shenzhen LNG terminal is only the first of a dozen others planned along China's coast. A second, located in Fujian province, opened in April 2008 and two others are under construction in Shanghai and Dalian. These projects will provide fuel to dozens of gas-fired power plants being constructed in tandem with the terminals or being converted from existing oil-fired facilities—part of a plan to boost gas-generated power from 960,000 kWh in 2000 (some 0.3% of the national total) to 2.8 billion kWh by 2020.

Most of China's planned LNG terminals in the south will be controlled by CNOOC, while Sinopec and PetroChina will be active mainly in the north. CNOOC intends to import 3,450 Mcm of LNG annually by 2010, when capacity at its gas-fired plants reaches 9.16 GW. Despite Beijing's ambitious plans to expand the industry, the economics of gas usage in China remains an open question given the country's abundant supply of coal, which provides a cheaper energy source. World gas prices have soared over the past few years and China now faces stiff competition for gas supplies from other nations, including South Korea, Japan, and the US, where some 40 LNG terminals are planned (Table 2.10).

Coal

Kazakhstan is one of the top ten coal producers in the world. Its reserves and mines are the third largest in the CIS, while its income from coal mining per capita is the largest in the CIS. The five largest coal producers in Kazakhstan are located in the Pavlodar and Karaganda regions and account for 87.7% of the coal mined in the country. With proven coal reserves of some 34.5 billion tons of mostly high quality anthracitic and bituminous coal, Kazakhstan has the eighth largest reserves in the world, taking over four percent of the world's coal. The most valuable are energy-rich and coking coals.

Coal production in Kazakhstan has fallen by roughly 35% since independence. Much of the decline has been because of mine problems (over 30 people died in mining accidents during 2004) and problems gaining outside foreign investment to preserve their economic viability. IEA data show a modest upswing in coal production in 2000 and 2001, and the country's production again grew by over 10% 2008. According to the Kazakh Ministry of Energy and Natural Resources, the country aims to be producing 100-105 million tons yearly by 2015.

Coal production is concentrated in two major deposits at Karaganda and Ekibastuz, which produce 95% of the total. Most of Kazakhstan's coal is extremely high in ash content. Underground mines provide 70% of Kazakhstan's coal and the rest is from open cast mines. In Karaganda coal is mined primarily by underground methods, while Ekibastuzmines are exclusively open cast. All coal from Ekibastuz is consigned to electricity generation. Karaganda's coal is used in both the steel and thermal power sectors.

Net exports have some 15%. Although the coal is inexpensive to produce, there are questions regarding the profitability of exports due to the long distances involved. Markets for Kazakh coal in the former Soviet Union have contracted since 1990, as has the country's internal demand, notwithstanding re expansion of the economy since 1999. Therefore, the cooperation between Kazakhstan and China in coal sector is reasonably limited.

China is the largest coal producer in the world. China had reported coal proven reserves of 114,500 mt at the end of 2007, about 13.5% of the world's proven recoverable reserves, with an R/P ratio of 45. China had reported coal proven reserves of 114,500 mt at the end of 2007, about 13.5% of the world's proven recoverable reserves, with an R/P ratio of 45. The production level more than doubled from 1, 079.9 mt in 1990 to 3,112.3 mt in 2010 (Table2.11). Output of steam coal, which currently accounts for almost 90% of production in volume terms, increases faster than that of coking coal. Shanxi province is expected to continue to dominate coal production, with output from Inner Mongolia, Shaanxi, Ningxia and Guizhou also growing significantly. The coastal provinces produce only 321 Mtce in 2030, an increase of 28% over 2005 levels but only 10% of China's total production, compared to 15% in 2005.

It should be pointed out that Shanxi is a key coal supplier to other provinces, exporting around 300 million tons, mainly by rail, with the Datong to Qinhuangdao Port (Daqin) line being of particular significance, carrying coal for both domestic and export customers. Despite the remarkable growth in coal production since 2000, China suffered electricity blackouts during 2003-2004 partly due to coal transport bottlenecks. More than one-half of China's total coal supply is moved by rail. This one billion tons of coal accounts for around 44% of national rail freight. Given the well-known coal transport bottleneck issue, China finds it more efficient to get the coal demand from coastal area, especially centers far away from Shanxi, by importing coal from foreign suppliers, despite that China does not run short of coal.

China's coal consumption increased from 1, 055.2 mt in 1990 to 2,897.1mt in 2010 (Table 2.10). Largely because of the transport bottleneck deadlock, mentioned above, China's net imports of coal climbed from 17.3 mt to 59.8 mt, with self-sufficiency rate of coal dropping from 115.3% in 1990 to 102.2% in 2010. Reports show that China is becoming a net importer of coal. In fact, China became a net importer of steam coal in 2007. Coal imports to China mainly meet demand in coastal provinces. Key suppliers in 2030 will be Indonesia, Australia, South Africa, Mongolia, Vietnam and Russia. As Kazakhstan is situated at the west side of China, Kazakhstan coal will not be an ideal item for the Sino-Kazakh energy cooperation.

Uranium

Kazakhstan has significant uranium reserves and produces 40% of the total uranium production in CIS countries. Around 80% of the total is located in south Kazakhstan (Chu-Sarysu and Syrdarinskaya provinces). Another 14% is found in North Kazakhstan, with the remaining 6% being located in Central and West Kazakhstan oblasts.

Kazakhstan produced some 5,280 tons of uranium in 2006 and around 6,600 tons in 2007. In 2008 year, Kazatomprom produced 14, 000 tons of uranium, and it has the capacity to almost double this volume. In 2009, Kazakhstan became the world's number one natural uranium producer making headlines around the world as renewed interest in nuclear energy as a long – term source of power, after a break of almost three decades, made all things nuclear hot subjects on the global political agenda.

Kazakhstan is determined to maintain steady growth in its uranium production, depending on business trends, demand for these volumes and provided that return on investment is secured for the development of new fields. Kazakhstan's uranium reserves, production capacities, and necessary technologies enable to increase uranium output up to 25,000 tones a year.

Statistics make that renaissance almost palpable: today, 440 nuclear reactors operate around the world; a total of 59 reactors are under construction; 149 reactors are being prepared and 342 others are under serious consideration.

Kazatomprom wants to ride that global nuclear wave, and wants to expand into other segments of the market. The plans, already being implemented in partnership with international companies such as AREVA, Guandong Nuclear Power Corporation, RosAtom, Toshiba, and Sumitomo, foresee the production of highly technological products, including reactor fuel assemblies and, in the future, reactors themselves. For that, Kazakhstan has the necessary potential, including raw materials, highly – professional specialists, political stability and reputation of a reliable partner in the field of a safe and peaceful use of atomic energy. Indeed, in recent years, Kazakhstan has engineered a number of deals that underline the country's economic and commercial multilateralism.

In 2007, Kazatomprom bought 10% of Toshiba – owned Westinghouse, one of the largest manufacturers in the US nuclear industry. The following year, Canada's Cameco Corporation, building on an earlier cooperation agreement, announced a joint venture to build a uranium conversion plant in Ust-Kamenogorsk. Moreover, during the last two years, Kazatomprom has been working with France's Areva and signed an agreement to from a joint venture called Ifastar, aimed at development of domestic nuclear fuel manufacturing. On 24 March 2010, Kazatomprom and Japan's Sumitomo Corporation agreed to set up a joint venture called Summit Atom Rare Earth Company (SARECO) to engage in exploration for rare earth metals.

Another Kazakh venture is the Unified Uranium Company, a joint venture with Russian partners from Rosatomprom and a consortium of French, Chinese and Japanese companies. While pushing forward with uranium development, Kazakhstan is mindful of proliferation risks associated with this and has been working within the Treaty on the Non – proliferation of Nuclear Weapons in close cooperation with the International Atomic Energy Agency (IAEA). Projects are aimed at increase of the security level of the utilization of nuclear power and implementation of new progressive methods in industry, science and the social sphere, including health care and environmental protection.

By 2015, Kazakhstan aims to more than double its uranium production and become the world's largest supplier, racing ahead of Australia and Canada. It intends to supply one third of global demand by 2030.

While this may be ambitious, surging uranium prices and declining stockpiles of blended-down weapons-grade nuclear fuel define the market today. This creates strong incentives for the national nuclear industry company, KazAtomProm, and international atomic corporations to increase investment in order to provide more uranium to the world markets. The country may continue to increase production, provided that demand keeps rising, which is probable, with China and other countries building nuclear reactors at a brisk clip. KazAtomProm aspires to build a vertically integrated company active in all stages of the nuclear production cycle to increase its share of value-added nuclear exports chain. It would primarily target sales to the Chinese, Japanese, and Indian markets, and possibly the U.S.

In November 2007, Astana and Beijing agreed to an equity swap in the nuclear industry. China will get up to a 49% stake in a Kazakh uranium mining venture with KazAtomProm, while KazAtomProm will gain equity in Chinese nuclear fuel processing or nuclear power generation plants. Boosting uranium output comes just in time, as Beijing needs large uranium supplies to fuel its expanding nuclear power generation. According to the agreement, China National Nuclear Corporation and China Nuclear Guangdong Power Corporation, China's major nuclear power companies, will form a joint venture with KazAtomProm. This joint venture will process Kazakh uranium in facilities located in Kazakhstan, and provide much-needed technology transfer to Astana. Thus, KazAtomProm will become the first foreign company to hold a stake in China's secretive nuclear industry, which, experts believe, highlights China's aggressive pace in securing access to Central Asian energy beyond hydrocarbons.

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Government and Civil Society in Kazakhstan: Maturity and Responsibility

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The events in the neighboring Kyrgyzstan are the most unfortunate example of the relations between government and civil society.

Obviously enough, the power change and the subsequent destabilizing processes in Kyrgyzstan rooted in the social and economic situation. However, the situation could have been resolved otherwise to avoid violence and tragic consequences.

What is the situation in Kazakhstan? The issue of formation of a certain political culture in a society is not at all an idle question. It is increasingly relevant taking into account those events and processes which occur in the country in the context of state-building. Certainly, the basic subjects in this case are the government and the civil society. Therefore, it is crucial to have a clear understanding of the responsibility of the each party.

Relations of government and civil society in Kazakhstan have been eventful and intensional for the years of independence. The introduction of the state-guaranteed social order system became an important step towards a genuine partnership of the government and the civil society. The document aimed at enhancing of the civil sector stipulated that the government would provide financial assistance to the social projects implemented by non-governmental organizations (NGOs). While traditional democracies give the priority to the non-governmental organizations to resolve social problems, Kazakhstan laid the emphasis on adjustment of the system of interrelations of the government and the NGOs. This pattern can be easily explained as do not have similar experience.

It is necessary to mention that the things have considerably changed for these years. The certain mode of cooperation has been established with a clear and quite comprehensible channel for partnership. The outline of emerging civil sector has appeared. The NGOs have also more accurately positioned their sectoral preferences.

What are the current developments? The government shall reconsider each project in terms of its relevance and efficiency, to analyze the potential and capacities of civil sector to resolve social issues. A new stage of cooperation assumes a more effective policy in the direction. Provided the civil sector is enough responsible and capable to take certain functions of the government in a designated direction, the issue of administrative reforms will be inevitability raised.

Accurate and effective redistribution of governing functions between authorities of various levels is necessary. At the same time, transfer of some functions to the responsible partners from civil sector shall enhance the efficiency of the state bodies. These measures will lower red tape practices. For example, intensification of the trade unions' activities for protection of labor rights, wider involvement of the NGOs in volunteer activities to help the handicapped and elderly. There are numerous examples of effective participation of the NGOs in the cause of civil society development. While the government reserves the control functions.

Currently, internal policy departments on local level and the Ministry of Culture on national level are the only active partners of the NGOs. However, the potential scale and focus of the civil sector is big enough. The targeted and comprehensive cooperation is needed in sports, ecology, education, public health services, law enforcement, culture and other spheres. Obviously, the concrete legal basis is necessary here to outline the responsibilities of the parties and the scope of their activities.

Transformation of the civil sector into a more active and effective partner of the government, increase of social weight of the NGOs is by it self strengthening the statehood.

Some experts, however, argue that we have not had civil society yet. Theoretically, there is some truth in this. Though, on the other hand, we shall not ignore the process. Waiting for tomorrow's light awakening of the civil society, we waste precious time which will be very hard to make up for. And life goes on, today won't repeat tomorrow. Therefore, the issue is becoming increasingly relevant.

The question is whether the relations between government and civil society in Kazakhstan today are mature enough. Do the various groups of interests both in society and power understand the responsibility above them?

Not to mention the remote past, it is enough to remember the recent events. The last half a year were the test for the political maturity in Kazakhstan.

What are those factors making us to draw the line?

First. The People's Assembly of Kazakhstan issued the draft of the Doctrine of National Unity which led to a deep discontent in a certain part of the public. The national-patriotism was brought up to public debate. A number of figures of culture, art, science, and politics appeared in the mass media with quite resonant statements and alerted the public. A number of experts presented an alternative draft of the document. The subsequent negotiations resulted in the consensus reached by the opposing parties. Eventually, we had a new edition of the Doctrine which was the product of a joint work of power and civil society.

Conclusion: Rubicon has been passed. We have stepped forward to a civilized discussion concerning a very sensitive issue of interethnic relations and civil self-identification. It is important to notice that in this case the government itself (wishing that or not) became the initiator of the dialogue. We shall not lose the opportunity and keep the dialogue platform open to advance further in this direction, as the issue is not resolved.

Second. Kazakhstan joining the Customs Union with Belarus and Russia is another hot topic. The theory and practice may once again make a great difference. Experts give ambiguous estimations. The main argument of the opponents is that Kazakhstan may lose its independence. At the same time, there is a certain understanding that this a necessary step to enhance independence. The issue is too complicated and ambiguous.

Conclusion: more measures to promote open public debate are needed from the government.

Third. For the fist time, since very long ago, the young activists were ready to take to the streets with a number of serious claims to the government. It was the most courageous political move of the youth during the last years. All waited for the day with impatience. There were negotiation of representatives of the government agencies and the activists where they agreed not to hold the rally under certain conditions on considerations of the requirements. Similarly to the abovementioned case, the parties proved the ability for a responsible dialogue.

There was different attitude to the rally among general public. Anyway, the initiative of the youth on upholding of their interests and the interests of the nation is worthy. It would be much gloomier if they were always silent.

Conclusion: generally, the young perceive adequately the current situation in the country. The parties shall not lose the chance and deepen mutual understanding and cooperation.

Fourth. It was the very severe winter with heavy snowfalls resulted in tragic events in the Kyzyl Agash village near Almaty. The emergency operation was not timely. Obviously, the agencies responsible for emergency relief operation should have been more efficient and the dozens of lives had not been lost. Now everybody is waiting for fair justice.

Not surprisingly, the government succeeded in organizing a nationwide "Asar" (assistance campaign) as these are the traditions of the Kazakh. Interesting enough, we did not see anybody from so-called opposition during the media coverage of the "Asar". What we saw was the logo of the ruling party. There could be two reasons; either the opposition did not provide any assistance (which I doubt) or we haven't yet become ready for the subject-to-subject relations. In other words, we haven't succeeded in drawing political fair play rules

Conclusion: people in power should be more honest in display of their opponents (if they recognize them as such), especially during the times of hardship when the appeals to people unification must not have any excluding character.

Fifth. The Parliament suggested the amendments to the Constitution stipulating the introduction of the institute of the Leader of the Nation for the first President of Kazakhstan N. Nazarbayev. The public response was ambiguous. The President called for being cautious. Some opposition parties, public associations and individuals criticized the amendments. The logical analysis suggests a number of things here:

- During the turning periods people chose their leader who is capable to lead them forward. We already made the choice 20 years ago. And each time during the elections the people keep saying that N. Nazarbayev is the leader. At first thought there is no problem here.

- Consolidation of the nation through identification of the figure who can unite everybody is the other thing. And again we have done this. In the yearly of 1990s N. Nazarbaev became the national hero, and even embodied the national idea of the independent country. The President was entitled to retain his position according to the acting Constitution. N. Nazarbayev long ago enjoyed historical recognition as the leader of the nation.

- Some experts consider these amendments as the measure to guarantee power succession. It seems more logical for Kazakhstan. The mechanism of power succession is definitely crucial for the country and will outline further development of independent Kazakhstan. On the other hand, to which extend shall the exceptions go?

The President made the statement where he asked to accept his refusal to sign the amendments. However, in the middle of June due to some terms of the domestic legislation it was possible for the official mass- media to release the text of the Constitutional Law of the Republic of Kazakhstan On Amendments into the Constitutional Laws of the Republic of Kazakhstan on Legislation Improvement on the Fulfillment of the Presidential Functions of the First President of the Republic of Kazakhstan – the Leader of the Nation. The law came into force.

This initiative, however, triggered an intensive public discussion over the improvement of the national political system. Constructive and adequate course of this dialogue is an important indicator of the maturity in relations of civil society and government.

The fact that various groups of interests were included into the process of resolution of the abovementioned issues is the major characteristic of this period. Most importantly, all the parties proved their abilities to carry on a 'civilized' dialogue thinking of the future of the nation. As each of the parties has its own vision, ability to join the efforts and reach the consensus is the major condition for the future development. The stability of both the nation and the statehood is laid on common sense of responsibility for fulfillment of the national interests.

The concept of 'unity' today not a political slogan, it is the historical necessity. The unity may be achieved via the dialogue between the parties concerned. Common awareness and sense of unity is the basis for further breakthrough.

"Nature abhors a vacuum - Bernard Shaw once said - but why do most people hasten to fill in the blanks with garbage?" Therefore, it is very important to build open, responsible, and confidential relations in the political space of Kazakhstan.

Today we can see a certain level of credit and trust between government and civil society and that gives us confidence for the future of our nation. Meanwhile, this credit is rooted mainly in the traditional relation between society and government as well as in certain social and economic achievements. Is it enough? And the future is not as far, as it seems. Each word, each action lays the foundation for the common home. A bad brick may make the wall crumble, and then the whole construction falls. We should bear in mind an unfortunate example of Kyrgyzstan.

There can be various causes and effects of a conflict situation. It may be caused by some irresponsible people. However, any community (especially that which is institutionalized) should see the difference between the wished and the valid, between the possible and the desirable when trying to achieve the goal.