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

Quarterly since 2003

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Design & Layout:

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

None of these articles should be
reproduced without reference to the
magazine.

The opinion of the editorial board may not
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Printhouse of the

IE "Volkova Ye. V"

Address: 212/1 Raimbek Ave., Almaty

Circulation: 300 copies



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Mission Successfully Accomplished

BULAT SULTANOV,

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Kazakhstan's chairmanship in OSCE, antinuclear initiatives taken by the Head of our State at the Washington Summit, Kazakhstan's leadership in the integration processes are not random phenomena. They are based on the concept of Kazakhstan's foreign policy, based on the ideas of eurasianism and multi-vector. It is the peaceful foreign policy announced by Nursultan Nazarbayev, the first President at the dawn of independence in 1991 that has laid the foundations for today's success. Therefore, there is no coincidence that the ending year became very special, if I may say so, a remarkable one to our country.

One should remember, January 2010 began with Kazakhstan being constantly on news feeds of the global information agencies, which voiced the information on the Asian state joining the OSCE chairmanship for the first time in its history. With this regard, I would like to quote the words of Hillary Clinton, U.S. Secretary of State, she said prior to our chairmanship, that the Republic which earned respect and appreciation of the world peace makers will continue strengthen its leading role in the international arena, by leading the Organization for Security and Cooperation in Europe.

Our mission turned out to be successful: in a short time we were able to reanimate the Organization. If before January 2010 the OSCE was criticized and there were even implications noted about its dissolution, Kazakhstan managed, as was precisely by the President Nursultan Nazarbayev to return a "the spirit of Helsinki" in there. Most importantly, we have turned the OSCE to the Central Asian Affairs, we were able to "reset"

and make it a structure for security and co-operation not only in Euro-Atlantic region but also in Eurasia. This, in turn, guarantees improvement of individual security to every citizen in Kazakhstan and residents of CA.

The OSCE Summit in Astana become benchmark in the history of the chairmanship, especially bearing in mind that over the past 11 years none of the chairs succeeded in holding the highest forum of the Organization.

Kazakhstan seeks for integration not only in the political field but in the economic foremost. Formula "first - economy, then - politics" was put to the basis of Kazakhstan's development model. Chairmanship in the OSCE, which took a lot of time and effort, did not prevent us from establishing the Customs Union of three countries in 2010, which became another successful step in this direction. The Programme "Ten Simple Steps towards Ordinary People", initiated by the President Nursultan Nazarbayev at the dawn of independence, will be implemented within the frame of the Common Economic Space of Kazakhstan, Russia and Belarus.

Moreover, the Customs Union will help us in pursuing the following strategic goals – establishment of the Common Economic Space with the European Union. A recent October meeting of the presidents of Russia, France and Chancellor of Germany held in French Deauville brings hope as the need for cooperation growth in establishment of the economic space of the EU and Russia - our closest neighbor and partner in the Customs Union, was discussed during this meeting.

Thus, the idea of the Eurasian Union articulated by the President Nursultan Nazarbayev in 1994

while delivering the lecture at Moscow State University starts to shape up.

One should remember that we do not have an alternative for cooperation with the West. Especially with the close proximity to the Asian Arc of Instability.

The year 2010 became very successful for Kazakhstan in the context of the domestic economy development as well. 72 projects with the total value of KZT 351.1 billion were completed in the first half of 2010. For nine months the GDP grew by 7,5%, industrial production - by 10,5%, nearly a hundred of new businesses were set up.

During the decade of the new century per capita GDP grew by more than 7 times and exceeded 8 thousand dollars. Beside the point, amongst all the former Soviet republics, only Russia and Kazakhstan have managed to achieve such high figures. And a few more numbers: since 2000 our economy has raised near 110 billion dollars of direct foreign investments. During the first decade of the new century, pensions grew by more than 6 times, housing funds grew by 30

millions sq. meters. Over 700 schools and 450 public health facilities were built in the country.

Speaking about the prospects, starting the middle of 2011, our country will chair another yet respected international association - the Organization of the Islamic Conference. While the OIC is not a religious organization, however, its new Chair is expected to bring out new initiatives to promote dialogue among civilizations. I believe that such hopes of the international community are largely explained by the peaceful policy pursued by the President Nursultan Nazarbayev and by those achievements that our country has reached during the chairmanship in the OSCE.

In addition to that, both European and Asian countries anchor hopes on Kazakhstan as a recognized initiator of the integration processes in building relationships of the OIC with the OSCE, SCO and the CICA. I am confident that the nation, where stability, peace, tolerance, mutual respect and prosperity are the principal values, is able to do so.

U.S. Central Asian Policy under the President Barack Obama

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Introduction

There can be no doubt that during the eighteen months it has been in power, the Obama Administration has in due course defined the main vectors and priorities of U.S. foreign policy, determined the country's key geopolitical interests, drawn up and adopted a National Security Strategy, and compiled a Nuclear Policy Review.

The following factors are having an impact on U.S. policy in the post-Soviet expanse, which includes Central Asia (CA): relations with Russia, the PRC, the Islamic Republic of Iran (IRI), Turkey, Pakistan, and India; the military operation in Afghanistan; NATO's enlargement; the energy factor; the coordination strategy between the West and the European Union (EU); and the problem of radical Islam.

Since the beginning of his presidency, Barack Obama has designated intensification of the U.S.'s influence in the Asia Pacific Region (APR) and further development of relations with China as the priority vectors of his foreign policy.

In order to help the American economy to recover from its severe crisis, the U.S. tried to create a geopolitical alliance with the PRC (a duumvirate of world administration), but Beijing rejected this proposal.

Another main issue (apart from recovery from the crisis) for the Obama Administration is bringing the war on so-called international terrorism (meaning the military operation in Afghanistan in particular) to its successful conclusion. This means

that the foreign policy strategy of the present-day American Democrats hinges on the geopolitical situation in Central Asia, while also keeping in mind Russia's interests.

The current U.S. administration is keeping a close strategic eye on the Central Asian region, particularly after the events in Kyrgyzstan. This is posing both new threats and new opportunities for the CA countries in the context of reinforcing the geopolitical balance in the region.

A decision was made recently to reduce the U.S.'s military presence in Afghanistan with subsequent withdrawal from this country (presumably between 2011 and 2014). If this happens, the security situation in CA, Afghanistan, and Pakistan could drastically change for the worse.

It appears that the U.S. is no longer consider democratization as the fundamental principle of its foreign policy. The Obama Administration realizes that establishing democracy does not boil down to perfunctorily introducing election procedures into a country, but depends on the conditions within the country itself being ripe for such changes and on creating a socioeconomic and political infrastructure, which requires many years of effort. The U.S. intends to make use of "intelligent" power (which presumes a combination of "hard" and "soft" power). Today preference is being given not to military action, but to political and economic methods, as well as to diplomacy and cultural ties.

On the whole, experts characterize the foreign policy of the Obama Administration as contradictory and inconsistent. The main reasons for this, in their opinion, are the current president's lack of

experience in international affairs and, more importantly, very unfavorable situation in the U.S. with respect to the national and global economy.

Principles, Methods, and Tasks of Barack Obama's Central Asian Policy

According to the Central Asian policymakers in the Obama Administration, the U.S. must overcome the internal structural contradiction in its policy in the new circumstances, as well as resolve three vitally important issues:

1. Mistrust of the CA states regarding the U.S.'s efforts to establish democracy in the region's republics. Before launching its Central Asian policy, the White House, in order to improve its image, would do well to strengthen its contacts with the governments of the region's countries.

2. Russia's opposition, which does not suit the U.S. policy.

3. The situation in Afghanistan.

On the whole, American experts are very skeptical about the prospects for implementing the Greater Central Asia (GCA) concept Barack Obama inherited from the George Bush Administration.

Washington has determined the objectives and tasks that form the foundation of GCA for the mid and long term. So, although implementation of the project is encountering all kinds of problems, this does not mean that this vital geopolitical matter should be removed from the agenda.

Today, the U.S.'s interests in the region go beyond the framework of GCA, and in the foreseeable future they will be implemented on the basis of existing projects and bilateral agreements with the CA states.

On the whole, the GCA project is only a part of Washington's strategic plans aimed at transforming the whole of Eurasia into an extensive U.S.-controlled geo-economic expanse that includes the Caspian region, CA, the Middle East, and South Asia (SA). So, in theory, a sanitary cordon could be created along Russia's and China's borders. This scenario would enlarge the geopolitical field of the region's rivals, which fully meets the White House's interests.

The main adjustments in U.S. policy amount to restoring several posts and subdivisions in

the administration and creating an SA and CA department, strengthening Afghanistan's role in integration of the Asian countries and formation of GCA, using the North-South transportation corridor to diversify export of energy resources from CA, applying different strategic approaches, and turning Kazakhstan into a regional leader and so-called corridor of reform. In addition, there are also plans to focus greater attention on the role of education and nongovernmental organizations in promoting democracy in CA (this process is still arousing a certain amount of concern in the region).

The U.S. is adjusting its Central Asian policy trying to avoid the mistakes made by the former White House administration.

American experts point to three serious mistakes of the U.S.'s CA policy in the past:

1. When resolving various issues of the region's states, the U.S. did not even bother to coordinate the positions of government departments.

2. The specifics of the CA countries and people, as well as of the region as a whole were not taken into account.

3. The U.S. did not coordinate its actions with the activity of other external players.

After the Democrats headed by Barack Obama came to power, it was expected that Washington would actively revise its strategy in CA and, in particular, reject the GCA concept.

In order to continue the war and equip the American contingent in Afghanistan, Washington needs a reliable route through the territory of the CIS countries (including the CA states), otherwise the transit of cargo will be impossible from the security point of view (due to the political instability in Pakistan and aggravation of its relations with India). So we are talking about further enlargement of the American military presence in the Central Asian countries, which, it is hoped, will play a vitally important role in supporting the U.S.'s military operation in Afghanistan.

The U.S.'s plans for Afghanistan have led several CA countries to hope for a significant increase in American aid and investments. But they were also concerned that Washington would use the antiterrorist operation to provide a more permanent base for its military contingents in the region (a similar situation existed in 2001-2002).

Another vector of American policy which needs adjustment in the region is the U.S.'s attitude toward the Collective Security Treaty Organization (CSTO). The White House believes that this organization is controlled by Russia and establishing relations with it will mean recognizing the CSTO as a legitimate member of the international community.

So Washington needs to maintain at least minimum contact with the Russian Federation and PRC regarding the most important problems arising in the CA countries, since this will help to promote the development of relations with the region's countries, as well as eliminate the possibility of criticism from Moscow and Beijing that the U.S. exclusively pursue its own interests.

It stands to reason that Barack Obama's policy in the Central Asian region should correct the mistakes of the White House's former administration. First of all, there must be stronger coordination among the U.S.'s various government departments (the State Department and Pentagon in particular).

On the whole, however, the Obama Administration has inherited sufficiently powerful levers from its predecessors that ensure its strong and regular impact on the CA countries from the position of so-called soft power. This implies the presence and functioning of numerous funds and their branches, information and cultural centers, American corners and councils, in the region. There are 22 of them in Kazakhstan, 15 in Kyrgyzstan, 9 in Tajikistan, 5 in Turkmenistan, and 1 in Uzbekistan (not to mention the programs broadcast by the Voice of America in Uzbek).

His clear, the Obama Administration does not have a clear conception of its policy in CA. U.S. interests in the region are primarily related to ensuring the transit of military cargo for the U.S. and NATO coalition troops in Afghanistan.

Barack Obama's attention was drawn once more to the Central Asian region when the turmoil broke out in Kyrgyzstan in April 2010. The White House assumed a position that implied that such countries as Russia (the CSTO leader) and Kazakhstan (chairman of the OSCE) should take responsibility for stability in this republic (and in the region as a whole).

The new president in the White House is still placing top priority on strengthening cooperation

between the U.S. (along with the EU) and the CA states in the energy industry. The stakes are being placed on further americanization of the Caspian and on reorienting the flows of Caspian oil and gas resources toward Europe. The U.S. and its partners in the EU will continue to exert efforts to ensure that the main oil and gas pipelines link the Central Asian region and the European markets without passing through Russia.

The global financial crisis and drop in the world energy prices could lead to the curtailment of several energy projects lobbied by Washington in the Caspian. Despite this, however, the Central Asian region will remain an arena for the intense competitive struggle between the U.S. and Russia.

The U.S. and Kazakhstan

At present, the U.S. is most successful in developing with Kazakhstan (largely because the republic is the chairman of the OSCE). The U.S. regards Kazakhstan as an ambitious, influential, and predictable political player (in contrast to some of the other CA countries) not only in the Central Asian region, but also throughout the post-Soviet space.

On the basis of the industrial-innovative strategy being implemented in the republic, U.S. investment companies and banks that regard Kazakhstan as a promising developing market have stepped up their activity. Washington also thinks that Kazakhstan's membership in the Customs Union should not prevent its possible future membership in the WTO.

At present, American agroindustrial companies and enterprises engaged in the delivery of medical equipment and educational institutions that would like to invest in projects being implemented in the republic are actively developing cooperation with Kazakhstan. But it should be presumed that the current share of funds going into the oil industry and that being allotted to other branches of Kazakhstan's economy will not change; oil, gas, and affiliated transport routes will continue to account, as before, for 65% of American investments.

During the years the bilateral economic relations have been developing (since 1993), the U.S. has invested \$14.3 billion in the Kazakhstan economy (mainly in the oil and gas industry and affiliated services). But at present, export from the U.S. to

Kazakhstan has fallen to the 2005 level; in 2009 it amounted to \$600 million, although there was a time when it reached \$1 billion. Equipment for the oil industry accounts for 40% of this sum, transport technology for 25%, and computers, telecommunications, electronics, and the chemical industry for the rest.

American analysts regard Kazakhstan as the most influential state in the region, but its territory (the largest among the CA countries) is too extensive for the small population to control. Moreover, Kazakhstan borders on Russia and depends on it for oil and natural gas transit to the West. Perhaps over time, with the infrastructure projects implemented, the situation will change.

On the eve of the Russian-Georgian war, Kazakhstan tried to find export alternatives for its rich energy resources, including pipelines via the Caspian Sea and to China. However, the construction of these routes is not complete, and this means that any agreements between Kazakhstan and the U.S. must be approved by Russia. As American analysts believe, the republic will not take the risk and act on its own.

When the U.S. and NATO leadership succeeded in coming to terms with almost all the main states that border on Afghanistan about the transit of non-military cargo for the coalition forces mission, the question was raised of inviting new countries and military contingents to participate in this operation. Kazakhstan's candidacy was examined as early as the beginning of 2008 (during the term of the George Bush administration), before the decision to enlarge the coalition military operation in Afghanistan was made.

American representatives regularly used diplomatic channels to explore the possibility of Kazakhstan's participation in such an operation, highly evaluating the part the republic's servicemen played in the Iraqi mission. It was tentatively suggested that similar cooperation might also be pursued in Afghanistan.

This cooperation implied recruiting Kazakh servicemen as staff officers, army medics, and field engineers for training the Afghans to demine their own territory (just as the Kazakh servicemen had done in Iraq). This makes us wonder why it was Astana which was offered this opportunity. NATO correctly presumed that the armed forces of other

CA states would not be able to interact efficiently with NATO structures in Afghanistan, since not one of them, apart from Kazakhstan, has had experience with working jointly with the alliance. In addition, Kazakhstan is the only country of the region that is carrying out an active pro-Western policy. Astana is participating much more actively in NATO's Partnership for Peace program than its closest regional neighbors.

Some Russian experts think that the possible participation of Kazakhstan's armed forces in the Afghan operation is a prerequisite for closer cooperation between this country and NATO. By conducting an independent military policy, Astana is considered to be departing from its pro-Russian course.

The question of an independent state participating in military operations lies entirely within the competence of its parliament and president; there is nothing extraordinary in the possibility of sending Kazakh servicemen to Afghanistan (particularly since the presence of the coalition forces there is legalized by the U.N. mandate). Moreover, this development would make Kazakh diplomacy even more multi-vector.

Nevertheless, Russia and the CSTO structures might react very negatively to Kazakhstan's participation in the Afghan operation being implemented under NATO's leadership.

It is very likely that by following its foreign political interests to strengthen cooperation with the West and raise its international prestige, Kazakhstan will join the operation in Afghanistan. But the possible negative consequences of such a step must also be kept in mind: loss of personnel, the Afghan population's displeasure at the direct presence of Kazakh servicemen in the country's territory, and a negative public opinion being formed with respect to Astana's military policy.

So Kazakhstan signing an agreement on transit to Afghanistan will raise Moscow's role. This also applies to the CA countries. By activating its policy with respect to Afghanistan, Kazakhstan should be ready for changes in Russia's position.

There is no doubt that relations with the U.S. traditionally occupy an important place among Kazakhstan's foreign policy priorities. Despite all the changes in the world balance of forces, America will long remain the most powerful global power.

The U.S.'s active policy in energy security directly affects the interests of CA and the Caspian region. Washington is insistently pushing the idea of diversifying export routes and opposing the appearance of monopolies in this sphere.

Further development of the CA countries, including Kazakhstan, greatly depends on how the problem of Iran's nuclear program is resolved. Astana recognizes Tehran's right to the peaceful atom and is in favor of a diplomatic solution to all issues concerned. In this respect, the Obama Administration was quite positive about the idea of creating a nuclear fuel bank in Kazakhstan.

The U.S. is also an important partner of Kazakhstan in the investment sphere (the total amount of American investments in the republic's economy, as well as in the fuel and energy complex and high technology has already topped \$15 billion). In this respect, the Kazakh-American initiative on state-private partnership could play an important role.

Kazakhstan, as the U.S.'s key partner in Central Asia, should continue to maintain friendly and constructive relations with Washington, developing a strategic dialog with respect to all the main vectors of cooperation (political, economic, and military), as well as regarding security and the development of democracy.

On the whole, Kazakhstan is a predictable and understandable partner for Washington, cooperation with which can be characterized as an important and key link in U.S. foreign policy on the Central Asian region. A confidential and constructive dialog has long been established between the two states.

At that time, Kazakhstan's main goal was to ensure the U.S.'s participation in the OSCE summit to be held in December 2010, which made it possible to promote Kazakh-American relations to a new level.

The U.S. and Kyrgyzstan

The Kyrgyz authorities' decision to close the American airbase at Manas came as a surprise to the Obama Administration. Washington regarded this airbase as a key transit point through which additional contingents of troops could be sent to Afghanistan. Moreover, Manas was to be used to compensate for the decrease in shipments via the Pakistani route.

The U.S. expert community was the first to react to the situation that developed around the Manas base, seeing Moscow's hand in Bishkek's actions. This conclusion was drawn on the basis of the fact that Kurmanbek Bakiyev's statement on closing the base came at the same time as Kyrgyzstan entered an unprecedented agreement on Russian financial and economic aid to the republic.

Head of the Pentagon Robert Gates was more reticent about this. He noted in particular that Russia was trying to take advantage of everything associated with closing the American airbase in Kyrgyzstan, the base being of immense importance for sending troops and cargo to Afghanistan, particularly since there are plans to double the U.S. military presence in this country the next year. In the context of the Great Game, the decision to close the Manas base was not at all accidental.

In the context of the rivalry between the U.S. and Russia in the post-Soviet space and other regions of Eurasia, measures to curtail America's permanent presence in Kyrgyzstan are quite logical; they reveal the depth of the contradictions between the sides that were manifested with particular clarity during George Bush's second presidential term.

As we know, at that time, Kyrgyz President Kurmanbek Bakiyev confirmed that Bishkek was willing to discuss with Washington ways to further use the Manas airbase, for example, for transporting non-military freight for the needs of the antiterrorist coalition in Afghanistan. In principle, this decision suited both the new U.S. administration (since it made it possible for it to "save face" and not look like the losing side) and Russia, which, in the final analysis, is not interested in undermining the position of the Western coalition in Afghanistan.

And finally, the version proposed by Kurmanbek Bakiyev was also very acceptable for Kyrgyzstan itself; it means that the republic was maintaining its relations with the U.S. and not losing money by foregoing the base in Manas.

China was also showing an interest in this kind of compromise, which, keeping in mind the vulnerability of the U.S.'s position in CA, could put a certain amount of pressure on it.

The question of opening a U.S. military facility in the republic was considered even before the events in April 2010 that led to the overthrow of President Bakiyev. A center for training Kyrgyz

Special Forces costing \$5.5 million was to be established in the Batken Region. The American side had previously allotted several million dollars to build similar training centers.

In May 2010, U.S. Deputy Assistant Secretary for South and Central Asian Affairs George Krol visited the region. He held consultations in which representatives of the new Kyrgyz leadership where Russian officials participated. This visit demonstrated Washington's visible concern about the development of the situation in Kyrgyzstan, since it threatened U.S. interests in the region.

The U.S. intends to cooperate with international organizations — the UN, OSCE, IMF, and World Bank with respect to rendering economic aid to Bishkek. At the same time, the U.S. is continuing to implement programs that were launched before the revolution; they are aimed at supporting the development of democracy, the economy, as well as the free and independent media. Moreover, the U.S. rendered technical support via American nongovernmental organizations to holding the referendum and latest elections.

It is worth noting that in June of 2010 the Pentagon temporarily stopped its refueling planes, which support the military operation in Afghanistan, from filling up at the Manas airport. At that time, NATO Special Representative for Central Asia and the Caucasus Robert Simmons also visited the country.

It appears that the American command is concerned about the development of the situation in Kyrgyzstan and does not exclude the possibility of closing the Transit Center at Manas.

The U.S. and Uzbekistan

A slightly different situation is developing in relations between the U.S. and Uzbekistan, which is still theoretically an important link in the entire Central Asian security system. Despite the fact that Uzbekistan's officials have been making loud statements about the joint fight against international terrorism and assistance to the coalition forces in carrying out the operation in Afghanistan, Washington has long lost confidence in Tashkent's policy.

Washington regards Uzbekistan as the central and most significant player in the region. This state has regional hegemonic ambitions and has

more opportunity than other states to stand up to Moscow. There are large Uzbek diasporas in all the neighboring states, which makes it possible for Tashkent to intervene in their policy. In contrast to other post-Soviet states of the region (apart from Kazakhstan), Uzbekistan is self-sufficient in terms of food and energy.

Uzbekistan is the most important potential partner for the U.S.; in contrast to Kazakhstan, it borders not on Russia, but on Afghanistan, with which it has road and railway connections. There is also a Soviet military base in the republic, which the Americans have already used.

The events of recent months have shown that, despite the Russian-Georgian war, Uzbekistan is not worried about Russia making any abrupt moves. American analysts are taking particular note of this fact.

At present, Uzbekistan is potentially growing in importance for the U.S. It provides the shortest and most reliable routes for cargo shipping. But here the U.S. is showing a certain amount of caution, not convinced that the Uzbek side will act as it has been predicted in any given situation.

In principle, the Uzbek and U.S. presidents have still not managed to establish a stable and reliable dialogue and personal contacts, but they intend to develop their relations further to the extent possible.

Washington is very well aware that Islam Karimov is unpredictable not only for the U.S., but also for the other leading world players in this region, Russia, China, and the EU countries.

Since the Americans have decided to lay their Afghan route in the direction of the so-called Northern Corridor (through the territory of Russia, Kazakhstan, and Uzbekistan), Uzbekistan has become a key link in carrying out NATO's military operation.

In addition, the Americans have made the tactical decision to replace the Manas airbase with the Navoi aerodrome (with Tashkent's consent), the necessary reconstruction of which will be done by South Korean specialists. At present, the U.S. is using its runways for carrying out non-military shipments.

In principle, the Uzbek leadership has also given the go-ahead to NATO's more intensive use of this route, even if the latter continues to take advantage of the Manas airbase.

It appears that Uzbek President Islam Karimov has recently been considering withdrawing from alliances with Russia; the Eurasian Economic Community (EurAsEC) and CSTO. Uzbekistan's orientation toward the U.S. and the West might have an impact on the geopolitical balance of forces in the region (primarily undermining Russia's position) and launch the republic into the next round of the struggle for regional leadership.

In 2009, a alarming trend appeared in the relations between the two states. In 2010, the U.S. offered to cooperate with Uzbekistan in programs to support the American troops in Afghanistan, and Tashkent offered Washington the services of the Navoi airport for supplying its troops.

But experts believe that these moves cannot be classified as an ultimate change in Tashkent's geopolitical orientation. It is likely a tactical move by Islam Karimov, who finds it more beneficial to engage in closer cooperation with the EU and U.S.

At the end of January 2010, after the first round of Uzbek-American political consultations (they were initiated by U.S. Assistant Secretary of State Robert Blake, who visited Tashkent in October 2009), Islam Karimov signed a Cooperation Plan with the U.S. for 2010 that envisages interaction in the political, social, and economic spheres, as well as in security matters.

The paragraph on cooperation in security calls for organizing training and retraining of Uzbekistan's officers (study courses and training sessions) at the U.S.'s leading military education institutions, within the framework of the International Military Education and Training Program (IMET) as well.

In addition to ensuring security of borders and combating the spread of terrorism, the two countries will cooperate within the Foreign Military Financing and Excess Defense Articles Transfer programs. Moreover, Uzbekistan and the U.S. will exchange information and undertake corresponding measures to prevent threats associated with the transit of non-military shipments through the Northern Distribution Network (NDN). There are also plans to join forces to build the Khairaton–Mazari-Sharif railroad.

Uzbek companies have already built 11 bridges along the Mazari-Sharif–Kabul route and are finishing the construction of a 275-mile high-voltage

transmission line capable of transmitting 150 MW of electricity from Termez to Kabul. During the second half of the year, there were plans to carry out a special undertaking with the Atlantic Council to implement Uzbekistan's regional security initiatives and create a "6+3" Contact Group for Afghanistan under the auspices of the U.N. Implementing various projects in agriculture, industry, and power engineering have also been included in the cooperation plan.

In terms of economy, the U.S. has plans to increase assistance to Uzbekistan to modernize its irrigation systems, restore degraded land, and use new technology to raise the harvest yield of farm crops.

It should be noted that the main reason for the foreign policy rapprochement between Islam Karimov's government and the Obama Administration is the Trans-Afghan Transport Corridor project, which will give Uzbekistan access to the ports of the Indian Ocean.

At present, Uzbekistan is emphasizing its key role in peaceful settlement of the situation in Afghanistan. Nevertheless, the republic has no intentions of becoming a U.S. vassal. The Uzbeks are pragmatically prompting American representatives to cooperate, while keeping a reasonable distance.

It should also be noted that Washington is concerned about Tashkent becoming too involved in the ongoing ethnic conflict in South Kyrgyzstan with the aim of helping its fellow countrymen and preventing export of the revolution to Uzbekistan. At the same time, in the event of large-scale destabilization of the region, the U.S. is not excluding Tashkent's more active role as the most influence military force in the Ferghana Valley.

The U.S. and Turkmenistan

As Western observers note, Turkmenistan has recently become a new arena of rivalry between Russia and the U.S. in the CA region. The matter primarily concerns the competition over the direction of the main gas pipeline (meaning the competition between Nabucco and the Caspian pipeline). Moreover, there is competition over the training of servicemen and delivery of hardware. Russia is still trying to draw Turkmenistan into military

relations by means of its participation in the Joint CIS Air Defense System, for example.

In turn, the U.S. is continuing to show interest in establishing its air bases in Turkmenistan, the territory of which, being a transportation-transit corridor, is important for continuing the coalition operation in Afghanistan.

By increasing its cooperation with Turkmenistan, the U.S. is motivated not only by its own interests, but is primarily trying to ensure Europe's energy security. For this purpose, American companies intend to increase their participation in developing Turkmen fields. In March of this year, an International Business Forum on hydrocarbon production in Turkmenistan was held in Ashgabad, which promoted further strengthening of economic contacts between the two countries.

American analysts believe (drawing a parallel with Georgia) that Turkmenistan's geographic location makes it possible for it to break away from Russia owing to the following circumstances:

1. Turkmenistan does not border on Russia (moreover, most of its population is concentrated in the far south of the country, that is, as far away as possible from Russia).
2. The country has a border with one of the major regional powers—Iran.
3. The infrastructure that joins Turkmenistan with Russia passes through two states.
4. Russia depends on the export of Turkmen gas (and not vice versa), which greatly complicates its attempts to strengthen its influence in the republic.

Turkmenistan will be able to play an important role in implementing America's plans, which envisage building new routes to Afghanistan without passing through Russia. But it will be very difficult to ship cargo and personnel by rail from Turkey through Georgia and Azerbaijan and then send them across the Caspian Sea to a Turkmen port and to by land Afghanistan.

Nevertheless, Turkmenistan is not showing any particular desire to establish closer ties with the U.S. The situation may change only if personal contact can be established between the presidents of the two countries. In this respect, it should be noted that Turkmenistan's new president, Gurbanguly Berdimukhammedov, has shown himself to be quite active in foreign policy, visiting NATO

headquarters in Brussels for the first time, where the sides agreed to intensify relations in several key spheres.

The Pentagon continues to hope that cooperation with Ashgabad will develop. In June 2008, Commander of U.S. Naval Forces Central Command Vice Admiral Kevin J. Cosgriff and Rear Admiral William Gortney visited Ashgabad where they met with the republic's Defense Minister and Head of the State Border Service. But Turkmenistan's leadership has never taken any decisive steps toward establishing military cooperation with the U.S. since it is still probably concerned about preserving its power.

Turkmenistan is of interest to the U.S. not only because it has a common border with Afghanistan, but also because there are abandoned military facilities in its territory not far from the Afghan border which could become a potential substitute for the Manas base. However, Ashgabad still does not fully trust the West and is not entering any transactions with it (in 2008, some voiced the opinion that the West might have been involved in the attempted coup).

The U.S. and EU hope that under the current leader Ashgabad will become much more pro-Western oriented and will develop the European vector in its foreign policy.

As before, the West has its sights set on reorienting the gas flows from Turkmenistan to Europe and making this republic less dependent on the pipelines that pass through Russian territory. Special U.S. State Department Envoy Richard Morningstar, who regularly visits Ashgabad, has repeatedly tried to convince Turkmen president of the importance of partnership with Washington, primarily in the energy sphere (he cites energy cooperation between the U.S. and Kazakhstan as an example).

The American side repeatedly emphasized that the intensively the political and military ties between the two states will depend on Turkmen leadership Readiness to open the country for U.S. companies. The Afghan coalition operation and Turkmenistan's indirect participation in it (meaning rendering the NATO troops all kinds of transit and supply services) will make it possible for the republic to count on increasing business and investment partnership with the U.S.

The Turkmen leadership asked the EU to examine the possibility of gas delivery from Turkmenistan to Europe through Iran (using the recently built gas pipeline from Dovletabad, which has a throughput capacity of 12 bcm of gas per year), via Azerbaijan, but the U.S. was categorically against such an alternative.

The U.S. and Tajikistan

A new round in the U.S.'s political activity in Tajikistan began after former ambassador to the U.S. Khamrokhon Zarifi was appointed Minister of Foreign Affairs of the republic in December 2006. This showed Dushanbe's willingness to step up bilateral cooperation.

In May 2007, NATO made a decision to increase the transit of shipments through Tajikistan (for the ongoing military campaign of the coalition forces in Afghanistan). In so doing, Russia was assured that there was no intention of increasing the actual size of the North Atlantic Alliance's contingent in Tajikistan. NATO representative Robert Simmons, who visited Dushanbe in May 2007, took part in this discussion making.

With respect to enlargement of the Afghan operation, Tajikistan could essentially become the U.S.'s main partner and ally in CA. It should be noted that cooperation between Washington and Dushanbe has become much more active recently, although the Tajik side has still not made any specific statements that make it possible for the U.S. to regard Emomali Rakhmon as a reliable and predictable partner.

By the time the Americans made it understood that they were open to talks with all interested CA countries on matters of transit of military and non-military shipments, as well as creating temporary bases, the Tajik leadership had expressed its clear dissatisfaction with Russia's policy regarding the already long planned building of the Rogun Hydropower Plant.

The U.S. has long stopped criticizing Emomali Rakhmon's domestic policy; it prefers to wait until it becomes clear how events will further develop around the coalition forces' Afghan mission. Nor should we forget that at the current stage Tajikistan is important for the U.S. not of in terms of beneficial economic investments, but as a strategic

springboard against the Taliban in Afghanistan. And whether Tajikistan becomes one of the U.S.'s new partners in CA (including the possible deployment of military bases in the republic) will depend on how cooperation between Washington and Dushanbe develops in the future.

The U.S. has already been rendering significant economic aid to Tajikistan; for example, two bridges were built across the border river Panj, as well as two other bridges linking the republic with Afghanistan. For Tajikistan, which has long been in the grips of a transportation blockade imposed by Uzbekistan, direct access to the shores of the Indian ocean (via Afghanistan) is of immense importance.

The situation in cooperation between the U.S. and Tajikistan is radically changing, since bringing the Afghan operation to its logical conclusion is one of the foreign policy priorities of the Obama Administration.

As of today, the Americans can offer this kind of expanded cooperation (including the creation of U.S. military bases) to any of the CA states. Dushanbe has the opportunity to make its support of the Afghan campaign of the coalition forces hinge on economic projects that are beneficial to it.

The U.S. offered the Tajik leadership the most diverse assistance, and Dushanbe, which has very scanty financial resources, was unable to refuse it. At the present stage, the total amount of money America has allotted to Tajikistan already tops \$1 billion, and this figure could essentially increase in the future.

Tajikistan has quite a good opportunity for suggesting establishment of the U.S. deploy stations in its territory for servicing the troops participating in the operation in Afghanistan (at least), which means striking while the iron is hot.

In addition to building new bridges and rendering financial support in implementing aid programs in various spheres, it might be of interest the U.S. to provide the a loan for building the Rogun Hydropower Plant mentioned above, as well as other hydropower facilities. It goes without saying that in this case the Americans will try not to simply allot certain funds, but to invest them in the form of technology and equipment.

In order to safeguard itself against Afghan instability and implement projects to build energy

facilities, Tajikistan will have to make non-standard political decisions.

After intensification of the financial crisis and change in the administration in the White House, the U.S. tried to probe the possibility of further increasing its influence in the CA region. This was related to enlargement of the military operation in Afghanistan.

In mid-November 2008, U.S. State Department Representative George Krol visited Dushanbe. In the course of the meeting with the President of Tajikistan, he said that the change in the American administration would in no way influence Washington's policy regarding CA, which was extremely important for stability throughout the Asian continent. George Krol assured Emomali Rakhmon that the world crisis would not have an effect on the amount of financial aid to the region's countries.

The U.S. positively evaluates the measures undertaken by President Emomali Rakhmon to maintain stability in the republic. They include endowing the security service with special authorities for opposing Islamic fundamentalists and applying repressive measures against instructors of underground madrasahs suspected of proselytism.

It should be noted that the republic considers itself to be one of Russia's most devoted allies. Tajikistan has never had American military bases on its territory and has not advanced military co-operation with NATO, while all proposals regarding cooperation are primarily aimed at Moscow. Moreover, Russia has a good chance of winning in the military rivalry for influence in Tajikistan. It has two military bases in the republic, and arms. It also trains Tajik servicemen.

At the same time, according to several experts, Tajikistan is regarded as the most pro-Western state in the region, despite Moscow's attempts to put pressure on Emomali Rakhmon. Relations with Russia are still one of Tajikistan's foreign policy priorities. But both sides are well aware that Russia not always shows an economic interest in implementing a given joint project and frequently does not have enough financial resources to carry it out.

This situation could tip the scales in favor of the U.S. and China (with its multi-billion investments) and turn Russia into just another regional player.

At the beginning of February 2010, bilateral political consultations between Tajikistan and the U.S. were held in Washington; the sides intended to examine issues concerning the political-economic situation in the region, implementation of hydro-power and transportation projects, as well as the situation in Afghanistan.

The Tajik authorities are willing to ask the U.S. to invest in various branches of the country's economy, primarily in power engineering. Dushanbe is perfectly aware that its overseas partners might be interested in those projects provided that they are in one way or another related to Afghanistan.

According to experts, tired of waiting for Moscow to provide the assistance it needs, Tajikistan is turning its sights to Washington. According to some analysts, in the context of the difficult economic situation in Tajikistan, President Rakhmon is left with increasingly fewer opportunities for retaining control over the country. Dushanbe is concerned about only one thing—where to get money from. Today, the U.S. and China interested in contrast to the U.S. only in obtaining its own economic gain, without the political component are the main sources of funding the republic needs; Russia has removed itself from the picture, while the EU is issuing small loans and grants that cannot have a significant influence on the domestic political and economic situation in the country.

The U.S. is working in Tajikistan in keeping with the traditional pattern: it is issuing grants to develop civil society institutions, carry out reforms of the self-government structure, and support the public activity of politicians. In addition, the republic is receiving money for protecting and equipping the border, as well as for fighting drug trafficking. However, the amounts allotted show that this is nothing more than a surreptitious way to line the bureaucrats' pockets.

The cooling off in relations between Tajikistan and Russia suits Washington to a tee, although the U.S. is not ready to render large-scale aid to Dushanbe. On the other hand, the American administration, which values the republic strategically for its proximity to Afghanistan, is concerned about the rapprochement between Dushanbe and Iran, as well as China's growing influence and economic presence in Tajikistan.

Development of Tajikistan's military cooperation with the U.S. consists of several aspects, one of which is creating a camp not far from Dushanbe for training Tajik servicemen, who have been undergoing training at Russian military centers until now.

Since denunciation of the contract on the Manas air base between Kyrgyzstan and the U.S., Washington has been looking at the Aini aerodrome (it was modernized with the participation of specialists from the Indian Defense Ministry) as an alternative base for using Tajikistan's air and land transit corridors. In addition, the White House administration is still considering the possibility of a U.S. military operation against Iran.

So the U.S. will continue urging Tajikistan to provide it with exclusive rental rights to the Aini aerodrome or its joint use. At the same time, efforts will be made to resolve issues regarding the financing of the whole series of economic projects (in power engineering and transportation) in the republic, including those in which China is currently investing. It should be noted that the Tajik leadership is counting precisely here of possible aid from the U.S.

So until the Afghan campaign of the coalition forces is over, the Americans will continue to intensify their presence in Tajikistan too.

In Lieu of a Conclusion

The Obama Administration is largely pursuing the Central Asian policy of which has been begun by its predecessors, any adjustments, as a rule, resulted from abrupt changes in the current situation.

The main components of this strategy are intensifying the U.S.'s influence on the CA countries and have direct connection with the Afghanistan problems: moderate support of nongovernmental organizations, use of symbolic rhetoric on human rights, support of pipeline projects that bypass Russia and Iran, activation of cooperation in the military sphere, and emphasis on cooperation with Kazakhstan beyond the bilateral framework.

Today, Barack Obama's policy in CA is cautious and taking Russia's interests into account. In the future, we should expect Washington's concern about the strengthening of China's and Iran's positions in the region win an increase. It is entirely

possible that this factor in particular will bring the U.S. and Russia closer together.

Barack Obama's election as U.S. president was accompanied by loud statements on foreign policy issues, including the future of American policy in Afghanistan; the Great Game entered a qualitatively new round in its development. It was announced that Washington's foreign policy would focus on stabilizing the situation in Afghanistan. This envisaged reversing the negative trends existing in this country and completing the building of a democratic society there. But there where no any new realistic proposals for resolving the Afghan problem so far.

So the U.S.'s new Afghan policy is based on the traditional tough approach that consists of increasing the military contingent and intensifying military action to deal the final blow that will defeat the Taliban movement.

One of the unpleasant surprises for the White House was the tactic changes in the Taliban's military strategy, which began to pay more attention to targeted action that interfered with the delivery of military shipments, food, and fuel and lubricants for the coalition forces in Afghanistan. The main roads that link Kabul with other regions of the country and Pakistan were slowly but surely blocked. The Pakistani route took the main brunt of the Taliban strike.

The fact that the Manas military base is likely to be closed is in full keeping with Russia's interests. This event would help it to increase its influence in the CA region and resolve several problems in relations with the U.S. in its favor.

It can be presumed that one of the objectives for stepping up the decision to close the Manas military base immediately after Barack Obama's election was the desire to deprive the new head of the White House with the opportunity of continuing George Bush's policy regarding Russia.

From perspective of long-term security and in terms of geopolitical leadership, closing the Manas base has both its pros and cons for Russia; this will perceptibly increase its geopolitical opportunities, but nevertheless will create a direct threat to its security from Afghanistan. The thing is that the Taliban's enhancement of position directly challenges CA's stability, and the problems with delivering supplies to the Western forces may have

a negative effect on their security, which will have negative consequences for the territories bordering on Afghanistan, including Russia.

With this in mind, Moscow offered its alternative for supplying the American troops in Afghanistan, transit of strategic cargo. This will allow Russia to fulfill two strategic tasks. On one hand, the American troops in Afghanistan will be provided with uninterrupted deliveries of supplies, while on the other (against the background of the unreliable routes through Pakistan), the Kremlin is essentially monopolizing the delivery of shipments to the NATO forces, which enable it to put pressure on the Americans.

The White House was unlikely to bargain with the Kremlin until Barack Obama reinforced his negotiating position. It appears that there are several alternatives at present for enhancing the U.S.'s position, whereby each of them presents quite a complicated task:

1. Scaling down the military confrontation in Afghanistan as soon as possible (which will make unnecessary deploying large contingents in this country);

2. Returning the Manas air base;

3. Finding an alternative route through Russia as quickly as possible.

All of Afghanistan's neighbors (apart from Turkmenistan) have the status of member or observer in the Shanghai Cooperation Organization (SCO); therefore use of this format for discussing not only the Afghan issue, but also developing the organization's independent position and policy seems to make a lot of sense.

But keeping in mind the events in XUAR in 2009, it is very likely that China, which is pursuing anti-American policy, will put pressure on the SCO participants. Russia may steer a course toward increasing its influence in China (by strengthening economic cooperation and increasing aid to this country). This development of the situation could lead to greater cooperation between the U.S. and the Central Asian countries on international security, stabilization of the situation in Afghanistan, joint protection of the borders, holding regular military exercises under the NATO aegis, and combating various global threats.

China's Presence in Kazakhstan: Myths and Reality

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E *Introduction* valuating the level of China's presence in Kazakhstan and, most importantly, the attitude of the government and society toward this phenomenon is a thankless task, although both interesting and necessary from the view point of national security. This evaluation is not only complicated by the numerous myths surrounding this topic, but also by the unavailability of some of the information, the reason for which is not entirely clear. And it is this secrecy that often gives rise to the myths about Kazakh-Chinese relations, as well as the phobias about China itself.

Information about major Kazakh-Chinese projects is even harder to come by. It is entirely out of bounds, while the facts that reach the pages of the Kazakh and foreign press give rise to many questions, to put it mildly. This is particularly true regarding the details of project funding, the participation of the sides in the implementation and further operation of a project, its recoupment, its economic and geopolitical importance for Kazakhstan and China, and so on. What is there to hide? Openly publicizing a bilateral document is always better than rumors and conjectures about it. Government officials look very untrustworthy when they begin trying to find justification for what could have been said openly.

The same goes for Chinese labor migration. There are more than enough myths and phobias

surrounding this problem, but hardly any serious studies, although this absence can be explained. The official statistics provided by the internal affairs structures give no cause for concern, but a visit to any Kazakh market tells a different story. The albeit fragmentary, but very convincing statistics regarding the enterprises with Chinese investments registered by the judicial authorities also tell a different story. Any ordinary citizen who familiarizes himself with these statistics gets the impression that China is "marking out its territory," and this conclusion is what feeds the "Chinese expansion" theory.

The geopolitical arguments of some authors about China's presence in Central Asia and Kazakhstan give rise to many questions. It is blatantly clear that China is fortifying its position in the Central Asian region and particularly in Kazakhstan, but this fact can in no way justify the conclusion that "China will begin its advance on the former Soviet Union from Kazakhstan."¹ Even more far-fetched is the conclusion other "experts" come to when analyzing the changing geopolitical situation in Central Asia and the active changes going on in Kazakhstan: "The main question today is where the demarcation line will fall when Russia and China divide up Kazakhstan."²

I do not think the situation is that serious. There are of course problems, but this does not mean that China has laid claim to the region and begun making inroads into it. It is certainly making some

¹ D. Aslamova, "Kitai nachnet pogloshchat byvshiy SSSR s Kazakhstana," *Komsolmolskaia pravda*, 17-18 November, 2009.

² O. Maslov, A. Prudnik, "Kazakhstan nachala XXI veka kak Polsha pered 1939 godom," *Ezhenedelnoe nezavisimoe analiticheskoe obozrenie*, 30 January, 2007, available at [<http://www.polit.nnov.ru/>].

acquisitions, but it is doing this by buying companies from other foreign investors. This is normal practice, whereby not only for China and not only in the region under discussion. If you have money, you should spend it. China has a lot of money; more than two trillion in international reserves alone, a state investment fund of \$200 billion, and a multitude of private investment funds with appreciable possibilities. So China is spending its money. And rightly so, because today problem companies and raw material resources can be bought up cheaply. Any country, if it had the opportunity, would do the same thing.

Let Russian journalists broadcast their apocalyptic forecasts at their own peril. Although the answer to why they have this view of geopolitical reality can be found precisely in what they write: "Russia is losing its monopoly on oil and gas transit from the countries of the Caspian region, and Russia could be cut off not only from Kazakhstan's hydrocarbons, but also from Turkmenistan's energy resources."¹ I do not think this poses such a terrible threat to Russia. On the contrary, a competitive environment can help Russian oil and gas companies to function more efficiently, rather than simply sitting back on their laurels.

I think the problem lies in something else. We are living in an era of economic globalization and China, unlike its strategic partners, Russia and Kazakhstan, has already become incorporated into it. This, in any case, is the gist of the concept "going global," which China has been following since 2003. And everything it is doing both in Kazakhstan and Russia is being carried out within the rules of the game dictated by the globalizing world. On the other hand, the phobias about China (and sometimes about Russia) are based on two things. First, they belong to the category of psychological fears. Second, they are dictated by the fact that we are neighbors—even the best of neighbors can come under fire, and if this neighbor is successful as well, negative feelings

toward it become even more intense.

There is nothing very positive about phobias, primarily because they lead to the formation of stereotypes and prevent people from seeing the real threats and challenges. But if a certain phobia does arise, it means there must be some reason for it. I will try, as far as the available information allows, to gauge the severity of the problems associated with China's presence in Kazakhstan.

Myths and Phobias

The myths and phobias associated with China's presence in Kazakhstan can be arranged into several hypotheses.

- First, during the state demarcation, Kazakhstan yielded a significant part of its territory to China, and the main objective of the latter's foreign policy "to move north" is dictated by its interest in Central Asia's mineral resources, whereby Siberia, the Far East, as well as Kazakhstan fall into the zone of Chinese expansion.²

- Second, there is a hypothesis that a springboard is being prepared in Xinjiang for launching the next advance into Central Asia and Kazakhstan.³ And to take this idea even further—China and Russia are hatching plans to divide up Kazakhstan between them.⁴ To the credit of Kazakh authors, they have not yet begun entertaining this last idea.

- Third, there is the threat of China swallowing Kazakhstan demographically.⁵ There are several aspects to this. The first is based on the demographic growth in the regions of China bordering on Kazakhstan (primarily in XUAR), the surplus workforce this is generating, and, consequently, its migration to Kazakhstan. The second is planned resettlement of Hans from the interior regions of China in XUAR, and, as a result, aggravation of ethnic competition and expulsion of the Kazakhs and Uighurs who live in the region. The third aspect

¹ Ibidem.

² See: M. Adilov, "V politike ne byvaet druzei i vragov, a est tolko interesy," *Respublika—Delovoe obozrenie*, 3 November, 2006; N. Amrekulov, "Damoklov mech kitaiskogo drakona," *Svoboda slova*, 8 February, 2006; A. Beibarov, "Kazakhstan-Kitai: vmeste, riadom ili vntri?" *Respublika—Delovoe obozrenie*, 16 September, 2005; M. Safin, "Poglotit li Kitai iugo-vostochnuiu chast Kazakhstan?" Internet newspaper *Zonakz*, 23 July, 2008, available at [http://www.zonakz.net/].

³ See: M. Auezov, "Nachalos velikoe pereselenie!" *Respublika—Delovoe obozrenie*, 11 November, 2004; K. Daniyarov, *O novoi istorii Kazakhstana*, Almaty, 2004.

⁴ See: O. Maslov, A. Prudnik, op. cit.

⁵ See: K. Daniyarov, op. cit; Zh. Morzabaeva, "Kazakhstanu grozit 'kitaizatsiia'?" *Respublika—Delovoe obozrenie*, 3 November, 2006.

relates to Kazakhstan becoming overrun with Hans within the framework of legal and illegal labor migration. The conclusion of the authors sounds really threatening: "Where will the cataclysms and demographic pressure send the floods of Chinese migrants? To those places where there is arable land (that is, Zhetysu) and plenty of minerals (that is, in our direction). And we are already seeing how XUAR is being settled by Hans, thus wiping away the buffer (Turkic) zone between Kazakhstan and the PRC."¹

- Fourth, China's economic expansion.² As in the previous case, this hypothesis is also comprised of several components. First—domination of Chinese goods on the Kazakh market. Second—export to China of strategic raw resources and currency. Third—lack of competitiveness and degradation of domestic industry and agriculture as a result of China's economic expansion.

- Fifth, an increase in China's share in the oil and gas sector of Kazakhstan and the threat to Kazakhstan's national interests this poses.³ The main conclusion of the authors of such statements boils down to the following thesis: "We must re-examine our development strategy and stop Kazakhstan from turning into China's (and not only China's) raw material appendage. If we are unable to do this, we should at least implement these projects ourselves without allowing the representatives of a one-and-a-half-billion nation into our territory!"⁴

- Sixth, the environmental disaster threatening Kazakhstan as a result of the irrigation projects being implemented in China (XUAR).⁵

- Finally, the pro-Chinese lobby in the Kazakh government that supports China and protects its interests.⁶

The list could go on, but I think the above-mentioned points are sufficient. Now let's ask two questions:

- 1) what is myth, and what might be true;
- 2) what is political and socioeconomic reality, and what potential threats are posed by China's presence in Kazakhstan?

Mythology and Reality

The first two hypotheses are undoubtedly myths. China has no intention of attacking anyone in the near future. And there is no need for this. In present-day economic globalization, it is much more efficient not to conquer and claim territory, but rather use its potential in one's own interests. This is what China is doing. The concept of "going global" (*zou chuqu*), which China has been following since 2003, makes it possible to solve these tasks fairly effectively without using armed forces.

As for Central Asia, China is interested in the region as a resource base, a sales market for Chinese products, and a transit territory. China has not shown any interest in making claims to this region and developing it on its own. All the talk about how "tomorrow millions of Chinese peasants will come to claim Kazakhstan's land" is another scare tactic conceived by the opposition and cannot be underpinned by real facts. Real facts, on the other hand, show that efforts are being made to step up cooperation between Kazakhstan and China in agriculture and establish joint agroindustrial enterprises. I do not see this as threatening Kazakhstan's national interests in any way. On the contrary, I think that creating joint agroindustrial complexes is the most promising sphere of Kazakh-Chinese economic

¹ N. Amrekulov, op. cit.

² See: "Vostok aleet vse silnee," *Epokha*, 24 February, 2006; K. Daniyarov, op. cit.; O. Makushina, "Kitaiskiy faktor: mify i realnost," *Respublika—Delovoe obozrenie*, 10 November, 2006.

³ See: M. Adilov, op. cit.; Sh. Kaigy, "Nastalo vremia vozvrashchat," Parts 1-2, Internet newspaper *Zonakz*, 12, 14 September, 2005; Idem, "Kitaiskaia ekspansiiia prodolzhaetsia," Parts 1-2, Internet newspaper *Zonakz*, 19-20 September, 2005; Idem, "Do vykupa kitaitami aktsiy 'PetroKazakhstan' ostalos dve nedeli...", Parts 1-2, Internet newspaper *Zonakz*, 3-4 October, 2005; "Kitai prodolzhaet ekspansiiu. Pogranichny dozor," Internet newspaper *Zonakz*, 2 February, 2006; "Prisutstvie Kitaia v Kazakhstane: 'dostizheniia' i 'perspektivy.' Pogranichny dozor," Internet newspaper *Zonakz*, 10 February, 2006; "I eshche o Kitae v Kazakhstane... Pogranichny dozor," Internet newspaper *Zonakz*, 13 February, 2006.

⁴ "Prisutstvie Kitaia v Kazakhstane: 'dostizheniia' i 'perspektivy.' Pogranichny dozor."

⁵ See: N. Aidarov, "O kazakhstano-kitaiskom peregovornom protsesse po transgranichnym rekam," *Diplomaticheskii kurier*, No. 2, 2002, pp. 102-104; M. Auezov, "Tsena pogranichnogo spora: Kitai-Kazakhstan," *XXI vek*, 6 May, 1999; A. Baliev, A. Medvedev, "Reki sami ne umiraiut. Ikh ubivaiut," *Rossiiskaia gazeta*, 12 February, 1999; G. Zholamanova, "Rol Shankhaiskoy organizatsii sotrudnichestva v uregulirovanii problemy transgranichnykh rek mezhdru Kazakhstanom i Kitaem," *Analytic*, No. 1, 2007, pp. 34-42; D. Rakhmetov, "Besprosvetny vodozabor," *V[o]x Populi*, No. 9, 1-15 April, 2009, pp. 41-43.

⁶ See: N. Amrekulov, op. cit.; "Vostok aleet vse silnee"; "Kitai prodolzhaet ekspansiiu."

cooperation. We have laid significant groundwork and gained experience in this area, and this is where we can compete with China. It is also important that these enterprises will not only manufacture competitive commodities, but also have a guaranteed consumer of their products. The Kazakh-Chinese border has been delimited and demarcated. So this problem, which, like history, can have no "ifs and buts," has become a thing of the past. Moreover, it should be stressed that if the current dynamics of relations in the China-Kazakhstan-Russia triangle and the continuity of Chinese foreign policy are retained, this kind of problem will not feature in bilateral and multilateral relations. Delimitation of the border was carried out by clarifying the border line envisaged by the Russian-Sino agreements of the 19th century. This means that although China regards some of these agreements as unequal and this topic is still discussed in historical studies, at the political level China and its neighbors have de facto and de jure recognized the status quo that existed at that time.

There are, admittedly, several problems in Kazakh-Chinese relations that dampen my optimism somewhat and make it difficult to answer the question of how Kazakh-Chinese relations will develop in the midterm and what factors will have a primary impact on them, but we will talk about that later.

As for Xinjiang being viewed as a springboard for launching a Chinese offensive on Central Asia, let us take a closer look at this problem. If we accept the fact that everything China does is aimed only at meeting its own interests and satisfying its global ambitions, the authors of these alarmist statements will largely be right. There can be no doubt that Xinjiang has made qualitative leaps in the past 20 years, and the development of its infrastructure can also be viewed from the military perspective as preparing a springboard for "China's future wars."

If, however, we take a calmer look at the problem, first, the whole of China has made qualitative leaps, and, as already mentioned, has no intention today of conquering neighboring territories. There is no need for this when the territory in question is working in your interests anyway. Second, Xinjiang's rapid development is an objective need called

upon not only to resolve the economic problems in this region of China, but to some extent also the problem of ethnic separatism in the PRC. Third, the building of highways and railways leading to the Kazakh-Chinese border can be viewed not only in the context of "preparing a springboard for aggression," but also as a necessary measure for practical implementation of the "going global" concept and extending Chinese trade expansion.

Incidentally, China's participation in large-scale infrastructure projects in Central Asia can also be viewed from this perspective. There is no altruism here on its part. The undeveloped infrastructure and weak economy of the region's states is slowing down the development of China's northwest regions. China is well aware of this and so is investing in the development of those economic branches of the region's states that are directly related to solving the major task of turning Xinjiang into the economic and financial center of the entire region. And in this sense, China's economic cooperation with the Central Asian states and Kazakhstan is indeed based on the need to develop the Chinese economy.

Is China to blame for this? Hardly. It is simply doing what it has to do. So it is ridiculous to cast aspersions on the achievements made in the economic development of XUAR or on its fortifying its economic position in the Central Asian region. The main economic trends in the region have already been defined and they clearly demonstrate that, in contrast to China, other states of the region have lost precious time.

If we keep in mind the current opportunities and prospects for implementing the concept of "extensive development of the west" and compare the development dynamics of Xinjiang and the neighboring Central Asian states, it becomes entirely clear that the balance will not be in our favor. And Russian researchers are largely right who, when analyzing the trends in XUAR's current development, are concluding: "In the event of the continuing accelerated growth of the western provinces of China, Xinjiang has every chance of becoming a leading financial and economic center of Central Asia and the contiguous and near-lying Russian regions, in other words of fortifying its

¹ S. Zhukov, O. Reznikova, *Tsentral'naia Azia i Kitai: ekonomicheskoe vzaimodeistvie v usloviakh globalizatsii*, Institute of World Economy and International Relations, RAS, Moscow, 2009, p. 164.

position as an economic center of Greater Central Asia that is emerging.”¹

It is difficult to say with any certainty whether this is posing a threat to the national security of the region's states or providing them with a new opportunity. But it is very evident that China will not be able to secure full domination in Central Asia, not only due to the growing competition in the region on the part of Western countries and Russia, but also due to its many serious internal problems, which will sooner or later make themselves known.

Things are more complicated with the third and fourth groups of myths and phobias, since they consist both of obvious mythology and entirely reasonable fears based on Chinese and Kazakh reality.

The population of Xinjiang is steadily increasing. As of the end of 2008, it exceeded 21.3 million people, its ranks swelling by almost 5 million people compared with 1990.¹ Whereby, no matter what Chinese propaganda has been claiming, it is entirely evident that Hans are indeed migrating from the interior regions to XUAR. It stands to reason that this is having an impact on ethnic competition and causing “surplus workforce.” Consequently, conditions are potentially being created

for external labor migration and, if the situation in the autonomous region becomes aggravated, for the problem of refugees from XUAR.

Nevertheless, I do not see any reason for alarmist conclusions. First, the prospect of a flow of refugees from XUAR is a hypothetical threat. Second, the thesis that “Hans have flooded Kazakhstan” is another myth. Neither the official figures, nor the polls conducted by Kazakh researchers among Hans working in Kazakhstan give any grounds for such conclusions.

As for the official statistics regarding PRC citizens who are temporarily living in Kazakhstan (that is, those who have come on official or private business, as well as those in transit), they assure us that their numbers are not critical, although they have significantly risen compared to the end of the 1990s (see Table 1).

The statistics showing how many PRC citizens have settled in Kazakhstan are just as eloquent (see Table 2). Judging from these data, representatives of the Kazakh ethnic community mainly settle in Kazakhstan.

The only thing that concerns me is the unavailability of information on numbers, on where migrants are settling, on the structure of labor migrants from the PRC, and on their problems, on the one hand, and the lack of reaction of the Kazakhstan authorities and official representatives of China to the information that has recently appeared in the Chinese press stating that there are 300,000-

Table 1

Number of PRC Citizens Temporarily Living in Kazakhstan between 2000 and 2009 (persons)

Year	Registered	On official Business	To Work	On Private Business	Tourism	Brought to Administrative Account	Deported
2000	13,328	11,233	131	1,305	659	5,221	430
2001	13,415	9,064	1,224	2,476	651	1,198	203
2002	20,243	13,945	984	4,344	970	661	159
2003	16,974	9,772	916	6,016	270	363	151
2004	28,558	16,179	890	10,860	629	1,429	191
2005	34,108	12,755	2,604	17,108	1,641	3,881	531
2006	34,108	12,755	2,604	17,108	1,641	3,881	531
2006	29,183	70,56	2,513	19,168	446	3,587	866
2007	45,570	11,249	4,720	29,246	355	4,715	553
2008	46,370	14,005	5,593	26,235	474	5,998	666
2009*	23,725	6,442	3,357	13,673	253	3,286	151

* January-June.

Table 2

Migration between Kazakhstan and the PRC in 1999-2008

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total arrivals in Kazakhstan	41,320	47,442	53,548	58,211	65,584	68,319	74,807	66,731	53,397	22,682
Arrived from China	145	189	655	1,059	2,080	3,463	4,562	5,003	5,829	6,328
number of Kazakhs among them	N/A	N/A	N/A	N/A	1,865	3,268	4,460	4,813	5,771	6,279
Total departures from Kazakhstan	164,947	155,749	141,710	120,223	73,890	65,530	52,139	33,690	42,435	8,149
Departed for China	5	1	11	159	407	121	108	90	50	48
number of Kazakhs among them	N/A	N/A	N/A	N/A	281	86	91	84	47	46
Balance for China	140	188	644	900	1,673	3,342	4,454	4,913	5,779	6,280

¹ See: *Xinjiang tongji nianjian, 2009* (Statistical Yearbook on Xinjiang for 2009), Beijing, 2009, pp. 69, 84.

500,000 Chinese citizens living in Kazakhstan, on the other.¹

But two things must be kept in mind. First, Kazakhstan's desire to join WTO. Second, the designated shortage of labor resources in Kazakhstan. It hardly makes sense to raise the question of the "inevitability of Chinese labor migration," as some authors in Russia are doing, but we will have to reckon with the reality of labor migration from China, and we will have to learn, when engaging in any kind of cooperation, to consistently protect the interests of our own citizens. The Chinese are doing this very strictly and skillfully in their own country.

As for "China's economic expansion," there can be no arguing with the figures, both the increase in goods turnover between Kazakhstan and China, and the increase in China's presence in several branches of Kazakhstan's economy are obvious. But China is only one of many countries with which Kazakhstan is maintaining foreign economic contacts. And if we take a purely formal approach, according to official Kazakhstan statistics, China did not become a leader among Kazakhstan's foreign economic partners until recently, and did not occupy third position until 2008, lagging behind Russia and Italy.

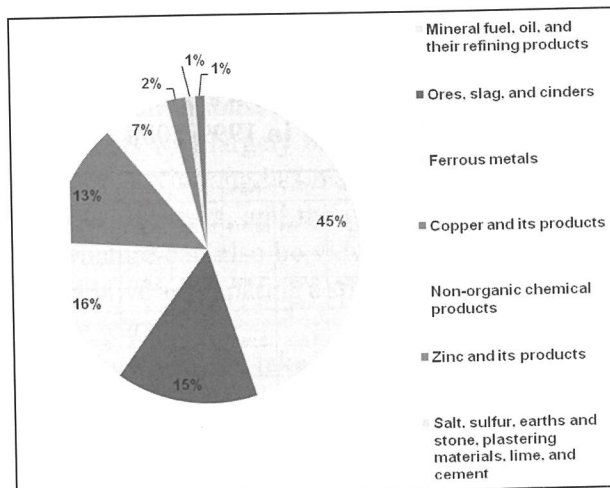
Only the goods inventory of export-import transactions between Kazakhstan and China can arouse serious concern (see Figs. 1 and 2), which confirms the conclusion of Russian and Kazakh experts that Kazakhstan has already become a raw material appendage of the Chinese economy.

As for foreign direct investments in Kazakhstan's economy, they do not constitute a large percentage of the total volume and between 1993 and September 2009 amounted to \$3.6 billion (see Fig. 3). In terms of this index, until 2009 China lagged significantly behind the U.S. and European countries, and so it is not entirely correct to talk about "China's economic expansion" (see Fig. 4).

Another important fact is that there is no substitute for Chinese goods on the Kazakh market today and we, like our regional neighbors and, on the whole, the entire world, have to face the inevitable fact of Chinese goods expansion in the near future. China has already become the "world's factory," and there is nothing we can do to change this. On the contrary, with each passing year, we are importing more and more commodities bearing the label "made in China." The reason is simple: there are not enough domestic goods in the necessary quantity and quality, on the one hand, and it is much cheaper to import Chinese consumer goods

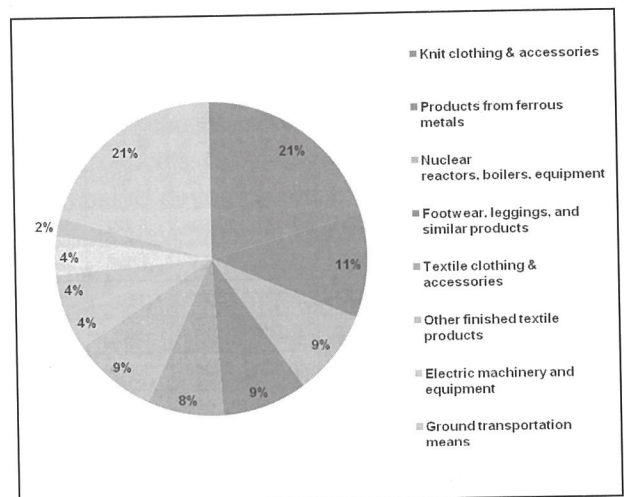
Figure 1

Kazakhstan's Export to the PRC in 2009



Source: Calculated according to Kazakhstan customs statistics.

Kazakhstan's Import from the PRC in 2009



Source: Calculated according to Kazakhstan customs statistics.

² See: "V Kazakhstane proshla gosregistratsiia gazeta *Hasakexietan huaqiao bao*, orientirovannaia na prozhivaiushchikh v strane kitaitsev," Kazakhstan Segodnia Agency, 22 April, 2009, available at [<http://www.kt.kz/>]; Open letter of the Kazakh youth of the city of Urumqi of the People's Republic of China, Internet newspaper *Zonakz*, 24 June, 2009.

even keeping in mind the official customs duties and unofficial payments, on the other. And this cannot be avoided; the market dictates its conditions, and this is probably not a bad thing.

As for the fears relating to Chinese loans, they are only partially substantiated, in the sense that sooner or later they will have to be paid back. But, first, compared with the debts we have accumulated in the West, what we owe China is a drop in the bucket. Second, it is not China imposing these loans on us; we are asking for the money ourselves. Third, foreign loans are not objectionable in and of themselves; the problem is using them efficiently. If a loan is used efficiently and not pilfered, it can be paid back with no problem. Finally, when the state borrows large amounts of money, it would be a good idea to let the people know the terms on which these loans are provided. Governments come and go, but debts have to be paid back by future generations, and it would be best to know precisely what you are in for.

On the whole, expanding spheres of activity is a normal phenomenon in bilateral economic relations. I personally welcome this, particularly today when China is beginning to join projects in the real sector of the economy, and not only in branches relating to the production and transportation of energy resources. We have signed documents with China that regulate our strategic partnership and many areas can be found in them that envisage this kind of partner-

ship. And there is nothing wrong with this, and it is certainly not related to "Chinese expansion." The main thing is honoring national interests.

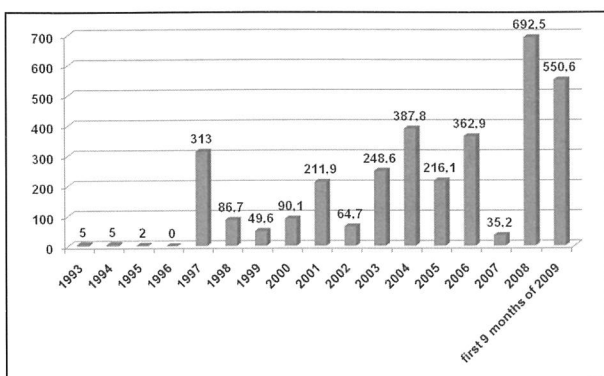
This is precisely where the problem lies. And here I am in absolute agreement with the conclusion of Kazakhstan political scientist Dosym Satpaev, who thinks that "it is not China's economic expansion that is posing a threat, but the corruption of our officials, which is permitting the country to enter detrimental contracts and dealing a blow to Kazakhstan's economic security. In the final analysis, any investor plays by those game rules the government sets for him. If these rules are not in Kazakhstan's favor, it is the government's fault and not the investor's."¹

As for Chinese companies violating Kazakhstan's tax and labor laws, which the Kazakh press sometimes point to, Chinese companies are unfortunately no exception here. This is true of almost all foreign companies operating in Kazakhstan. Most of them try to evade tax payment, and some even do this with the blessing of the Kazakhstan authorities. In essentially all foreign companies operating in our country, the salaries of foreign specialists are higher than for Kazakhstan employees.

As for working conditions, I cannot judge since I do not know, although I am aware that there are conflicts. But this is our problem. The government is always at liberty to put any foreign investor in his place. And only the government can say why it does

Figure 3

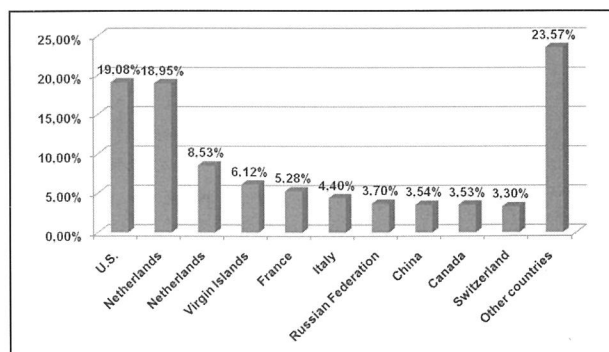
Gross Inflow of Chinese Direct Investments into Kazakhstan (million dollars)



Source: National Bank of Kazakhstan.

Figure 4

Gross Inflow of Direct Investments between 1993 and September 2009



Source: National Bank of Kazakhstan.

¹ Quoted from: O. Makushina, op. cit.

not do this. As for giving preference to Chinese citizens when filling job vacancies, first, this again is normal practice for foreign investors in Kazakhstan. Second, compared with other “foreigners,” the number of Kazakhstan employees in a joint venture with Chinese investments is usually quite high. For example, according to the data of the Ministry of Oil and Gas of the Republic of Kazakhstan, as of 1 January, 2010, the number of workers hired on contract to work in enterprises with Chinese participation amounted to 17,733 people, the number of Kazakhstan employees among them amounting to 17,519 people, or 98.8%.¹

The most discussed and sensitive topic is China’s presence in Kazakhstan’s oil and gas sector. We could agree with these concerns if it were not obvious that they are politically dictated. When talk turns to the national security threat posed by the foreign presence in Kazakhstan’s oil and gas sector, the finger is always pointed at China for some reason, while it would be worth calculating the percentage ratio of all “foreigners” present in Kazakhstan.

China occupies far from the leading position on this list. According to my estimates, in 2008, China’s share in the total volumes in Kazakhstan amounted to 20.05% in oil production and to 11.60% in gas production. If China’s share in Mangistaumunaigaz Joint-Stock Company and KazMunaiGaz Survey and Production Joint-Stock Company acquired at the end of 2009 is added to these estimate figures, it can be approximately forecast that China’s share in oil production in Kazakhstan will grow to 25-26% and in gas production to 13-14%. This, of course, is not that small. But, for example, the share of the two largest gas- and oil-producing companies in Kazakhstan alone, which mainly belong to Western investors—Tengizchevroil and Karachaganak Petroleum Operating B.V.—amounts to 40.90% in oil production and 71.61% in gas production.

The answer to other questions is also extremely important: what companies did Chinese investors acquire (anticipated and recoverable reserves, as well as the beginning of field operation); how and on what terms were they acquired; how do these companies function with the new investor; and, finally, what was Kazakhstan’s interest?

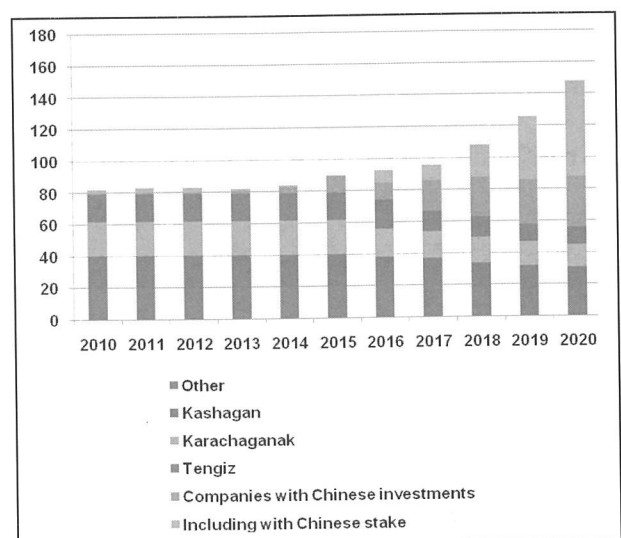
I am not trying to defend China, but facts are facts.

- First, China acquired private companies registered offshore belonging to other foreign investors that became established in Kazakhstan in the mid-1990s. It acquired them at open tenders and on rather advantageous terms for their owners. So those worried about China’s presence in Kazakhstan’s oil and gas sector should be primarily demanding explanations of how, why, and on what terms these shares ended up in private hands, whereby at times in the hands of “foreigners” of very dubious reputation.

- Second, essentially all the oil fields acquired by China in Kazakhstan have low in place and recoverable reserves. Moreover, most of them have been under development since the end of the 1980s-beginning of the 1990s. And if we rely on the forecasts of the Ministry of Oil and Gas of the Republic of Kazakhstan, in the next decade, the share of Chinese companies in oil and gas production in Kazakhstan will not only fail to grow, it will even decrease somewhat (see Figs. 5 and 6).

Figure 5

**China’s Share in Oil Production
in Kazakhstan in 2010-2020**
(million tons)

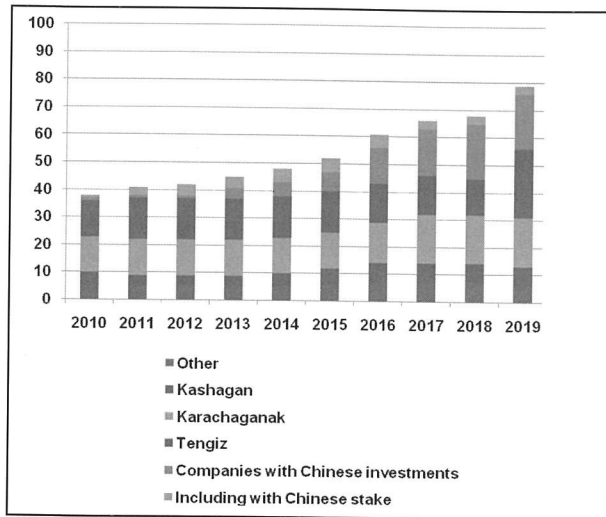


Source: Ministry of Oil and Gas of the Republic of Kazakhstan.

¹ See: Expert Report of the Ministry of Oil and Gas of the Republic of Kazakhstan upon the request of Majilis Deputies of the Kazakhstan Parliament, 14 October, 2010, available at [www.kazenergy.com].

Figure 6

China's Share in Gas Production in Kazakhstan in 2010-2020 (bcm)



Source: Ministry of Oil and Gas of the Republic of Kazakhstan.

- Third, we ourselves are saying we want to diversify the transportation routes of our hydrocarbons, as well as the list of foreign investors. In this sense, China, as Kazakhstan's neighbor, looks rather inviting as the most promising market of hydrocarbon deliveries and a very solvent state.

- Fourth, contracts on subsurface use signed with the Chinese side are preferable to those signed with Western companies. Moreover, unlike Western companies working under Production Sharing Agreements, all Chinese companies are functioning in compliance with the current tax legislation.

- Finally, we cannot ignore the fact that in contrast to other foreign investors, Kazakh-Chinese joint ventures will be created in future on the basis of enterprises acquired by the PRC. This is a big plus for Kazakhstan's economy, if, of course, these joint ventures are used judiciously.

In Lieu of a Conclusion

The myths about the Chinese threat in Kazakhstan are largely aimed at drawing the public's attention away from the true culprits of the problems existing in the republic. In this context, I would like to quote one of Confucius' sayings: "Don't complain about the snow on your neighbor's roof when your own doorstep is unclean." This is to say that we are to blame for many of our hardships, not China. I think there are more than enough examples of this and everyone is aware of them.

The real threat comes from the rapidly escalating incompetence and corruption of officials who allow detrimental contracts to be signed and deal a blow to Kazakhstan's economic security. And although I do not really believe there is a pro-Chinese lobby in the Kazakhstan parliament, it is just another myth, the high corruption component of Kazakh-Chinese relations cannot be denied. If a job is worth doing it is worth doing well. And in this context, we are bound to come across real and hypothetical threats and challenges in Kazakh-Chinese relations. But this is a topic for another article.

Astana Declaration and the New Level in Eurasian Security

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In 1994 the President of Kazakhstan presented the idea of the Eurasian Union in his speech for the students of Moscow State University.

For the former Soviet states, however, the security problem remains important. At the present time, the Central Asian region and all post Soviet space is a zone of instability and conflicts of various types, and at the same time is experiencing the impact of sources of tension outside the CIS. The protection of external bodies and stabilization in conflict areas can only be effected through the joint efforts of all states and a coordinated approach to defense issues. The authors of the EAU project approach the security problem from a geographical perspective, outlining a vertical belt of countries stretching from Russia in the North to India in the South (including the Central Asian countries, Iran, and Pakistan) which have so far joined neither the East nor West, calling these countries the "belt of temporizing." According to Kazakhstani experts, these countries, despite all of their differences, form a rather integral group in terms of potential resources and possibilities for influencing the balance of forces in Asia and Eurasia.

Kazakhstan, along with the other Central Asian states that were formerly Soviet republics, conducts a policy of preserving peace and stability in Central Asia. Thus, Astana has initiated the convening of a Conference on Interaction and Confidence Building in Asia. Thus, a common security and defense system, as suggested by the EAU project, by virtue of its actuality is less arguably a problem for most post-Soviet states. With the proper realization of this idea, once coordination in defense activities

are achieved, security can be considered as a basis for establishing the Eurasian Union.

Provision of the Eurasian Union is one of the important security issues in the post-Soviet space. In the international forum President of Kazakhstan Nursultan Nazarbayev said: "The Eurasian integration is a tendency of modern development and globalization challenges". In political discourse the term "Eurasia" covers all the space of the USSR.

Of the Eurasian space integration includes economical, political and military, cultural and humanitarian dimensions.

The main threats to security from the Republic of Kazakhstan's perspective are: water issues, border issues, energy problems, drug-trafficking, religious extremism, illegal migration, differences in economic development, political destabilization as a result of the ruling elites change, the problem of Afghanistan.

Today there are international and regional organizations to maintain security on the Eurasian space.

The main activities of the CSTO, which was established in 2002 are: maintenance of national security, protection of sovereignty and territorial integrity, consolidation of national military forces, adjustment interaction and cooperation for joint guard of borderline with non CIS-countries.

The SCO established in 2001 serves the purpose: to fortify mutual trust, friendship and neighborhood spirit, to promote an effective cooperation in politics, economics, science, energy, transport, ecology, etc.

The CICA, the forum established on Kazakhstan initiative aimed: at promotion of cooperation to elaborate multilateral approaches for maintain peace,

security and sustainable development in Asia.

The OSCE agoals are to maintain peace and security in Europe, to support international detente, to protect human rights and fundamental freedom, adhere to norms of international law.

NATO through the Program for Peace and Partnership serves the purpose to protect security of member-countries by political and peaceful means, to defend democracy, Rule of law and peaceful settlement of international disputes, promotion of these principles throughout the Euro-Atlantic region.

All the organizations and forums have the same or very similar goals of their activity in Eurasia.

The important components of Eurasian security divides in two directions: the SCTO plays the main role in the Eurasian security. The SCO and CICA provide the "Asian vector" of Eurasian security. The European direction for common Eurasian security is provided by the OSCE. NATO could be considered as a part of European direction of the regional security.

Today the main objective of the Republic of Kazakhstan is the consolidation of the regional states efforts to provide collective defense system in Central Eurasia: the solution of the Afghanistan problem and absolute extermination of threat of radical Islamism, the promotion of cooperation between the institutes in security all over the Eurasian space: NATO, SCO, CICA, OSCE, CSTO. The OSCE summit in Astana was aimed to achieve these goals.

In Astana, President Nazarbayev proposed to establish a comprehensive and indivisible security and to draw a "road map" to promote to the concept of Euro-Atlantic and Eurasian security.

It can be interpreted as the new level in the Eurasian security maintenance; to form a common security area within the four oceans shape - from the Atlantic to the Pacific and from the Arctic to the Indian.

In the context of globalization, growth of interdependence it is quite obvious that the time of changes is coming not only for the main dialogue platform in the of European Security (OSCE) sphere, but for the leading international integration structures. The logic of these changes is in the expansion of the boundaries and the content the "security" concept.

Today, the European as well as the Central Asian security cannot be provided separately.

In our opinion, this reflects the changing paradigm of the European security. In the early XXI century, the sources of the most dangerous threats and challenges to the European continent stability come from outside its borders. The main sources of drug trafficking, illegal migration, human trafficking, and weapons of mass destruction proliferation are outside Europe. Many aspects of the European energy and economic security depend on the situation in other parts of the world. That was proven by the global financial crisis and current events in the Arab world. Thus, the Eurasian security is a geopolitical fact.

The interaction of regional and international structures/organizations present in Eurasia is essential to enhance the effectiveness of it's security system. The interaction presumes the need to overcome the negative logic of interdependence, based on the confrontation of interests, and the transition to the logic of positive interdependence.

The common security challenges require the recognition of the indivisibility of Eurasian and Euroatlantic security and development of a mechanism of interaction and cooperation.

In our opinion, 2 main questions should be answered: 1. Why was the proposal motioned by Kazakhstan? 2. How on practice is it expected to provide a comprehensive and indivisible security, combining two vectors: Eurasian/Asian and Euroatlantic. Kazakhstan has been working hard to establish a Eurasian security belt. The Conference on Interaction and Confidence Building Measures in Asia, an Asian analogue of the OSCE, was established the initiative of our country. In the long-term perspective, the CICA can be considered as a basis for the creation security organization in Asia.

The main objective of Kazakhstan is to strengthen the collective security system in Central Eurasia, and firstly by the settlement of the Afghanistan issue. The ultimate goal is strengthening of cooperation between all security institutions operating in Central Asia: NATO, the CSTO, the OSCE and the SCO (and possibly also the CICA). Kazakhstan is ready to become a linking chain of the Eurasian security. That is conditioned by its geopolitical position and the region as a whole.

On one hand, the Central Asia with its unstable political regimes, rich natural resources and the transit friendly location (convenient area for illegal migration, drug trafficking, traveling of criminals to other states, etc.) has turned into an instability factor.

The region also needs economic, ecological and human security. The organizations and forums (CSTO, SCO, NATO, CICA) functioning in the region can serve as a specific construct for maintenance of regional balance, stability and protection from various threats and challenges.

In the vicinity of the two largest nations Russia and China, a powerful cultural gravity of the Islamic world makes it impossible for a narrow regional circle to create a system of security in Central Asia. Therefore, the system of Central Asian security under construction acquires a multi-level character. If to take into account that the most popular concerns at the Astana forum were Afghanistan and Kyrgyzstan, the Kazakhstani idea on creation of the common security system for Euro-Atlantic and Eurasia is quite topical. That was the ultimate idea of the summit.

Afghanistan is, of course, the most destabilizing factor in the region. The 43 OSCE member states are involved in the problematic knot in Afghanistan. Kazakhstan supports the development of integrated settlement strategy for Afghanistan and the economic recovery for a peaceful life.

The destabilizing factor might become the so-called "Great Game" in the region. By initiating the Euro-Asian security, Kazakhstan proposes to solve this problem by maintaining the balance between East and West.

The Eurasian idea of our President can be considered as the ideological foundation for the strategy of Kazakhstan in maintaining security. The potential of the idea as a foundation for creating a security on the Eurasian continent has not yet been depleted.

In practice, Kazakhstan grounded its initiatives having the experience of multi-vector policy that it has been following since the independence.

Thus, Kazakhstan invited all the countries to open dialogue at the Astana summit. That is the essence of our initiative.

Suggestions: 1. Confidence building and integration within the framework of the existing interstate institutions:

- along the line "East - West"; establishment of the interaction between, the European Union and NATO on one hand, and the EurAsEC and the CSTO on the other;

- along the line "North - South"; establishment of close relationships of the OSCE with a number Asian integration structures.

Thus, the already existing transatlantic integration can be naturally supplemented by the trans-Eurasian integration.

- The political will was needed to stimulate the major actors to gather at the round-table and agree on the common "rules of the game", the principles of conduct in the security sphere, new instruments and mechanisms to combat the global risks.

- Kazakhstan considers that it is necessary to broadly exploit the OSCE potential in the development of interregional cooperation, building the transcontinental transport corridors linking Europe and Asia. In this regard, the membership of the Central Asian countries in the OSCE plays very important role. And it is not about the creation of a new "sanitary corridor" in the region between Europe and Asia, but about streamlining in Central Asia of clear-cut preventive work of the specialized OSCE structures to combat certain threats and security challenges.

Thus, the Central Asia would become one of the OSCE outposts to fight the global threats and challenges. At the same time, the OSCE would contribute to maintenance of peace and stability in Central Asia.

- N.Nazarbayev proposes the OSCE countries to develop a Comprehensive Treaty on the Eurasian Security and set up a Council to combat the transborder crime.

- Institute for the analysis of security problems to predict the security threats and challenges

The next question is the creation of an effective interaction between the regional and global integration institutions.

- In this context, the suggestions of Kazakhstan on the synchronization of the key regional organizations' agendas can be very helpful.

- Kazakhstan proposes to take steps on the consolidation of the world's leading integration structures' efforts based on the clear understanding of the necessity to converge the responsibilities' zones between the regional and global structures.

- If at the end of the last century the integration structures were divided into those that are located under the “Russian umbrella” and those under “the auspices of the West”, in the contemporary conditions, the new threats and risks dictate the need for new approaches, namely the interaction of international organizations in the region.

- The triangle of EU-Russia-Kazakhstan can be considered as the first step in establishment of an interaction mechanism. Russia and Kazakhstan are the backbone of the CIS and act as “locomotives” of the strengthening the Eurasian integration project (EurAsEC, Customs Union, EEA). (Last year more than 40% of Kazakhstan’s foreign trade was with the EU and 17,4% - with Russia). Kazakhstan’s co-operation with the European Union is complicated without Russian participation. Geopolitical factors and the similarity of the economic structures, as well as a large number of joint economic projects are playing a big role in this process.

- In its turn, the EU should stop looking at both Russia and Kazakhstan only as potential suppliers of Resources. It is needed to move to new format of cooperation in economy, foreign policy and security issues.

- The Eurasian triangle can be considered as the basis for a wider engagement of all key players in the world, including the U.S. and China to discuss new global integration formats, not just the World Common Market, but the architecture of common security and anticrisis measures.

Organizations and fora

- The central role in the Euro-Asian security will be performed by the CSTO. Its role is extremely important in the military-political dimension of the Eurasian integration. Today, the CSTO

is entering a new phase of its development by establishment of the Collective Rapid Reaction Forces, Joint Air Defense System, Anti-Terrorist Center of the CIS.

- the SCO and CICA are important in the context of the Asian vector of pan-Eurasian security. Their development potential is now only beginning to be understood being filled with the real content. It is promotion to the security and stability in the SCO and strengthening of the cooperation between the member states. The opposition of the Shanghai Organization to NATO is a profound delusion, in fact it is incorrect due to the fact that the SCO does not posits such aims for itself. The SCO is ready for broad cooperation with the international organizations on all aspects of its activities.

- The important aspect of the regional security in Central Asia is participation of its Member States in the NATO’s Partnership for Peace Program.

Kazakhstan, whose position is extremely close to Russia, focused on the transformation of the Euro-Atlantic security system based on NATO into Eurasian.

In this regard, Kazakhstan welcomes the breakthrough in the relations between Russia and NATO. Also, the suggestion of Russian President Dmitry Medvedev on a new treaty of European security deserves attention.

Thus, Kazakhstan acts as an initiator of the Eurasian security concept. Taking into consideration the difficulties in creation of concrete action plan to establish such a system, our country offers the step by step strategy starting with the creation of an interactive platform for discussions.

Economic Development of Kazakhstan in 2010

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By the early 2010 Kazakhstan was among the countries that implemented the most successful anti-crisis policy measures. In addition, recovery of the global economy, stabilization of the external pricing environment for export products and expansion of domestic demand contributed to the growth of the economy in Kazakhstan. The whole 2010 was supported by significant improvement in the economy of the state and elimination of negative consequences of the crisis. Today we can speak about the transition to a trend of sustainable post-crisis growth.

Positive trends were observed in real, social and financial sectors of economy. Thus, economic growth was 7%, industrial growth – 10%, growth of the deposit base – 12.5%. Per capita income of population increased in real terms by 6.3%, real wages – by 7.5%. A rate of unemployment reduced (5.5%). Turnover and the volume of foreign trade increased significantly – 12.3% and 16.2%, respectively. Stabilization of prices for energy, metals and grains had a positive effect on the foreign trade turnover and balance of payments. Alongside with that import declined by 12.7% and inflation increased slightly (7.8%).

Restructuring of external debt of the banking sector performed in 2010 reduced the load on banks for servicing external debt, stabilized the financial positions of banks and provided opportunities for their sustainable development in the future. There was an increase in international reserves of the country, which at the end of 2010 amounted to 59 billion US dollars, including gold and currency assets of the National Bank in the amount of 28.3 billion US dollars.

In 2010 the Governmental Program of Industrial-Innovation Development was launched. The program “Business Road Map 2010” was started in the pilot mode in order to promote entrepreneurship.

On January 1, 2010 the Customs Union of Belarus, Kazakhstan and Russia started functioning, the purpose of which was adoption of the united trade policy towards third countries. Formation of the single customs territory was initiated on July 1, 2010.

In general, in 2010 the economic recovery was possible mainly due to governmental anti-crisis measures aimed at expansion of domestic demand, maintenance of business activity in the country, strengthening the financial sector, in particular, the provision of additional liquidity for the banking sec-

Table 1.

Basic macroeconomic indicators of Kazakhstan, 2002-2010

	2002	2003	2004	2005	2006	2007	2008	2009	2010
GDP growth, %	9.8	9.3	9.6	9.7	10.7	8.9	3.3	1.2	7.0*
GDP per capita, US dollar	1,658.0	2,068.1	2,874.2	3,771.3	5,291.6	6,771.6	8,451.8	6,584.6	9,000*
Annual average exchange rate of KZT to USD	153.28	149.58	136.04	132.88	126.09	122.55	120.3	147.5	147.34
Inflation, %	6.6	6.8	6.7	7.5	8.4	18.8	9.5	6.2	7.8

* preliminary evaluation

Sources: the Agency of Statistics of the Republic of Kazakhstan, National Bank of the Republic of Kazakhstan

tor and interest rate subsidies. State support of large system's banks in conjunction with measures of monetary and financial policies have provided sustainable functioning of the banking system and contributed to the growth of deposit base of second-tier banks. Thus, a reliable foundation of post-crisis development of the whole national economy was formed last year.

In general, 2010 can be called as a period of gradual and progressive resumption of economic relations between market entities and the entry into a phase of economic growth.

Main Results of Economic Development for 2010

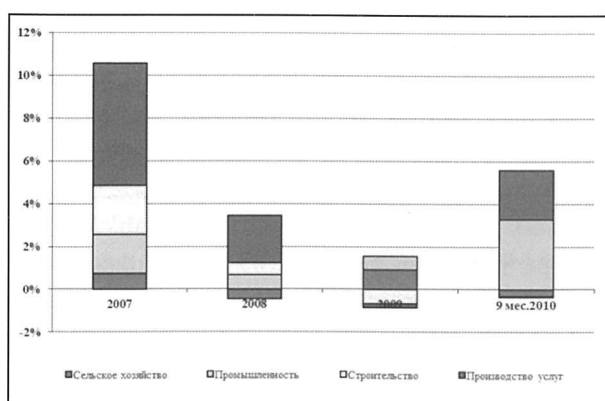
In 2010¹ GDP of Kazakhstan increased by 7%. At the same time a share of production in the GDP structure was 43.1%, share of services – 54%.

The main driving force in the development of economy in Kazakhstan was still the industry (31.4%) including, first of all traditional branches of mining industry such as: production of crude oil and natural gas, metal ores, coal and lignite, which were the most attractive for investors.

Economic recovery of 2010 was observed almost in all key industries and service sectors, except for agricultural and construction sectors (see Figure 1).

Figure 1.

Contribution of economy sectors to the DGP growth (2007-2010)



Source: Financial stability report of Kazakhstan – National Bank of the Republic of Kazakhstan, December 2010

¹ According to preliminary data

In Figure:

Сельское хозяйство	Agriculture
Промышленность	Industry
Строительство	Construction
Производство услуг	Services

Industrial output increased by 10% and amounted to 11.75 trillion tenge in current prices. At that, an important result of the “forced” industrialization commenced in 2010 was a significant growth in the manufacturing industry – 18.4%, which outpaced the growth in the mining industry 3.5 times (5.3%).

The growth in the manufacturing industry was achieved, first of all, due to a significant increase in production of engineering products (58.8%), metallurgical products (48.7%), chemical products (37.6%), textile products (30.3%), food products (13.8%) and oil products (13.1%). A trend of high annual growth in the manufacturing industry was observed over the last year and has already acquired a stable character.

According to the results of 2010, leaders in the mining industry were as follows: production of coal (9.7%), iron ore (9%), copper ore (4.1%), oil including gas condensate (4%) and natural gas (3.6%). The volume of oil production including gas condensate amounted to 79.5 million tons, natural gas – 37.1 billion cubic meters.

Alongside with that, a significant reduction in the gross agricultural output by 11.7% (up to 1.4 trillion tenge) was observed in 2010 against the growth in the industrial production.

The main cause for the decline in agriculture was a low yield of grain crops last year, which led to a reduction in the gross harvest of grain (13.9 million tons in bunker weight). In comparison with 2009 (22.7 million tons) it reduced by 39%. Nevertheless, the volume of grain available in Kazakhstan is still insufficient not only to fully satisfy the country's demands for grain until the next harvest in 2011, but also for export supplies. It should be noted that export of grain, including the volume of flour for 11 months of 2010, exceeded the level of 2009 by 36.4% (2.1 million tons). As

of January 1, 2011, there was 9.3 million tons of grain available, 2.6 million tons of which – grain of the stabilization fund.

The gross yield of oilseed crops in 2010 amounted to approximately 0.8 million tons, vegetables and melons – 3.4 million tons, sugar beet – 340 thousand tons, potatoes – 2.5 million tons. Moreover, production of oil grain exceeded the level of 2009 by 14%, vegetables and melons – by 3%, sugar beet – by 87.7%.

In 2010 livestock production increased by 3.1%. As of December 1, 2010, as compared to the same date of last year, the number of cattle increased by 1% (amounting to 6.49 million heads), including cows – by 1.2% (2.81 million heads). The number of sheep increased by 3.7%, amounting to 16.84 million heads, the number of horses increased by 3.8% (1.56 million heads), and the number of poultry increased by 2% and amounted to 34.83 million heads.

The volume of construction works (services) increased by 1% and amounted to 1.92 trillion tenge. Erection of buildings accounted for almost 30% in the structure of construction work (562 billion tenge). 26.8 thousand new buildings were built in 2010, the most part of which (23.4 thousand) were built for residential purposes. The total area of residential buildings built in 2010 was 6.41 million square meters (which was 0.1% more than in 2009). 46% of residential buildings (2.97 million square meters) were built by the population. It was clear that the main source of financing of housing in 2010 was by own funds of developers, the share of which amounted to 46.9%.

The volume of cargo turnover increased by 13.1% and amounted to 381 billion ton-kilometers (based on the assessment of cargo turnover fulfilled by non-transport organizations and enterprises engaged in commercial transportation).

In 2010 the volume of domestic trade increased, including the volume of retail sales that increased by 12.3% and amounted to 3.01 trillion tenge (excluding turnover of catering). The volume of wholesale trade turnover increased by 12% and amounted to 7.71 trillion tenge.

Another important factor that influenced the growth of trade last year was an increase in the purchasing power of population due to an increase in

real money income and wages. **Per capita income increased last year by 12.7%** in nominal terms and by 4.6% in real terms, and amounted to 38,689 tenge (according to estimates made in November 2010). Monthly average nominal wages accrued to employees in November 2010 increased by 15.7% and amounted to 77,374 tenge. In comparison with November 2009 a real wage index was 107.4%.

In December 2011 the amount of subsistence minimum increased by 14.6% and amounted to 13,728 tenge. The structure of share of the subsistence minimum was composed as follows: food products – 60% (8,237 tenge), non-food products and paid services – 40% (5,491 tenge).

By the end of 2010 the unemployment rate fell to 5.5% against 6.3% in 2009. In December 2010 the number of unemployed population was 477.7 thousand people; a share of registered unemployed people amounted to 0.4% of the economically active population (in December 2009 – 0.6%). According to estimates, by the end of 2010 the level of hidden unemployment in the country was 0.5% of the economically active population.

Decline in unemployment was the result of the project “Road Map”, with the help of which approximately 129,000 people were employed in 2010.

In 2010 the number of registered legal entities reduced by 3.7%, which as of 1 January 2011 amounted to 287 thousand, of which operating enterprises were 65.2% (187 thousand). A share of small enterprises was 94.4% of the number of registered enterprises and 92% of the number of operating enterprises. In 2010 the number of small enterprises reduced by 4% and amounted to 205 thousand.

Money supply of Kazakhstan increased in 2010 by 14.1% up to 8.54 trillion tenge. The volume of cash in circulation grew by 25.7% up to 1.15 trillion tenge. Deposits in the banking system grew by 12.5% up to 7.39 trillion tenge. The monetary base (reserve money) increased by 5% up to 2.57 trillion tenge; the narrow monetary base (excluding time deposits of second-tier banks with the National Bank) increased by 9.3% up to 2.14 trillion tenge.

In 2010 inflation increased considerably by 7.8% (in 2009 – by 6.2%). Acceleration in inflation

rates in 2010 was caused by a significant appreciation of food products, which increased in price by 10.1% (in 2009 - by 3.0%). Prices for non-food products rose by 5.5% (8.6% in 2009), paid services - by 6.8% (8.4% in 2009). As compared to 2009, prices of manufacturers of industrial products increased by 12.9%.

As of January 1, 2011 deficit of the national budget of Kazakhstan was 12.9% (554.79 billion tenge). In 2010 the national budget revenues amounted to 3.73 trillion tenge, costs – 4.28 trillion tenge. The structure of revenues of the republican budget was as follows: actual income - 3.62 trillion tenge, proceeds from repayment of budget credits – 102.31 billion tenge, proceeds from sale of financial assets - 700 million tenge. Budget expenditures were as follows: actual costs – 3.86 trillion tenge, budget credits – 138.29 billion tenge, cost of acquisition of financial assets – 284.71 billion tenge.

In 2010 government consumption increased by 2.2%. The state policy aimed at increase in government expenditures in the social sphere, education, culture and some areas of shared services, contributed to expansion of demand for goods and services. Last year there was an increase in expenditures of the state budget, which in January-November 2010 increased by 19.8% compared to the same period of 2009. The increase was caused mainly by increased spending on social assistance and social security - by 20.1% (amounting to 835.9 billion tenge). Spending on health increased by 21% (amounting to 482.4 billion tenge), expenses connected with housing and communal services - by 13.4% (290.1 billion tenge). Expenses connected with culture, sport, tourism and information space increased by 30.2% (199.3 billion tenge).

After the Customs Union of Belarus, Kazakhstan and Russia started functioning, **proceeds of customs duties and taxes to the state budget of Kazakhstan in 2010 increased by 25.6% as compared to the level of 2009** (total 722.9 billion tenge).

Last year there was a stable significant growth in foreign trade due to favorable conjuncture on external markets as well as rising prices and production in the export-oriented sectors. Thus, in January-November 2010 the foreign trade

turnover amounted to 73.19 billion US dollars (excluding non-organized trade) and in comparison with 2009 it increased by 16.2%. Export grew by 35.7% (amounting to 51.05 billion US dollars), while import decreased by 12.7% (22.15 billion US dollars).

A significant step in expanding foreign trade and overall economic growth was the establishment of the Customs Union with Russia and Belarus resulted in a new huge market comprising 168 million consumers. Last year the trade turnover between Kazakhstan and the other members of the Customs Union made a positive contribution, amounting to 13.5 billion US dollars (over a period of 10 months of 2010), of which 90% were gained through trade with Russia.

The volume of capital investments decreased slightly (by 0.5% as compared to 2009) and amounted to 4.77 trillion tenge. Alongside with that, in 2010 direct foreign investments to Kazakhstan continued and their volume for the first 9 months of 2010 amounted to 8.2 billion US dollars.

During 2010 gold-value assets of the National Bank of the Republic of Kazakhstan increased by 22.5 % and amounted to 28.3 billion US dollars. As of the end of 2010 the total amount of international reserves of Kazakhstan including currency assets of the National Fund amounted to 59 billion US dollars.

Economic Success of Kazakhstan in 2010

2010 was very intense in terms of economic success and new achievements of our country, among which the following should be noted:

Adoption of the *Government Program of Forced Industrial-Innovative Development and the Business Road Map-2020*;

Commencement of functioning of the Customs Union and integration within the framework of the Common Economic Space (CES);

Completion of restructuring of debts of weak domestic banks;

Obtaining high indicators of the country in international economic ratings agencies.

In February 2010 the government adopted *the Government Program of Forced Industrial-Innova-*

tive Development for 2010-2014 (GPFIID) developed under the Strategic Plan for the Development of Kazakhstan till 2020. The goals set out in the said documents are really large-scale, and if successful, Kazakhstan will make an economic breakthrough that will be unprecedented in the world history. It is expected that the country will receive great benefits from realization of the program: GDP will increase substantially (by 50% against the level of 2008), increase in labor productivity in industry (by 50% by the year 2014) as well as increase in a share of non-oil exports (up to 40% in the overall export structure). Till the year 2014 it is planned to implement 294 investment projects to the amount of 8.1 trillion tenge and to create 161 thousand permanent workplaces.

The adopted program is the first 5-year industrial plan for the implementation of a 10-year development strategy of our country. In many countries, the industrialization process took place in several stages, but we have to solve this problem within the next five years. Therefore, today the country is mobilizing all resources, provides a clear mechanism for coordinating the activities of the center and regions, and business entities and the government are trying to achieve a new level of interaction. The point at issue is that there is a necessity for forming a new economic thinking, in which performance issues and new technologies come to the fore.

It is important that the key direction of industrialization in Kazakhstan will support of local non-primary exporters. It is assumed, that the industry of Kazakhstan will be presented on export markets by a wide range of national brands (from various agro-industrial products to highly processed products). In general, it is planned to increase a share of non-primary export in the total export volume from 10 to 40% by 2015 and to 45% by 2020. Moreover, the volume of non-commodity export will amount to no less than 50% of the total manufacturing output. To that end, the country is planning to establish a complete system for rendering support to exporters, which provides funding for acquisition of fixed assets, service support of export operations, grants to exporters and export trade financing.

The mere listing of enterprises under construction gives an idea about how the structure of industry in Kazakhstan will change. The list includes plants for production of construction materials, ceramic bricks, wood, gravel, plastic pipes and asphalt concrete. It is also planned to build facility for processing of oil and gas, metals, locomotives and wagons as well as plants for car assembly and others.

The largest projects are: "Construction of the Integrated Petrochemical Complex" in Atyrau region; "Reconstruction of the international transit corridor "Western Europe - Western China", "Construction of Bozshakolsky Mining and Processing Complex" in Pavlodar region, "Factory for repair of small vessels in Bautino village of Mangistau region"; "Expansion and reconstruction of Ekibastuz GRES-1" in Pavlodar region; "Construction of the Elevator Complex, which includes a mill complex and a feed mill" in Mangistau region; "Production of Polymer and Composite Materials" in Ust-Kamenogorsk.

According to preliminary estimates, 152 industrial projects were launched in the amount of over 801.8 billion tenge, and approximately 800 different productions were established in 2010, i.e., in the first year the program. The implementation of the GPFIID and the Business Road Map more than 156 thousand jobs were created. The process of reconstruction and development of chemical and light industries and processing of agricultural products also started in 2010. The main outcome

Table 2.
Basic indicators of Kazakhstan development by 2020

		2009	2010	2020*
1.	GDP, billion tenge	15,888	17,000**	20,650
2.	Inflation, %	7.3	7.8	5 - 8
3.	Assets of the National Fund against GDP, %	22.8	29**	30
4.	Unemployment rate, %	6.3	5.5	5
5.	Share of population having substandard income, %	11.1	NA	8

* Forecasting data

** Preliminary evaluation

of the first year of the first industrial five-year plan was the beginning of major structural changes in the economic growth at the cost of the real sector of economy.

An important aspect of the “*Strategic Plan for the Development of Kazakhstan till 2020*” is that the forced industrialization in the country is carried out in parallel with a reform of regional development and formation of a new regional policy of Kazakhstan. Since 2010, Kazakhstan has started forming the centers of economic growth: in the west of the country oil and gas industry, chemical industry, equipment manufacturing and transport capacities will be developed; in the center, north, south and east of the country - mining and smelting enterprise, nuclear, chemical and agricultural industries will be developed. Industries based on domestic demand are developing alongside with traditional industries, as well as in major cities of Kazakhstan - Almaty and Astana having strong human resources. Non-primary sectors (industry, processing of agricultural products and services) with high export potential are developing in northern and southern regions of the country. Branches of the “economy of the future” will be formed in Almaty and Astana.

At the beginning of 2010 the ***Business Road Map-2020*** was adopted, which had radically changed the approach to the development of entrepreneurship in the country. Unlike similar programs of previous years, the emphasis was made on supporting not a trade-finance sector, but a manufacturing one. Moreover, participants of the program may be represented by small and medium entrepreneurs who implement or are planning to implement projects in all sectors of economy, except mining, petroleum, grain sectors and trade.

The purpose of this program will be the creation of permanent workplaces through the development of new level of entrepreneurship, especially of small and medium-sized businesses in regions. Application of funds under the program will be made in the following directions: (1) subsidization of interest rate on loans, (2) partial credit guarantees to small and medium-sized businesses, (3) service support of business, (4) re-training and skills development, youth practice and social jobs.

Another feature of the “Business Road Map-2020”

is that the center of gravity of its realization is shifting in place: project selection and decisions on their support will be taken by regional coordination councils. In 2010, 209 applications to the total cost of 89.4 billion tenge were approved under the Road Map.

At the beginning of 2010 the ***Customs Union of Kazakhstan, Russia and Belarus*** started functioning, and on July 1, 2010 a unified customs territory was established, within which customs barriers and customs clearance procedures were canceled. Those facts coupled with measures taken to improve the business climate in the country have been designed to provide an incentive to diversify the economy by attracting foreign and domestic investments into manufacturing sectors.

The implementation of agreements reached within the framework of the CES agreement will provide the following aspects: application by the member countries of agreed principles of the macroeconomic policy and unified rules for granting the state support to industrial and agricultural enterprises; non-discriminatory access for domestic producers to transport infrastructure of the CES countries; as well as free movement of services, capital and labor force.

According to the results of 10 months of 2010 it is possible to say that there was an increase of our trade turnover with Russia and Belarus by 38%, the export of Kazakhstan products to the countries of the Customs Union increased by 52.4%. Moreover, an increase of customs duties to the budget of the Republic of Kazakhstan, as noted above, amounted to 25.6%.

It is also important that in 2010 normative-legal base was formed completely for the Single Economic Space, which will begin its full operations on January 1, 2012.

Another important economic achievement of 2010 was the successful ***completion of restructuring of debts of the three Kazakhstani banks - BTA Bank, Alliance Bank and Temirbank***, which began in spring 2009. As part of that long-lasting procedure debts in the amount of approximately 11 billion dollars were written off. The remaining part of the debts was restructured - partly in bonds and partly converted into shares of those banks. As a result, certain economic goals important for Kazakhstan were achieved, and namely: stabilization

of the banking system of the country and resolution of the external debt problem, which declined over 11 months of 2010 by 3.7 billion US dollars.

Successful completion of the restructuring of such banks (first of all, the restructuring of external obligations of BTA because of its systemic importance) was the signal to international investors and economic agents of Kazakhstan to reduce the level of systemic risk of the Kazakhstan banking system and maintaining its reliability at an acceptable level.

By the present time financial markets have reached the turning point: i.e. right now the basis for future development of the banking system as a whole is formed. Therefore, completion of the restructuring of domestic banks is only the beginning of a long way to solve existing problems. Now a lot of work shall be done to restore the lost market positions and to stabilize financial and commercial activities. Our country is currently at the stage of serious rethinking, which should result in the new quality base for development of the Kazakhstani banking market.

In 2010, Kazakhstan improved its positions in a number of reputable international economic ratings. Thus, in *the rating of national welfare* in 2010, Kazakhstan took the 50th place among 110 countries, having improved its position by 26 points. Moreover, Kazakhstan took a leading place among the CIS countries (for comparison: Belarus - 54 place and Russia - 63 place, Ukraine - 69 place). This rating is published annually by the Legatum Research Institute (Legatum Institute) with the assistance of Oxford Analytica - an independent news agency, and the Gallup World Poll Service - an independent research agency, is positioning as the most objective one in the assessment of national welfare, because in addition to economic factors it includes social factors that influence directly the welfare of citizens.

According to the report of the World Bank, Kazakhstan took the 59th place *in the rating Doing Business-2011* among 183 countries (in 2009 - 63d place). Another important fact is that during the last two years Kazakhstan has headed a list of 10 countries that achieved the greatest success in creating favourable conditions for business activity.

In 2009-2010 conditions for business activity in our country improved to the maximum extent in terms of the number and impact of reforms, among

which the following should be noted: amendments to the Laws "On state registration of legal entities and accounting of branches and representative offices", "On limited and additional liability partnerships", "On business partnerships", a procedure of establishment of enterprises was simplified, the size of minimum capital for small businesses was reduced down to 100 tenge (0.7 US dollar).

Measures taken to improve the business climate in the country will enable Kazakhstan to improve its positions on such rating indicators as the opening of business (by 35 points), taxation (by 13 points) and protection of investors (by 13 points).

As a result of the reforms the time needed to carry out exports declined by 8 days, and the time needed to carry import purchases declined by 9 days. A number of documents that are required to be executed for trade transactions must now be submitted electronically, and customs declarations may be submitted prior to arrival of goods.

In 2010, according to the *Human Development Index of the UNDP*, Kazakhstan ranked 66th place among 169 countries and was included in the category of countries with high human development. In this respect Kazakhstan in the vicinity of the Russian Federation (65 place) and Azerbaijan (67 place).

In December 2010, the international *rating agencies Fitch and Standard & Poor's raised forecasts and ratings of Kazakhstan*. In particular, the rating agency Fitch raised the forecast of the sovereign credit rating of Kazakhstan from "Stable" to "Positive". The agency confirmed also all ratings of Kazakhstan: a long-term issuer default rating (IDR) in foreign currency at the level of 'BBB-', in local currency - at the level of 'BBB', a short-term IDR in local currency at the level of "F3", a country limit - at the level of 'BBB'. Improved forecasts and confirmation of ratings by the Fitch Agency were affected positively by the continuing recovery of the growth of economy in Kazakhstan after the financial crisis, improving the balance of payments and signs of stabilization in the banking system and strengthening the governmental balance of revenues and expenditures.

The international rating agency Standard&Poor's increased also long-term credit ratings of Kazakhstan on foreign and national currency liabilities up to "BBB" and "BBB+", respectively, as well as forecasted "Stable" ratings. The main reason for

increasing ratings was that the government of the Republic of Kazakhstan had managed to preserve its level of credit standing after the bankruptcy of several banks during the global recession. "Stable" forecast reflects expectations of Standard&Poor's that the government of the Republic of Kazakhstan will continue solving problems associated with the economy and financial sector without degradation of fiscal and external positions.

Negative Economic Trends in 2010

The following negative economic trends were observed in 2010:

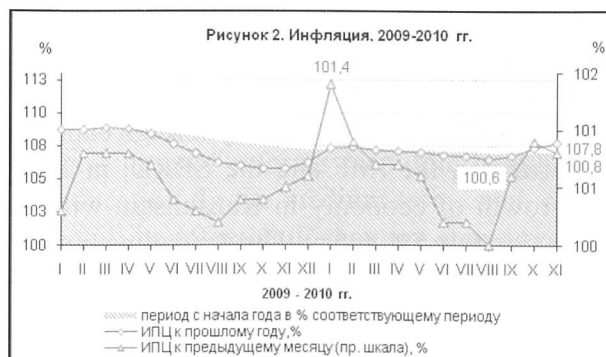
- Acceleration in inflation rates;
- Decline in capital investments;
- Reduction in economy lending;
- Increase in budgetary risks.

In 2010 there was a significant acceleration of inflation rates: 7.8% against 6.2% in 2009. The inflation rate approached the upper value of the corridor established by the go of the Republic of Kazakhstan within the range of 6-8% (see Figure 2).

Main factors of development of inflation in 2010 were associated with unbalanced demand and supply in the economy, which was caused mainly by:

- Expansion of aggregate demand due to increase in wages, social benefits and pensions from the budget by 25% in 2010;
- Preservation of the unstable situation on global commodity markets, in particular, due to adverse weather conditions, which led to a reduction in supply of wheat, cereals, etc. on the global market and increased prices for such goods.

Figure 2.



Source: National Bank of the Republic of Kazakhstan

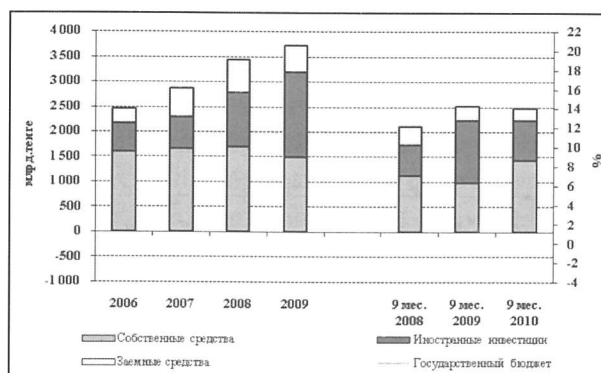
In Figure:

Период с начала года в % соответствующему периоду	A period from the beginning of the year, % to the corresponding period
ИПЦ к прошлому году, %	CPI to the previous year, %
ИПЦ к предыдущему месяцу (пр.шкала), %	CPI to the previous month, %

In 2010 there was a reduction in capital investments (by 0.5% compared to 2009), which was mainly due to reduction in investments made by foreign investors and at the cost of borrowed funds (see Figure 3).

Figure 3.

Sources of financing of capital investments



Source: Financial stability report of Kazakhstan – National Bank of the Republic of Kazakhstan, December 2010

In Figure:

Собственные средства	Equity
Заемные средства	Borrowed funds
Иностранные инвестиции	Foreign investments
Государственный бюджет	State budget

In 2010 against the background of the real sector economy *loans granted by banks to economy reduced by 2%*. That was a serious obstacle for business development.

Recovery of the national economy and revitalization of business activity in 2010 led to increased demand for credit resources on the part of the private sector and population. Alongside with that, last year banks maintained low volumes of new

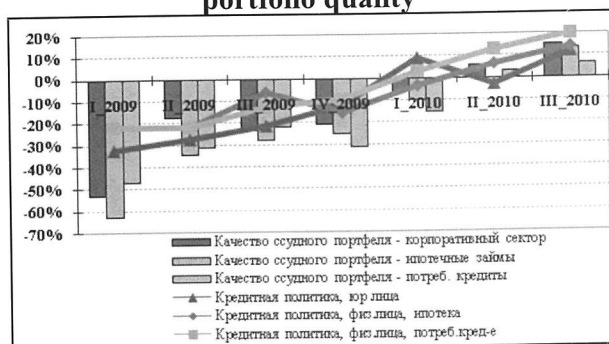
loans, which was explained mainly by reluctance of banks to “risk”, and in some cases, by over-estimation of borrowers’ risks. Therefore, credit conservatism of banks was still one of the major factors that reduced their credit activity. Moreover, low quality of banks’ credit portfolio continued to be the most significant risk factor for the entire financial system.

It should be noted that there was a resumption of lending in the second half of 2010 was, however, that process affected only the market of short-term and long-term consumer credits (see Figure 4). Maintenance of stable economic growth requires the activation of long-term lending, which is currently at a low level due to the lack of long-term sources of financing.

Thus, in the short term, further growth of production in non-primary industries is limited by lack of access to credit resources; in the long-term – by insufficient capital investments and continued aging of production facilities.

Figure 4.

Change in the credit policy and loan portfolio quality



Source: Financial stability report of Kazakhstan – National Bank of the Republic of Kazakhstan, December 2010

In Figure:

Качество ссудного портфеля – корпоративный сектор	Loan portfolio quality – corporate sector
Качество ссудного портфеля – ипотечные займы	Loan portfolio quality – mortgage loans
Качество ссудного портфеля – потребительские кредиты	Loan portfolio quality – consumer loans

Кредитная политика – юр.лица	Credit policy – legal entities
Кредитная политика – физ.лица, ипотека	Credit policy – individuals, mortgage
Кредитная политика – физ.лица, потребительские кредиты	Credit policy – individuals, consumer loans

One of the negative consequences of anti-crisis measures was an increase in the budgetary risks. In 2010 a soft budget policy continued, which resulted in high budget deficit and increase in the state debt. Increasing risks of loss of fiscal stability against the absence of growth of non-oil fiscal revenues will have to induce the government to focus on more efficient use of budgetary funds and search for new sources of sustainable growth.

Conclusions and Recommendations

1. In 2010 the state economy of Kazakhstan began to improve due to the support of the government sector and favourable situation on the global feedstock markets. A leading role in provision of economic growth belongs still to industries related to production and refining of oil and other mineral resources as well as other related service sectors, including transport and communications. A certain improvement in the sphere of retail sale reflecting primarily the growth of consumption after the crisis caused by recession contributes also to economic recovery. Nevertheless, the level of activity in construction and real estate sectors is still low.

2. Forecasts of economic growth for 2011 given by domestic and foreign experts coincide to a large extent. Thus, the government of Kazakhstan expects the GDP growth in 2011 by 4-5%. According to forecasts given by foreign experts, in particular, the IMF and the EBRD, in 2011 the growth of economy in Kazakhstan will be approximately 5% and will be depending mostly on production of oil and mineral resources, while remaining difficulties in the banking and corporate sectors will continue to restrict the extent of recovery of the domestic demand.

The National Bank of the Republic of Kazakhstan expects the growth of real GDP in 2011 within the range of -0.5% to 4.7% depending on oil prices. The National Bank considers three development scenarios for the macroeconomic situation, which suggest the level of oil prices at \$35, \$65 and \$80 per barrel. According to the first scenario, with the oil price of \$35 per barrel, GDP growth is expected at the level of minus 0.5%. In this case the deficit of the balance of payments is expected at the level of 1.9% to GDP and the current account deficit – at the level of 7.2% to GDP. The second scenario (oil price - \$65) assumes that GDP growth will be 3.1%, balance of payments surplus – 2.8% to GDP, current account surplus – 0.9% to GDP. According to the third scenario (oil price - \$80) it is expected that GDP growth will be at the level of 4.7%, balance of payments surplus – 2.6% to GDP, current account surplus – 1.6% to GDP. The National Bank considers that implementation of the third scenario is the most probable.

3. In order to achieve stable recovery and further recovery of the national economy, **a wider base of economic growth should be provided** as production industries will not be able to continue providing that to the same extent. There is a clear need for recovery of domestic demand through promoting economic diversification **and development of an efficient financial sector. Natural resources should become a support for development of the domestic economy and financial system.**

In 2010 the government started implementing the Government Program of Forced Industrial-Innovative Development and the Strategic Development Plan 2020 providing for increase in a share of manufacturing activity as well as small and medium enterprises in GDP, increase in labour productivity in the agricultural industry, execution of reforms in public healthcare and education. In the medium term, such measures will be effective if they are supported by structural reforms aimed at further improvement of the business environment, development of competition, and increase in labour productivity and management efficiency. It is also important

to establish a stable, well-controlled financial system with a sufficient level of capitalization, which is necessary to ensure effective allocation of resources under the Government Program of Forced Industrial-Innovative Development and strengthening of external credibility and stability of economic diversification.

4. At the present time the main priority is post-crisis recovery of stability of the private and banking sectors of economy. Despite the presence of large volumes of banking liquidity and a certain increase in deposits, a significant volume of defaulting loans creates a permanent risk factor for the banking sector. The total amount of provisions for possible losses on troubled loans in reducing, and, although it is still high, it can be affected negatively by doubtfulness of repayment of restructured loans.

Uncertainty about reliability of sources of financing, demands for creation of provisions for possible losses and consequences of expected measures on strengthening of control encourages increasingly banks to form a reserve of cash assets and limit their credit activity. Under such conditions the private corporate sector (not associated with production and refining of natural resources) retains a high share of borrowed funds accumulated in the pre-crisis period, which restricts even more a list of potential borrowers and creates obstacles in settlement of defaulting loans. Therefore, restoration of the private sector and control of defaulting loans will require a more systematic policy of the government aimed at improvement of balance-sheets of banks and enterprises, which will lead to unblocking the credit channels.

5. **Despite the maintenance of the smooth monetary policy, it is required to monitor inflation more closely.** Moderate recovery in non-export industries has contributed to a relative control of inflation, although its rate has approached the upper value of the corridor set within the limits of 6-8%. With an allowance for a risk incidental to a rise in prices for food and the planned public expenditure, it is necessary to control inflation, maintain positive real

interest rates and reject gradually administrative methods of price formation. In addition, increasing flexibility of exchange rates will strengthen the ability of economy to respond to external shocks as well as will increase the efficiency of the monetary policy.

6. Due to preservation of strong positions of Kazakhstan in the foreign economic sphere, the government should be ready to control possible increase in foreign investments. Due to increasing export of primary commodities a balance of the external account of current operations has become positive again in parallel with an increase in the volume of international reserves and assets of the National Fund. It is expected that capital inflows will be maintained by direct foreign investments in the oil and gas sector as well as by external sources, including through wider use of public-private partnership when implementing the planned development projects. Subject to the abundant international

liquidity, state agencies controlling monetary circulation and supervisory authorities shall be ready to work in conditions of possible resumption of a short-term influx of funds.

7. In the medium term, as a part of the fiscal policy and fiscal consolidation it is necessary to ensure effectiveness of government expenditures. In 2010 there was a general strengthening of the fiscal policy providing for increase in a share of oil revenues allocated to accumulation and preservation. However, the budget for 2011 contemplates a further increase in wages in the public sector and social expenditures. In this regard, it is required to avoid unnecessary increase in the tax burden on economy sectors not associated with production and processing of mineral resources. In addition, it is necessary to control closely conventional budgetary risks, including those related to increasing debts of quasi-public structures, and to incorporate them into an integrated approach to assessing the fiscal sustainability.

Kazakhstan and the European Union: Prospects for Energy Partnership

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The European Union (EU) has become one of the main members of the world energy market and one of the leaders involved in investing and introducing new technology in the energy sector. The European Union has one of the biggest integrated energy markets in the world, and it is a reliable consumer in the energy sector. Kazakhstan has the advantageous arrangement to satisfy growing energy demands in Europe because it is a supplier of hydrocarbon materials and a transit country. This article examines the problems and prospects of oil and gas cooperation and analyzes the problems and risks linked to the diversification of gas import by involving hydrocarbon resources of Kazakhstan into the European energy system.

* * *

The contemporary energy policy of the EU is directed toward the search for alternative routes that guarantee uninterrupted delivery of resources to the European markets. This depends on the following conditions:

- The growth of energy consumption in European countries causing an increase in the EU dependence on import resources.
- Instability of energy resource delivery from Russia (this is connected to the gas conflict between Russia and Ukraine).
- High prices on primary energy resources and their expensive production makes it necessary to

search for alternate mechanisms to decrease costs of oil and gas, such as the diversification of supply and construction of new pipelines.

Considering all of the circumstances mentioned above, cooperation with the Republic of Kazakhstan (RK) is really important and promising for the European Union, because Kazakhstan is an advantageous exporter of energy sources for European countries, offering big opportunities for discussing and accepting new contracts concerning the maintenance of energy security in the EU.

Overall, within the cooperation in oil sector the primary investing and technical objectives of the EU in Kazakhstan are:

- The increased participation of oil and gas companies in European countries in the exploitation of oil and its extraction in the marine and terrestrial regions of Kazakhstan.
- The increased share of European companies in the exploration and gas extraction on the territory of the RK.
- The granting of guarantees to the Kazakh government, which involves constructions of new pipelines and delivery of oil and gas on the European markets.
- Introduction of new technology in existing oil and gas pipelines.
- The modernization of Kazakh transport infrastructure, including railroads and highways.

Currently, oil and gas issues play a very important role in the Kazakh-European cooperation. Nowadays many large European oil and gas companies, such as the French TotalFina, the Italian Agip and ENI, the British-Dutch Royal Dutch/Shell, the British Gas, and the British Petroleum participate in the exploitation of Kazakh deposits. Overall, the share of European oil companies in the Kazakh market is 8.52%. The main consumer of energy resources among the EU countries is Italy, receiving about 70% of the RK export volume to the EU.

One should note, the expansion of economic presence of these large European companies of the Kazakh market will have a direct effect in terms of strengthening the positions the European Union both in Kazakhstan and Central Asia Region as a whole.

However, along with the advantages of attracting investments and foreign partners in Kazakh oil industry there are also some drawbacks of this policy. In terms of economic-ecological and human perspective, the following problems resulted from the activity of European companies on the territory of the RK can be pointed out:

- The unscrupulous execution of contract obligations by European companies.
- Misunderstanding of specificity of regional problems where Western energy projects are executed.
- Disinterest in the investment in domestic petroleum machinery, development of maintenance service, petroleum refining, petroleum chemistry, and corresponding social infrastructure.
- Instability of investment contracts (the deposits of Kashagan, for example, where changes in dates of extraction and increase in expenses are effecting the economy of Kazakhstan because the RK loses a big amount of income taxes).
- Not using Kazakh Stake in purchasing services and jobs.
- Neglect of environmental impact (exceeding the norms of injection and withdrawal, failure to execute the conditions of the State Quality Control, not sanctioned burning of withdrawals, threat of mass descend of sturgeons and Caspian seals, the violation of requirements of fire safety.
- Not using local labor-sources.
- Insufficient attention to local population.

- Nonobservance of the rights of Kazakh workers (particularly, labor conditions for the RK citizens and considerable differences between the wages of foreign and Kazakh specialists).

Thus, in the course of realization of works on the marine and terrestrial regions of Kazakhstan, the aforementioned violations are observed from the European oil-gas concerns. This can certainly be reflected on both the symbiotic cooperation and the energy security of Europe and Kazakhstan in general. In this situation, since the autumn of 2009, the Kazakh Stake has become a problematic issue. Some amendmeds and additions were made to certain legislative acts regarding the development of the issue of Kazakh Stake (particularly, in the Administrative Codes and the Law On Subsoil and Subsoil Use). It is important to mention that such amendments in the legislation of the RK are also really important and necessary in the Kazakh-Europe energy cooperation. In general, such changes in legislation and a planned increase in the "Kazakh Stake" in purchasing services and jobs up to 90% by 2014, allow European companies to review their own priorities, and Kazakhstan to defend its own national interests. In particular, it promotes establishment of obligations on priorities of purchasing goods, works and services in Kazakh production. Moreover, it obliges subsoil users to conduct purchases only on the territory of Kazakhstan. In the case of non-compliance with the requirements of the legislation, it allows determining responsibility of the breaching side.

New Routes of Transporting Sources of Energy: Problems and Risks (On the Example of Nabucco)

The growing demand on the oil and gas from Kazakhstan calls for the necessity to search for new ways to transport raw materials. To lessen its dependency on the producers of fuel and to provide reliable delivery the European Union, one of the major consumers of these resources, strives to have a diversification of both sources of the energy resources and routes of their transportation. As a result of this, competitive projects have emerged, such as Nabucco, South Stream, Trans-Caspian gas pipeline and the Pre-Caspian gas pipeline.

The Nabucco pipeline is an important European commercial project, which has become a tool for maintenance of security to European countries. One of the goals in the construction of this major gas pipeline is to weaken Russia's role as the main supplier and transit of gas to Europe. The gas pipeline Nabucco is expected to:

- Supply 26-32 billion of cubic meters of gas per year.
- Cover distance of 3300km.
- Be completed by 2014.
- Route gas deliveries from Azerbaijan, Iran, Iraq, Kazakhstan, Turkmenistan and Uzbekistan.
- Transport energy sources through the Caspian Sea overpassing of Russia's border.

However, the implementation of this project comes with particular risks and problems. The main problems are:

1. Providing resources for the Nabucco project. It is connected with the following circumstances:

- Iran cannot be connected to the Nabucco pipeline until a nuclear program agreement is reached. In addition, the Islamic Republic of Iran is not considered as a gas supplier for the Nabucco pipeline due to the complicated political situation.

- Turkmenistan already has promised gas delivery to several nations: up to 50 billion to Russia, up to 20 billion to China, and up to 5 billion cubic meters per year to Iran. In addition, there is an agreement between Turkmenistan and Gasprom which expires in 2028. According to this agreement, Russian companies from Turkmenistan will buy about 30 billion cubic meters of gas per annum.

- Azerbaijan, despite its interest in exporting its gas through the Nabucco pipelines, is not able to provide enough gas to fill up the pipelines.

- Iraq: Memorandum of Mutual Understanding between Iraq and the EU, dated January 18, 2010, promotes cooperation in terms of energy resources, including the natural gas, and gives hope to the resources of the Akkas deposit in the Northern part of Iraq to become the impetus for the beginning of gas circulation through the Nabucco pipelines. However, the complicated political situation in the country does not allow European countries to consider Iraq as a supplier of gas for the Nabucco pipeline.

- Kazakhstan and Uzbekistan are neither strong supporters nor opponents of the Nabucco project. These countries are ready to join the project as long as certain conditions have been met. Kazakhstan is putting efforts towards a more beneficial, alternative route, which will eliminate Astana's dependence on the Russian gas corridor. Despite the fact that the Nabucco pipeline can supply an alternative way of transporting energy resources to the Kazakh side, the implementation of this project, although not urgent, does not affect the Kazakh energy market.

2. Ecological risks. The main factors of ecological risks using Trans-Caspian pipelines are:

- Geophysically complicated basin of the Caspian Sea.

- Lack of new geological and geographical data, which will help to determine the dynamics of changes for the reliefs of Caspian bottom and reveal its most dangerous regions.

- Construction of high capacity pipelines might become a source of a strong vibracoustic field, which can be an insurmountable barrier for the sturgeon migration.

3. Turkey's position: Turkish leadership has a significant interest in the Nabucco project. However, certain problems might arise because Turkey might be using the Nabucco pipeline as a political instrument for achieving its own goals. For instance, it may raise a question of joining the European Union.

4. The unresolved legal status of the Caspian basin: the legal status of the Caspian Sea water basin might conflict with the Iran's position that does not support the Nabucco project. There also might be territorial issues between Azerbaijan and Turkmenistan over the basin of the Caspian Sea, where a lot of energy resources are concentrated.

5. The "Warming up" in the relations of Russia and Ukraine: noticeable improvement of the relations between the two countries drastically changes the factors that prompted the EU lobby the Nabucco project for the last few years.

6. The growing European crisis: the financial collapse of Greece and the rather complicated economical situation among other EU countries lead to the assumption that the EU would not have any investment projects in the near future.

7. The international situation is that there is a relatively low demand for natural gas. This issue might become the stumbling-block in the realization of the Nabucco project.

At the same time, in spite of the risks, some Europeans do not lose their hopes for the construction of the Nabucco gas pipelines. Moreover, the officials of the European Union are offering a sufficient amount of aid to promote the project. The evidence to that is the vigorous activity of the new EU Commissioner for EU Energy sector G. Ettinger.

The Nabucco project is still under negotiation where the potential suppliers of gas have not yet given any promises as they do not see any financial assurance from the Europeans. Therefore, it's beneficial for the Republic of Kazakhstan to remain "interested" in the Nabucco project, while building good relations with Europe and Russia.

Thus, the analysis of the Kazakh-Europe relations in the oil-gas sector leads to the following conclusions:

- Future economic growth of the European Union leads the increase in the consumption of energy sources necessary for maintaining the pace of the economic development.
- The energy security of the European Union can only be maintained by mass import of energy resources.
- EU activates the policy of promoting constructive relations with energy resource suppliers.
- Diversification of energy resource transportation will bring certain benefits to Kazakhstan and prospectively will eliminate the country's dependence on Russian gas corridor.
- The RK's appearance on the European market can increase its geopolitical power and its energy independence.
- The expansion of economical presence of the largest European energy companies in Kazakhstan economy will strengthen the positions of EU in

the Republic of Kazakhstan and the Central Asia Region.

- The Kazakh energy policy has undergone changes; the new priorities in the current conditions have become the national interests and the needs of the republic.

In the current conditions of fierce competition for energy resources, it is beneficial for Kazakhstan to adhere to a multi-vector principle and the diversification of the transport routes for energy resources. Therefore, it is essential to remain pragmatic to provide the energy security of the country.

At the same time, it will be useful for the Kazakh side to pay attention to the following issues:

- Adhering to the principle mutual benefits, observing the interests of both sides in the co-operation with European countries and large companies.
- Attracting European investments into the energy-complex of the RK.
- Giving the EU countries access to the hydrocarbon reserves, their extraction and exploitation in the exchange for new technology in order to decrease the level of dependence on feedstock.
- Strengthening the power of the country and the control over the activity of the oil-gas corporations.
- Increasing the Kazakh Stake in the production and extraction of energy resources.
- Developing national infrastructure in order to satisfy internal needs in the energy sector and to increase own level of extraction and the transporting volume.
- Toughening of requirements for observance of ecological norms on the territory of extraction and transportation.
- Exploitation of power-saving and nature-conservation projects, based on legislature and definite standards of the European Union and Kazakhstan.

Decision against Referendum in Favor of Early Presidential Elections: Preconditions and Motivations

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According to the law, the next presidential elections were to be held in December 2012. However, in December 2010 the citizens' initiative group came up with the idea of the referendum proposing to extend the presidential term of the President Nursultan Nazarbayev until December 6, 2020. Within a short period of time, the initiative group managed to collect more than 5 million signatures in support of the referendum.

The country's Parliament backed up the initiative by calling to the President for holding republican referendum with the following question: "Do you approve the Law On amendments to the Constitution of the Republic of Kazakhstan stipulating the extension of the presidential term of the First President of the Republic of Kazakhstan the leader of the Nation, Nursultan Nazarbayev at the national referendum?"

Nazarbayev turned down this initiative. Nevertheless, both houses of Parliament and the Government announced their intention to overcome the presidential veto and the presidential party Nur Otan initiated a National Coalition of Democratic Forces Kazakhstan-2020.

To enable the statutory base of the referendum on January 14 2011 the Parliament adopted the Law on Amendments to the Constitution pursuant to which "the term of the President Nazarbayev, as

the Leader of the Nation, may be extended at the national referendum".

This resulted in legislative collision and the President Nursultan Nazarbayev sent the draft law to the Constitutional Council. The verdict of the latter was clear: the legislative initiative is inconsistent with the Constitution because "the vagueness of exposition of this constitutional provision may cause disbalance of state and public institutions."

On January 31, the President has drawn the line in this matter during his Address to the Nation announcing that he has decided not to conduct the referendum. "Instead of taking up a choice: "either referendum or elections", I would like to propose a integrating formula which takes into account the will of our people and commitment to democratic principles. I am submitting a proposal to conduct early presidential elections ..."

By taking up this step Nazarbayev has demonstrated that he is in a great political shape and capable of creative solutions. After all, in fact, he had several options: he could have held the referendum, he could have dissolved the Parliament and call for Early Parliamentary Elections. In first case, there was a precedent of exclusiveness of the First President and priority of his decisions against the norms of the Constitution. In the second the country would remain without the Parliament for

some time and the Head of the State would have to use its right of legislative initiative.

That's why early presidential elections were decided upon, a solution which no one expected.

So the election campaign was launched. On Saturday, February 5, according to the schedule approved by the Central Election Commission nomination of the candidates started.

By the deadline of February 20, the 22 candidates in total submitted the documents to Central Election Commission, where 3 were from the political parties, 1 from public associations and 18 candidates independent.

One should note that language and finances become the factors of significant impact on the election campaign. Half of the candidates dropped out during the exam in Kazakh language, knowledge of which is required by the law. From the remaining 11 people, only four were able to provide the CEC with more than 91 thousand signatures in their support. It is them who fought for the highest post. there are the current President of Kazakhstan, Nursultan Nazarbayev, the candidate of the Communist People's Party of Kazakhstan, J. Ahmetbekov, senator, leader of the Party of Patriots G. Kasimov and leader of the Environmental Union *Tabigat* M. Eleusizov. The last 2 candidates have experience in the presidential campaign run.

Announcement on early elections has caught by surprise the candidates for the highest post in the country. Actually, this is the main argument of the opposition candidates of their refusal to participate in the presidential campaign.

I must admit that this is more than a strange argument, because within the last three years parties Nur Otan had repeatedly stated opposition their willingness to fight for power. Moreover, opposition parties had repeatedly raised the issue of early presidential and parliamentary elections.

Of course, their refusal to participate in the presidential elections did not make these elections illegitimate, however, Kazakhstan faced a number of challenges in the future, as systematic weakness opposition of will affect the dynamic stability of the party and political system in the country as a whole.

In the recent campaign there were no significant differences from the elections held in 2005. The only thing is that these elections were conducted under severe time pressure – 2 months were given to the candidates for all of the procedures: exam in the state language, making a large campaign contribution, registration, collection of signatures and informational and propaganda work.

The candidates had already presented their political programs to the public. According to the opinion of a huge number of Kazakh experts, the main objective for headquarters was to ensure high voter turnout for elections, and the main task of the government was to ensure maximum openness, transparency and compliance with all election procedures.

The current President Nursultan Nazarbayev was leading by all parameters. There was no doubt in his victory. Who would take second place was certainly an intrigue. That's why the recent election campaign similar to 2005 campaign in fact resembled a referendum on support for Nazarbayev. Nevertheless, the election headquarters of Nazarbayev faced the problem of maximum mobilization of the electorate in his support, ensuring high turnout and complete transparency.

Despite the obvious result, of course these elections were important for the development of the country. They extended the powers of the current government until 2016. This is a guarantee of the country's policy predictability and preservation of key external and internal political trends.

Ideological Predetermination of Mythologems of Democracy

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We shall try to diversify the discursive context of the attitude of power, opposition and society to the phenomenon of democracy. The term “democracy”, though interpreted most often as “sovereignty of the people”, is characterized by polysemy even within the framework of scientific scholarly writings of one and the same author, when one and the same subject is understood and interpreted differently: “today the word democracy denotes some political principle, special type of power, system of government, sort of political regime, as well as a certain political culture and, finally, rather heterogeneous ideological complex, even some world view and lifestyle” [1].

Statements of a number of well-known western political scientists point out that “democracy” is an unstable and uncertain notion. So, according to D. Sartori, democracy is a “high-flown name of what does not exist”, “indicator of the result deserving appreciation”. We can cite M. Cranston: “Democracy is a political doctrine, the content of which changes, depending on the cast of mind of a certain nation”; and T. Elliot: “When some term is prone to universal canonization, and this happens today to “democracy”, I ask myself whether it means anything at all” [2].

It is clear from the above that definitions of democracy are extremely subjective and leave room for various opinions and interpretations. In principle, the essence of the majority of theoretical constructions and discourses is that democracy is an ideal for which people need to strive. But if

judgements of such kind are caused, first of all, by the influence of comparing the political systems and regimes of the West with the regimes of dictatorial type, then, to a certain degree, democracy serves as a sort of ideologeme in this case.

Democratic ideologeme has its own fundamentals, first of all, so-called mythologems of democracy. Mythologem is a stable state of social consciousness, social psychology and individual psychophysiology in which canonical descriptions of the existing order of things is fixed as well as descriptions of what exists and has the right to exist. Mythologems can be invented by political philosophers, thinkers and ideologists, or they can get into politics from the bottom, by means of fixation of certain forms of unconscious collective or group ideas in mass consciousness, in society.

Mythologems united within the framework of ideological schemes form a certain artificial theoretical and world outlook context, in which can fit real political events and actions, receiving predetermined interpretation. In the opinion of E. Solovyev “mythologems reversed to the past as well as those aimed at future, are able to have a serious influence upon perception by masses of certain political symbols and actions, simultaneously affecting the character of political behaviors of individuals, social, ethnic and other groups of population” [3].

Ideological predetermination of mythologems of democracy is not only in their orientation toward the achievement of the set goals, but also in their mobilization and integrating ability. In the

ideology of democratic movement and in mass consciousness the idea of democracy initially took the character of amorphous mythologem symbolizing a generalized ideal shape of desired future. Based on this, at the early stages of the democratic movement development there appeared symbiosis of mythologem of democracy and mythologem of a market as a magic means of solving all economic problems and reaching common weal of the western level. Successful realization of the grand goal seemed to be possible, illusion of rapid transition to democracy has been created.

However, some political scientists question the thesis about "rescue" function of democracy and markets. The Kazakh philosopher A.A.Khamidov writes the following: "During the period of so-called perestroika and especially after the USSR disintegration a new utopia appeared not without efforts that of the some of the foreign "consultants" – market, according to which market by itself will automatically bring all to "bright", not communist, but ...capitalist future" [4]. Up to now there's no precise answer to the question "Are not we moving from one utopia to another?" And still democratic form of government is more attractive in terms of securing human rights and freedoms.

At the same time, strengthening of democracy and especially a wide-scale general process of transition from autocracy to democracy require intense efforts. It is natural that there are a lot of obstacles on this way, which F.Schmitter has named by the term "dilemmas". He distinguishes between two categories of dilemmas; internal that are typical of modern democracy, irrespective of its place and time of origin, and external dilemmas that question compatibility of new democratic rules and practices with the existing concrete social, cultural and economic conditions [5]. According to one of the dilemmas, for example, declaring democracy as "bright future of mankind", one may appear to be in so-called "democracy trap", since saying "a" one should say "b", and practices of the majority of the developing countries show that they can reap the fruits of democracy only after creation of appropriate political, socio-economic and socio-cultural conditions. And, where "b" is pronounced too early, chaos may occur. That is why, from the point of view of some politicians, the "current" authoritarianism is more effective than premature democracy.

In Kazakhstan, at the initial stage of forming a new state system there were a lot of declarations testifying to the adherence of power to the democratic policy. There were certain achievements in advancing toward democratic reforms, despite the scepticism of some politicians from the "democratic opposition". At the same time, in spite of the thesis "first economy, then politics", vulnerable became the circumstance, under which transformations of socio-economic character were not supported by the political reforms. More than that, it was not possible to create such institutions as price-formation, crediting, monetary policy, regulation of labor disputes, protection of the rights of consumers during a short period of time.

There appeared one of the dilemmas of the process of democratization; at a certain stage of social development pace and quality of reforms do not satisfy not only representatives of opposition, but also the majority of the country's population. In the opinion of some politicians, Lints, Stepan, Ganter among them, this is a dilemma of simultaneity [6]. According to it, during the period of the post-communist democratization all the aspects of social functioning should be reformed simultaneously, as far as possible: political relations, economy, legal and judicial system, state bureaucracy. Society itself should change, democracy should become a sort of "lifestyle".

But it becomes more and more evident that it would be difficult to smash bulkwarks of democracy through a sudden attack, social costs of reforms are too high. The gap between words and actions becomes pretty distinct; it becomes clear that the majority of democratic principles were just declared, but were not implemented. Today the society has to pay for the privileges granted to the representatives of the governing elite.

Realizing the fact that democratic power can be corrupted as well as undemocratic power, does not instill more confidence in democratic government benefits in case of common people. The multi-party system or, rather, the process of formation of political parties declared in the country does not strengthen their belief in democracy either. On one hand, the institutional design of the democratic process requires availability of political parties and movements in the country. On the other hand, the

process of their formation under the conditions of the absence of civil society is based not on social or ideological but other grounds.

If, since 1989 during the period of half-disintegration and later complete disintegration of the USSR, parties were pretty often founded, by the groups of like-minded people based on the line of ideological split (in favor of or against democratic socialism, national independence, western democracy), as the country transited to the new system, the elites in power started to correct the process of partisan building. And this is one of the dilemmas of democracy. Today in Kazakhstan it is difficult to find a party which express support for democratic transformations. Many parties and social movements considered and consider it an honor to be identified as democratic. The problem, probably, is that not many representatives of these (and other) parties are able to give a competent answer to the question: "What is the essence of democracy and how are you going to protect the ideals of democracy?"

At the same time opposition a claim the role of the chief player of the democratic process. The parties and movements of oppositionists-democrats do not conceal their close relations with the western associates. Thus, only in December 2001-January 2002 the leaders of the democratic opposition of Kazakhstan visited Berlin, Bonn and Cologne, they were received the Ministry of Foreign Affairs, ministries and foreign policy centers. The delegation of the Forum of Democratic Forces of Kazakhstan held the series of meetings in Paris with the representatives of executive and legislative powers, experts on the Central Asia and journalists.

Generally, the Kazakh opposition (according to its evaluation) has reliable contacts in France, they were initiated in 1998 when the Congress of Democratic Forces of Kazakhstan took place in the capital of France. At that time it was named as "General States of Kazakh Opposition in Paris". Since then visits of the representatives of democratic parties and movements to France became regular. According to Kazakh democrats-oppositionists, in the course of such meetings high-ranking French officials and politicians not only receive information about the situation in Kazakhstan, they also express the position of France and its partners in

the European Community regarding a great number of issues – from international security to interparty cooperation of the democrats of Central Asia and Western Europe.

Itineraries of Kazakh oppositionists extend not only to Europe. The leaders of three parties in opposition: RNPK (Republican People's Party of Kazakhstan), Democratic Party of Kazakhstan "Azamat" and PNKK (Party People's Congress of Kazakhstan) made their decision about merging into one United Democratic Party in ... Washington. On the one hand, this testifies to the fact that the West has a certain influence on the development of political processes in Kazakhstan, on the other hand, it becomes evident that in Kazakhstan itself there are no institutional conditions for open activity of opposition that faces pressure from the state authorities and seeks support abroad. The last example is departure for abroad in 2007 of the leader of the unregistered party "Atameken" E. Dosmukhamedov, who found himself in semi-voluntary emigration.

Peculiar idealization of democracy remains as stable stereotype of not only ordinary mass consciousness, but also numerous constructions of the political science. It can be explained, in the first place, by the use of the concept "democracy", which bears the stamp of the idealized image of some undoubtedly positive in every aspect political organization. In the second place, a real state of post-authoritarian society usually is compared to the classic western democracies considered as a model. But they ignore specific peculiarities, especially of socio-cultural character of the country in the process of transformation.

We think that under the conditions of the modern process of global democratization it is necessary to proceed from the assumption that the use of the concept "democracy" for the purpose of characterizing some political regime can make analytical sense only if there are definitions specifying or clarifying this concept. In a number of cases, while evaluating concrete political regimes, it is important to answer not the question about the presence of democracy in the country given, but the question about the exact type of democracy in question, since in socio-political literature there are already dozens of "democracies with adjectives".

In Kazakh discourse the concept “democracy” often is used without precise definitions, as a synonym of unconditional political blessing. As if assumed that democracy can be only perfect, and idealization of democracy, some excessive demands regarding its state represent a stereotype of the majority of analytical constructions, and the objective appraisal of the processes in the country is not possible without getting rid of it.

The transition from authoritarian to democratic political regimes, that started at the end of 1980th – beginning of 1990th in the Eastern Europe and the former USSR, demonstrated system-defined complexities of transformational changes, serious resistance force and duration of the process itself. The concept of transition is not defined precisely and, due to this reason, it allows a number of possible interpretations in political science. In connection with this, we’d like to give the typical opinion of R.Darendorf related to the transformational transition from totalitarianism to democracy: “Transition does not and must not mean replacement of one system by another. Way to freedom is transition from closed to open society. Open society is not a system, it is only a mechanism for study of alternatives” [7].

Not all political scientists accept the transition to open society as a progress. A.S. Panarin, for example, in his work “Truth of the iron curtain” criticizes the western centrist view on “saving” ideology of open society. On the contrary, in his opinion, introduction of such ideology will have a disastrous influence upon the development of Russia. For the time being, it is difficult to say to what extent such opinion relates to Kazakhstan but the method of the well-known political figure should be treated with proper attention: “The only way to rescue in the given circumstances is fight against the destructive impact of globalization, for preservation of originality of the Russian civilization and retention of sovereign state organization” [8]. Such approaches to political transformations evaluation are likely to cause emergence of the conception of “sovereign democracy” in the Russian political discourse. But even in this case the authors do not deny the concept of democracy. That’s why when analyzing the transformational changes it is necessary to take into account the specificities of the models of transition to democracy.

Let’s consider some of them.

As Lints, Stepan, Schmitter, Karl argue the different models of transition to democracy, based on the criteria of dependence on the force ratio or relation between the leading players, can be grouped into three options:

1. transformation; when the process of democratization is carried out by the former governing elites (for example, in Spain after the overthrow of Franco’s regime);
2. replacement; when authoritarian regime is collapsed and the process of democratization is carried out by the opposition that came to power (“velvet revolution” in 1989 in Czechoslovakia);
3. mixed variant; when the process of democratization takes place as the result of joint actions of elites and opposition (Argentina after 1983).

As key factors and parameters of transition to democracy, they identified certain types of interaction between the leading players as well as the players’ strategies and, based on their combinations, the following four transition regimes have been identified:

1. pact;
2. reform;
3. revolution;
4. “forced transition”.

S. Huntington distinguishes between five types of the models of regimes replacement in the democratized countries:

1. Countries that kept to the cyclic model; continuously changed the democratic regime for the authoritarian regime and vice versa. This model was mainly typical of Latin America, including such states as Argentina, Brasilia, Peru, Bolivia and Ecuador, but it occurred also in other countries, for example, in Turkey and Nigeria. These countries had a tendency to choose constantly between more populist democratic governments and more conservative military regimes.

2. Another model of regime replacement was the model of the second attempt; when a country with the authoritarian regime replaces it for a democratic one, then it returns to the authoritarian regime and, as a result of the second attempt of democratization, democratic political regime is established. Among such countries are Republic Germany, Austria, Japan, Portugal, Greece, Czechia and Poland.

3. The third model is interrupted democracy. These are countries with democratic regimes in which due to some circumstances the democratic processes stopped but later they recommenced. In 1970th democracy was abolished in India and Philippines, Uruguay and Chile but finally the authoritarian regimes lost the competition.

4. The fourth model of regime replacement is represented by direct transition from stable authoritarian system to stable democratic system by means of gradual evolution or as a result of a sudden replacement of the first regime by the second one (Romania, Bulgaria, Mexico, Salvador, Nicaragua).

5. The fifth model is decolonization model, when democratic countries set up democratic institutions in their colonies (Papua-New Guinea, the former British colonies). It's worth mentioning that the countries of the third wave of democratization demonstrated all five models of regime replacement. But, to tell the truth, only 23 out of 29 countries democratized in 1974-1990 had previous democratic experience.

It is worth mentioning that none of the described models, just as it is, is applicable to the post-soviet regimes since only Baltic republics were characterized by the experience of partial democratization. Maybe, to a certain extent, the fourth model as the result of a sudden replacement of one regime by another can be applied in capacity of an explanatory approach to the process of post-soviet transformation. However, it cannot completely compensate for the lack at present time of unified methodological tools needed for the analysis of transformation processes that take place.

That is why "to come up with a unique definition of typological models based on which positioning of political transit in a country becomes possible, is not a simple task" [9]. According to the commonly accepted opinion among the politicians democratic process undergoes several stages or phases which, in general, consist of "liberalization of authoritarian regime", "collapse of authoritarian government", "transition to democracy", "democratic consolidation" and "maturing of democratic political order".

The latter is observed in the countries with rather long history and established democratic system. Phases, periods, stages of democratic transitions, called differently in various conceptual

models have, in the main, the same characteristics and fix similarities and sequence of transits of such type. The order and pace of going through the state stages of transformations depend on what characterized, in terms of politics and economy, the period preceding the beginning of transformation in the country.

At the stage of "collapse of authoritarian government", different situations oppose the lawfulness of undemocratic regime such as failures in economic development maturing of civil society, increased access of citizens to the democratic values and international pressure on democracy. But weakening of legality does not mean transition to democracy. This is an ordinary case, when the existing oppositional forces in society are prerequisites for moving toward democratic order. During "transitional" period, authoritarian and oppositional forces interact solving one issue – replacement of regime. It is important to develop new "rules of game" and standards of behavior in this interaction, through which conflicts between two oppositional parties can find rational solution based on the mutual consent. The ruling groups usually are divided into the "followers of tough course" supporting authoritarian methods of governing, and "reformers" preferring to support power via certain concessions. After that, new democratic rules appear as the result of interaction of the major participants, free elections are held for electing political leaders. Transition is considered complete when a new regime is formed and a new constitution is adopted, new democratic rules and procedures become a part of political life.

Consolidation of democracy starts with the establishment of a new democratic system and continues until the majority in society accepts its legality. New political democracy is consolidated when none of the main participants of the political play thinks about any alternative to the democratic process. In other words, when democracy becomes the "only player in the field of politics" it considered to be consolidated. Not only democracy can be consolidated, a political system can be consolidated as well, when the system of its consolidating values is so strong that the values of separate social groups which do not belong to this system and, therefore, contain the potential of community disintegration, are not able

to shake it. Putting it otherwise, transition to the alternative system of values is not possible in the consolidated political system [10].

At the same time in the "third world" the process of consolidation can be interrupted and incomplete, sometimes resulted in establishment of so-called "democratic authoritarianism" or "authoritarian democracy". From the point of view of the authors of such definitions it is connected, to a great instant, with socio-cultural environment within the framework of which the political transition takes place with the "host reaction" to democratic values and norms of the dominating political culture. In our opinion, the wordings "democratic authoritarianism" and "authoritarian democracy" are tautological and they cannot make clear the situation in so-called transit countries. In essence, "democratic authoritarianism" and "authoritarian democracy" mean "non-authoritarian authoritarianism" and "undemocratic democracy".

It seems more productive the approach of the theorists and political leaders of the processes of democratization in Spain F.Gonzalez: "...I do not think that there's any universal model of political transition accepted world-wide. It's much more useful...to reflect upon the elements that occur most often and are the most common for any political change when transiting from authoritarian dictatorial form to democratic one"[11]. The author, in particular, mentions the following: desire for changes, will of the majority regarding the reforms of society; ability of the members of society to come to agreements.

The conception of strict sequence of phases seems ambiguous as well as political recommendations ensuing from it. Doubts are caused, in particular, by the following provisions of the theory of stage-by-stage democratization. In the first place, it is assumed that leaders of autocratic regimes can and will contribute to the strengthening of rule of law and establishment of democratic institutions. In the second place, the basis of this theory is the conviction that countries in the process of transformation, by their definition, are not suitable for solving the tasks of democratic reforming.

In the meantime the historical experience confirms that autocracies conflict with the development of constitutional state and formation of democratic institutions per se. Such regimes are preoccupied, first of all, by retention of their powers. Leaders

of autocracies direct their efforts toward socio-economic progress to a certain degree but to the greater extent they can focus their efforts on self-enrichment, protection of the interests of certain privileged groups and the desire to get rid of potential political rivals. For the sake of achieving these goals they have to infringe the principle of government of law.

The British scientist T. Karozers offers an alternative to the theory of stage-by-stage democratization, a theory of gradualism which provides for gradual development of democracy in some concrete conditions not postponing this process for decades and, especially, not rejecting this idea [12]. If, according to him, sequentialism is a method aimed at putting off democratization for a certain period of time and ensuring scepticism regarding the chances of its triumph, then the gradualism is some other way of participating in democracy based on the belief and possibilities of its coming into being.

Gradual approach to democratization differs from the stadial one, it does not call upon postponing the most important element of democracy which is the development of fair and open political competition and providing the opportunity to choose for decades or an uncertain term. Gradualism implies that it should be launched here and immediately, but this should not be done at one go, goals should be advanced and reached gradually taking into account the cumulative experience. Gradualism can take different forms depending on a certain situation. Thus, discussing the danger of "premature elections" in the communities faced with conflicts, the followers of gradual approach keep to the opinion, that under such conditions there's need in gradual transition to elections, but they do not insist on their postponing for an uncertain term – till the completion of fundamental structural reforms.

Of course, gradualism is one more important principle which can be developed further as different approaches to the issue of democracy undergo changes. At the same time the experience of transforming of post-soviet regimes gives the examples of abuse of such concepts as sequentialism, as well as gradualism on the part of elite in power. As a rule, political elite in authoritarian and semi-authoritarian state that they are followers of gradual/stage-by-stage democratization, propagandizing at the same time "quazi- or pseudo-democratic gradualism/ sequentialism".

In reality, as a rule, in doing so autocratic elites conceal their intention to avoid serious political changes, threatening their government. Most likely, both approaches differ from the prevailing in 1980-1990 model of transformation of socio-political systems providing for a decisive burst, as the result of which the former regime breaks down and countries rapidly transit to open nation-wide elections. It is followed by a long-standing process of reforming of state structures and strengthening of civil society. To tell the truth, during the last several decades only few countries followed the scheme (for example, in the Central Europe) that had, in contrast to the post-soviet countries, preconditions facilitating the process of democratization.

As to Kazakhstan, in the process of advancing toward democracy, it demonstrates adherence to both gradualism and sequentialism. In his speech in front of the Parliament on 31 March 1999

N. Nazarbaev stressed, in particular, that "We made a good progress, this year we intend to speed up the implementation of our reforms. But we shall not allow a change the progressive development of democracy for anarchy. We shall be advancing steadily, but deliberately. Step-by-step, not leaving the right way. We do not need a political revolution. We suffered enough in this century. We strive to avoid sudden and uncontrollable changes. We are ready to call the course we have chosen a program of stage-by-stage or phased democratization" [13].

However, from our point of view, there is no principal difference between stage-by-stage and gradual democratization, since stages also can be overcome gradually, and "graduality" can be divided into certain stages. Therefore, it is not important which conception to follow, the main thing is a real advance toward democracy.

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Civil Society in Kazakhstan: Misguided or Misunderstood?

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Currently, civil society is mainly considered from the ideological perspective and is described as an invariable, universal model. But the Western model of civil society should not be applied to either country without necessary cultural and ideological modifications. Each country is unique and it demands a thoughtful approach aimed at long-term results rather than short-term solutions that might be painful or even disastrous for a country. Civil society is not subject to external handling. It cannot be developed via blue-prints from the offices in Washington or London. In any context civil society has its history and should be developed taking into account specific historical, cultural and political rhythms.

The major problem scholars face while studying civil society in Kazakhstan is how to approach the problem from ideological or social perspective. There is no universal definition of civil society as well as clear understanding of the mission of the sector.

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

Simon Heap (2003) argues that civil society has come to be synonymous with profound social change as the term emerged after the dissolution of the Soviet Union and collapse of the communist ideology. The broad definition of the term is that "civil society refers to that space in which organizations and individuals occupy between the level of the family and the State but enjoy the degree of autonomy from the state and market." (Ibid)

According to Roy (2005), "concept of civil society is used in very different cultural and political contexts, to offer some sort of tool with which to promote democracy and human rights in former authoritarian states."

In Kazakhstan of Politological Encyclopedia (1998:76) civil society is defined as a society where the individual with his or her system of needs, interests and values is the subject of the historical process. In this definition 'the civil society' coincides with the notion of 'a democratic society' and is the product of historical development.

The definitions are broad enough to prevent debates over the meaning but when it comes to implementation the disagreement emerges. This disagreement is rooted in both ideology and culture. Two schools of thought interpret the context of civil society from different even opposite perspectives.

The exclusive view is based on ideological perspective and focused mostly on organizations promoting democracy and equality principles. In this case informal and cultural associations are excluded or no paid no attention. The exclusive

view would see the relationship between formal power and civil society as antagonistic and oppositional.

The inclusive view recognizes the complexity of modern societies in terms of social structure and social institutions and would not limit civil society to only civil rights organizations. The inclusive view would see the relationship between the state and civil society as mutually interdependent rather than antagonistic. (Heap, 2003)

Currently, civil society is seen mostly from ideological perspective and described as having permanent characteristics. But civil society is not universal and the same model should not be applied to any given country without needed cultural and ideological adjustment. Every country is unique and requires thoughtful approach aimed at long-term results rather than short-term solutions that might be painful and even destructive for a country.

The proponents of western model see the civil society as an oppositional and antagonistic to the state and argue that transition countries need the third sector to protect individual freedom and limit the state power. (Heap, Garbutt, 2003)

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

Moreover, it became evident that effective civil society may exist only in a framework of strong and stable state where civil society should be an integral working part of the whole system. The advocacy is proper strategy only when it comes to violation of political rights of the citizens; in the other cases cooperation with the states makes it work much more efficiently. (Matveeva, 2008)

After the dissolution of the Soviet Union, the civil society was seen as a major actor in promoting democracy and freedom in the post-soviet states. The major attention was given to NGOs as the most visible part of civil society. Moreover, NGOs are treated as synonymous to civil society. As the most of NGOs are supported by the external donors, they are trying to meet expectations of these organizations. In other words, local NGOs act in

a framework of "western model". That is why the third sector in Kazakhstan is not effective, since it is not adjusted to cultural, historical and mental experience of ordinary people. In other words, the civil society in Kazakhstan was artificially created and 'initiatives were shaped exclusively around donor's own geographical (Almaty) or sectoral (human rights) priorities.' (Garbutt, Heap, 2002). Most of the NGOs in Kazakhstan became the implementers of the donors' projects and agendas to create a path for social change while leaving real needs of disadvantaged groups unattended (Matveeva, 2008)

The civil society in Kazakhstan is not effective and successful in terms of development and institutional capacity due to the lack of attention given to local culture. The influence of culture is underestimated or ignored by scholars for the ideological reasons mostly. Some are blinded by their own cultural experience and believe that the diffusion of western values would help societies in transition to be more democratic and effective; others do not take culture into account as something which cannot be touched, explained and scientifically tasted.

Nevertheless, if we refer to business experience, it is obvious that culture is now taking the first place in management practices and research. Business does not play political games or follow particular ideology; it aims to achieve its own goals and these goals are growth, profit and effectiveness. Social sciences are not that fast in adjusting to changing environment due to their conservative nature and ideological disagreements. Nowadays, all "western" is viewed as positive and natural, all "socialist" or "soviet" as evil and artificial.

We are far from ideological debates; we just believe that there is no universal model of development. The modern management theories state that there is no ideal or best structure, culture, or leadership type. The best model for any given organization depends on situational factors and can be effective only if it fits the situation. This research is aiming to draw scholars' attention to the importance of culture and its influence on social structures and institutions and the importance of the model's fit to the national culture.

Culture is most frequently researched by sociologists, anthropologists and management

scholars. It is a multidisciplinary concept and each science views and analyses culture from different perspectives. The variety of definitions show how differently each school or discipline defines and interprets culture.

When the term "culture" is used in trivial communication, it mostly refers to music, art, traditional clouth, traditional dishes and so on. But culture refers to "a patterned, ordered system of symbols that are objects of orientation to actors, internalized aspects of the personality system, and institutionalized patterns in the social system" (Ritzer G. 1988: 93). In this sociological definition, the key words from the authors' opinion are institutionalized patterns in the social system. In other words, culture is not shaped by individuals only and exists on a micro-level but influences sometimes form social structures and institutions.

Some elements of culture change faster than others. Business culture and technological innovations are much more advanced in creating material objects and introducing new cultural norms and values. A number of management scholars argued that, although management as a discipline has been born in Europe, it was further developed and applied in the United States. Most of the management theories and practices were introduced based on the American experience; they worked perfectly well in this country but would not be necessary successful in other countries if not adjusted culturally. "Culture is always a collective phenomenon...It is collective programming of the mind which distinguishes the members of one group from another. Culture is learnt, not inherited." (Hofstede G., 1991: 5). The key words in the definition are 'collective' and 'learnt'. As culture is learnt, it is changing over time under the influence of a number of factors.

Cultural diffusion is one of those factors that initiate cultural change but this is a long-term process especially if we deal with core societal values. Obviously, the United States represent a dominant culture in the world. The cultural diffusion process is unavoidable when dominance remains for a long period of time. The expectations that the world community will accept and internalize western values, norms and practices in a short period of time just because they are more 'moral', 'rational' and 'effective' are naïve and sometimes dangerous.

Kazakhstan in its recent history experienced at least three models of modernization under Russian Empire, Soviet Empire and Post-Soviet Western Empire. Each of the models brought profound changes in the life style (from nomad to settled), ideology (from Islam to communism and now to democracy) and mentality of people (from rural to urban) (Abylkhozhin, 2007).

Nomadic style of life dominated in the pre-soviet culture in Kazakhstan. Ethnic or national identity was simply unknown to the majority of the Central Asia population up to the twentieth century. The people were distinguished according to their life style (nomads) or religion (Islam) (Carley, 1995:295). According to Kangas (1995:273), during the pre-soviet period in this region power was based on the traditional norms and values passed over from one generation to another over centuries. These norms dictated behaviour and communal interaction. Politics was the art of family ties and loyalties. Despite widespread believe that Islam was highly influential in Kazakhstan, in reality, due to the nomad life style, religion was not institutionalized and existed on the level of cultural norms and traditions. The nomad culture and nomad life style had a profound effect on not only routine norms and traditions of the Kazakh society but mentality of people as well. The key traits of nomad mentality were freedom, tolerance, high degree of collectivism, flexibility, respect for elders and readiness to changes (Osmanova N. 2004).

The modernization process under the Russian Empire started in eighteenth century when three main Kazakh groups experienced a difficult time caused by attacks of Oryat raiders from the Xhinijian area of western China. The enemy has united the groups and pushed to look for protection from Russia (Anon, 2008). During century and half under the Russian Empire, Kazakh culture acquired a number of new values and traditions diffused from capitalist dominant culture. With the first roots of capitalism in Kazakhstan, there was a great need for educated people. In the middle of 18th century a number of Russian-Kazakh schools opened their doors to the students. The Russian missionaries took a leading role in the development of school education in Kazakhstan. Most of the Kazakh scholars and intellectuals were educated in Russia and became the proponents of Russian

culture and literature. (Abdakaimov A., 1994) The core values of the Russian society at that time were loyalty to monarchy, collectivism and respect for authority. The dominance of the Russian culture led to the diffusion of major societal culture of the Kazakh.

The Soviet rule had the most serious effect on individuals. It lasted for more than two generations; by the time of 1989 census more than 90 % of the population were born after the October revolution.

The weakness of ethnic identity before the Soviet era helped the Russification process to penetrate deeply in societal structure. The forced settlement of the nomad population resulted in a loss of traditional norms, values and even identity.

The Russian language became political and administrative language throughout the USSR. The Russian language proficiency became a prerequisite for education, culture and advancement in all-urban occupations. At present, a significant number of middle-aged people do not speak their native language, they became Russian native speakers without the possibility to adopt Russian ethnic identity. Even people who still were able to speak their native language were limited in vocabulary, because Kazakh language has not been developing for more than 70 years. (Naby, 1994)

The Soviet state eliminated illiteracy. Level of education have doubled by the 1960s and doubled again by the end of the 1980s. By the 1970s previously nomad country had two-thirds of its population living in cities and one-third working in industry. The Soviet state provided a relatively high level of well-being to its citizens. In the areas of housing, education, healthcare, transport and employment, Soviet achievements were indeed remarkable.

The Soviet period is recognised as the time of state monopoly in every sphere of life: economy, politics, and social sector. The establishment and development of NGOs (or their prototypes, further on 'public organizations') in Kazakhstan started when the country was a part of the Soviet empire.

Public organisations were under the strict state control and, with a few exemptions, were restricted in their independent development. Officially established public organisations were subsidiaries of the existing governmental structures.

The officially sanctioned organisations were financed by the state and closely tied to party organisations. Membership in them was characterised by obligatory volunteerism.

The establishment and development of NGOs,¹ which were called "public organizations" in Kazakhstan, started when the country was still a part of the Soviet Union². Officially sanctioned organisations were partly financed through membership fees and from the state budget. Membership in some public organizations was characterised by required "volunteerism," while in others, like sports and culture clubs, membership was purely voluntary. Large ideological bureaucratic organizations were established alongside of small organizations, which typically united people of similar interests.

The first law regulating the public nongovernmental sector in Kazakhstan was adopted in August 1930. It was the law "On Public Organizations and Unions" (Ponomarev, 1994). The largest and most visible public organizations were partly supported from the government budget and for this reason many were perceived by beneficiaries as part of government.

In 1994, the period of NGOization of Kazakh society started with the fast and massive inflow of donor organizations, trainers and civil society experts from the West. The most active and visible among the promoters and supporters of the Western civil society model in Kazakhstan were governmental, international multilateral and private nongovernmental organizations, such as USAID, UNDP, INTRAC, Eurasia Foundation, TACIS, HESP, Hivos, Counterpart International, Soros Foundation and many others which offered financial support to teething grassroots organizations. Given the availability of vast and easily accessible monetary resources, new Kazakhstan NGOs started to grow in number.³ Naturally donors' vision of de-

¹ The prototypes of modern NGOs were called "Soviet public organizations" under Soviet regime.

² Soviet Union is an abbreviated version of the full name of the country – The Union of Soviet Socialist Republics.

³ The Ministry of Justice reports that, as of April 2006, 25,868 private, not-for-profit organizations were registered in Kazakhstan. However, many of these registered organizations are dormant or nonfunctioning. Overall, according to the experts' estimation, the number of active NGOs in the country totals only about 800.

mocracy and the role of civil society organizations guided NGOs that tried to meet the expectations of funding organizations. Local NGOs received direction, training and resources from the Western civil society experts and therefore acted within the framework of the "Western model" of civil society. Ironically new civil society organizations that aspired to be independent developed strong dependency on donors and their ideologies and agendas (Howell and Pearce, 2001). Thousands of nongovernmental organizations were established within a short period of time (ABD report, 2007); millions of dollars were disbursed by Western donors to institutionalize NGOs and build their capacity as advocacy organizations, primarily in the fields of human rights, women's rights, the environment and electoral reform (Howell and Pearce, 2001). However, the initial excitement about the political involvement of civil society organizations started to cool down in the early 2000th when local and Western experts noted that the most of new advocacy and charity organizations had become fully dependent on foreign funding, failed to develop local support, nurtured limited volunteer involvement, failed to establish close links with their own constituents, and alienated themselves from the general public (Aksartova, 2006; Howard, 2002).

The dissolution of the Soviet Union was followed not only by changes in the political regime and economic reforms; the most serious but not that visible change was the cultural. One social change is characterized by the high degree of uncertainty and stress caused by the lack or vacuum of values and norms. The easiest way to improve the situation is to introduce new ideology based on the traditional pre-modernist values (as it happened in many post-soviet countries) or try to consolidate the people (or at least its dominant majority) via nationalist ideology. Both

ways might give good short-term results but in a long run they result in further crises: political, economic and cultural.

Kazakhstan did not adopt any of these models and tried to create a new model that would take into account the unique features of the society-high degree of cultural diversity, "successful" assimilation policy initiated and implemented by the Soviet state, social demands and expectations of the people who were "spoiled" by numerous of social services provided by the state; and international experience. Kazakhstan was open to new models of development and recognized the importance of modern nonprofit organizations as far it could not provide the people with a social assistance needed.

At present time the development of civil society in Kazakhstan faces two distinct obstacles: how to overcome the years of ideological indoctrination that continues to persist in books and publications and how to overcome cultural values and norms that have been internalized by people during the last century. But do these norms need to be destroyed? Could they by themselves constitute the basic foundation for the formation of a unique Kazakhstan civil society?

The cultural characteristics of Kazakhstan are different from the West yet capable of creating a stable and reliable system of internal networking and support. Kazakhstan is rich in social capital, which for centuries served well to ensure survival and peaceful cohabitation of multiple social and ethnic groups. We conclude with the quotation from the INTRAC conference in Kazakhstan by Howell and Pearce (2001), "Civil society does not lend itself to external manufacturing. It cannot be created via blue-prints from offices in Washington D.C. or London. Civil societies in any context have a history and must develop in tune with their particular historical, cultural and political rhythms."

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КАЗАХСТАНСКИЙ ИНСТИТУТ
СТРАТЕГИЧЕСКИХ ИССЛЕДОВАНИЙ
ПРИ ПРЕЗИДЕНТЕ
РЕСПУБЛИКИ КАЗАХСТАН

Выходит ежеквартально с 2003 г.

Шеф-редактор
Буллат СУЛТАНОВ,
директор КИСИ
при Президенте РК

Заместитель шеф-редактора
Лейла МУЗАПАРОВА

Ответственные за выпуск:

Н. Сейдин

Дизайн и верстка:

Г. Хаткулиева, А. Садвакасов

Перевод ТОО «ҚАЗАҚСТАН
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Журнал зарегистрирован Министерством
культуры, информации и общественного
согласия РК 24 января 2003 г.
Регистрационное
свидетельство № 3529-ж

При перепечатке ссылка
на журнал обязательна.
Мнение редакционной коллегии журнала
может не совпадать
с точкой зрения авторов статей.

Отпечатано в типографии
ИП «Волкова Е.В.»:
Республика Казахстан, г. Алматы,
пр. Райымбека, 212/1

Тираж 300 экз.