
HIMALAYAN AND CENTRAL ASIAN STUDIES

(JOURNAL OF HIMALAYAN RESEARCH AND CULTURAL FOUNDATION)

NGO in Special Consultative Status with ECOSOC, United Nations

Vol. 12 Nos. 3-4

July-December 2008

KAZAKHSTAN SPECIAL

Confidence Building Measures in Asia: From Idea to Realization

Nurlan Yermekbayev

CICA and the Contemporary World

Jandos Asanov

Kazakhstan Today

Kairat Umarov

NATO and Central Asia: A Cooperation Framework

Murat T. Laumulin

Central Asia and USA in the post-9/11 Period: Security Aspects

Fatima Kukeyeva

Foreign Policy of Kazakhstan

K.H. Makasheva

**Kazakhstan's Response to Regional Economic, Political and Security
Challenges**

Oxana Dolzhikova

Integration of Central Asian Republics into Global Economy

Zaure Chulanova

Constitution of Kazakhstan and International Law

S.Z. Aidarbayev

Kazakhstan and India: Perspectives on Regional Security

K.I. Baizakova

Kazakhstan-India Cooperation: Major Trends

S.M. Nurzhanova

HIMALAYAN AND CENTRAL ASIAN STUDIES

Editor : **K. WARIKOO**
Associate Guest Editor : **KURALAY BAIZAKOVA**
Assistant Editor : **SHARAD K. SONI**
Sub Editor : **MAHESH R. DEBATA**

© Himalayan Research and Cultural Foundation, New Delhi.

- * All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted by any means, electrical, mechanical or otherwise without first seeking the written permission of the publisher or due acknowledgement.
- * The views expressed in this Journal are those of the authors and do not necessarily represent the opinions or policies of the Himalayan Research and Cultural Foundation.

SUBSCRIPTION

IN INDIA

Single Copy (Individual)	:	Rs.	500.00
Annual (Individual)	:	Rs.	1000.00
Institutions	:	Rs.	1400.00

& Libraries (Annual)

OVERSEAS (AIRMAIL)

Single Copy	:	US \$	30.00
		UK £	20.00
Annual (Individual)	:	US \$	60.00
		UK £	40.00
Institutions	:	US \$	100.00
& Libraries (Annual)		UK £	70.00

***Himalayan and Central Asian Studies is indexed
and abstracted in Worldwide Political Science
Abstracts and PAIS International, CSA, USA***

*Subscriptions should be sent by crossed cheque or bank draft in favour
of HIMALAYAN RESEARCH AND CULTURAL FOUNDATION,
B-6/86, Safdarjung Enclave, New Delhi - 110029 (India)*

Printed and published by Prof. K. Warikoo on behalf of the Himalayan Research and Cultural Foundation, B-6/86, Safdarjung Enclave, New Delhi-110029. Distributed by Anamika Publishers & Distributors (P) Ltd, 4697/3, 21-A, Ansari Road, Daryaganj, New Delhi-110002. Printed at Nagri Printers, Delhi-110032.

EDITORIAL ADVISORY BOARD

Lt. Gen. (Rtd.) Hridaya Kaul
New Delhi (India)

Prof. Harish Kapur
Professor Emeritus
Graduate Institute of
International Studies
Geneva (Switzerland)

Prof. Touraj Atabaki
International Institute of Social
History
University of Amsterdam
The Netherlands

Prof. Devendra Kaushik
Gurgaon, Haryana (India)

Prof. Jayanta Kumar Ray
Chairman
Maulana Abul Kalam Azad
Institute of Asian Studies
Kolkata (India)

Prof. Pushpesh Pant
Dean
School of International Studies
Jawaharlal Nehru University
New Delhi (India)

Dr. Lokesh Chandra
Director
International Academy of
Indian Culture
New Delhi (India)

Prof. R. S. Yadav
Department of Political Science
Kurukshetra University
Kurukshetra, Haryana
(India)

Dr. Osmund Boppearachchi
Director of Research at CNRS
and Professor, Sorbonne
Laboratory of Archaeology
University of Paris (France)

Dr. Sanjyot Mehendale
Executive Director
Caucasus and Central Asia Program
University of California
Berkeley, USA

CONTRIBUTORS

- Nurlan Yermekbayev** is Deputy Foreign Minister of Kazakhstan.
- Jandos Asanov** is the Executive Director, CICA, Kazakhstan.
- Dr. Kairat Umarov** is the Ambassador of Kazakhstan to India, New Delhi.
- Prof. K. Warikoo** is Director, Central Asian Studies Programme, School of International Studies, JNU, New Delhi.
- Dr. Murat Laumulin** is Vice Director, Kazakhstan Institute of Strategic Studies, Almaty, Kazakhstan
- Prof. Fatima Kukeyeva** is Chair, Department of International Relations and Foreign policy of Kazakhstan, Al-Farabi Kazakh National University, Almaty, Kazakhstan.
- Dr. Klara N. Makasheva** is Professor of Regional Studies, Al-Farabi Kazakh National University, Almaty, Kazakhstan.
- Oxana Dolzhikova** works at the Institute of World Economy and Politics, Almaty, Kazakhstan.
- Dr. G. M. Smagulova** is Head, Department of World History and International Relations, Karaganda State University, Karaganda City, Kazakhstan.
- Zaure Chulanova** is acting Deputy Director, Institute of World Economy and Politics, Almaty, Kazakhstan
- Dr. Chitranjan Senapati** is Assistant Professor, Sardar Patel Institute of Economic and Social Research, Ahmadabad.
- Prof. E. B. Zhatkanbaev** is Dean, faculty of Economy and Business, Kazakh National University, Almaty, Kazakhstan.
- Dr. S. Z. Aidarbayev** is Vice President, International Law Association of Kazakhstan.
- Dr. Mukesh Kumar Mishra** teaches in A.R.S.D. College, Delhi University, New Delhi.
- Prof. K. I. Baizakova** is Dean, Department of International Relations and Foreign policy of Kazakhstan, Al-Farabi Kazakh National University, Almaty, Kazakhstan.
- Bek-Ali Yerzhan** is Lecturer, Department of International Relations and Foreign policy of Kazakhstan, Al-Farabi Kazakh National University, Almaty, Kazakhstan.
- Yelena I. Rudenko** is a Post Graduate Researcher in the Institute of Oriental Studies, Almaty, Kazakhstan.
- S.M. Nurzhanova** teaches at the Department of World History and International Relations, Karaganda State University, Karaganda City, Republic of Kazakhstan.
- Dr. A. Dadebaev**, is a Senior Research Scholar at the Department of International Relations, Al Farabi University, Almaty, Kazakhstan.
-

HIMALAYAN AND CENTRAL ASIAN STUDIES

Vol. 12 Nos. 3-4

July-December 2008

CONTENTS

Editor's Page		1-2
Confidence Building Measures in Asia: From Idea to Realization	<i>Nurlan Yermekbayev</i>	3-8
CICA and the Contemporary World	<i>Jandos Asanov</i>	9-13
Kazakhstan Today	<i>Kairat Umarov</i>	14-21
NATO and Central Asia: A Cooperation Framework	<i>Murat T. Laumulin</i>	22-31
Central Asia and USA in the post-9/11 Period: Security Aspects	<i>Fatima Kukeyeva</i>	32-42
Foreign Policy of Kazakhstan	<i>K.H. Makasheva</i>	43-49
Kazakhstan's Response to Regional Economic, Political and Security Challenges	<i>Oxana Dolzhikova</i>	50-65
Integration of Central Asian Republics into Global Economy	<i>Zaure Chulanova</i>	66-77
Integration Processes in Central Asia: A View from Kazakhstan	<i>G.M. Smagulova</i>	78-83
Kazakhstan's Economy: Perspectives on Regional and Global Integration	<i>Chittaranjan Senapati</i>	84-103
Economic Development in Kazakhstan	<i>E.B. Zhatkanbaev</i>	104-109
Constitution of Kazakhstan and International Law	<i>S.Z. Aidarbayev</i>	110-114

Constitutional Development in Independent Kazakhstan: A Review	<i>Mukesh K. Mishra</i>	115-129
Kazakhstan and India: Perspectives on Regional Security	<i>K.I. Baizakova</i>	130-139
Kazakhstan-India Bilateral Relations: Some Perspectives	<i>Bek-Ali Yerzhan</i>	140-147
Indo-Kazakh Cooperation: Perceptions and Perspectives	<i>Yelena I. Rudenko</i>	148-155
Kazakhstan-India Cooperation: Major Trends	<i>S.M. Nurzhanova</i>	156-162
India's Central Asia Policy	<i>A. Dadebaev</i>	163-166
Document: President Nursultan Nazarbayev's Address		167-180

Editor's Page

Situated in the very heart of the Eurasian continent and covering an area of over 2.7 million sq. kms., Kazakhstan is the second largest country in the CIS and ninth largest (after Russia, Canada, China, USA, Brazil, Australia, India and Argentina) in the world. Sharing its borders with Russia in the north, Uzbekistan, Kyrgyzstan and Turkmenistan in the south, and China in the east, Kazakhstan enjoys a unique strategic importance in the region.

Considered by many experts as the “anchor of stability in Central Asia”, Kazakhstan has been following a pro-active and multi-vector foreign policy to cope up with the challenges of the 21st century. While seeking to create stable, secure and friendly surroundings, Kazakhstan has established multilateral economic and political relations with Russia, USA, China, Central Asian Republics, European Union and other Asian countries. Kazakhstan’s geographic location and its vast territory spanning the central Eurasian landmass, which is a geographical continuum with historical commonality, and is not divided by any land, mountain or sea barriers, is the determining factor in its foreign policy concept of Eurasianism. Now that Kazakhstan is all set to assume the Presidency of the Organisation for Security and Cooperation in Europe (OSCE) in the year 2010 and subsequently preside over the Organisation of Islamic Countries (OIC) in 2011, only reinforces its position as the leading player in the region. Kazakhstan is looking forward to use this opportunity to act as a bridge between Europe and Asia and also to facilitate dialogue between civilizations, cultures and religions.

Kazakhstan has made remarkable progress in social and political stability, and economic development, which are considered to be the three main pillars forming the edifice of its nation building. President Nursultan Nazarbayev has been laying stress on internal stability in order to ensure sustainable social base for development, market economy, democratic development, peace and security in the region. Kazakhstan is striving to forge a common Kazakhstani identity and has adopted a three language policy. Whereas Kazakh is the official language and Russian is the language of inter-ethnic communication, English is promoted as the language of business, so that Kazakhstan gets integrated

in the world economy. Kazakhstan has also been promoting the idea of inter-ethnic and inter-religious harmony.

Kazakhstan has emerged as the fastest growing economy in the whole of Central Asia. Priority sectors of economic development have been identified as building infrastructure, information technology, banking, energy, mining and tourism. However, the challenge is to sustain this rate of development. It, therefore, becomes necessary for Kazakhstan to build adequate human capital so that sufficient number of technical, scientific and professional cadres are available in Kazakhstan to meet the growing requirements. It is here that India with its huge technical and professional expertise and resource base can collaborate with Kazakhstan. There is enough scope for close cooperation between the academic, scientific and technical institutions of both India and Kazakhstan. Though Indo-Kazakh bilateral trade has increased to 370 million US dollars in the year 2008, it is far behind the annual trade turnover of over 10 billion US dollars between Kazakhstan and Western China. Kazakhstan being the largest producer of oil and gas in Central Asia, there exists immense potential for collaboration between India and Kazakhstan in the energy sector, particularly in the fields of exploration, modernization, maintenance of pipeline infrastructure and to set up the refinery and processing complexes jointly. Both countries can also benefit from cooperation in science and technology, space engineering, textiles, pharmaceuticals, banking and services sector.

Its geostrategic importance, economic potential especially its energy and uranium resources and its multi-ethnic society make Kazakhstan important for India. Apart from the complementarity of their economies, there is convergence of political and strategic interests between Kazakhstan and India on major issues: a) socio-economic and political stability of Central Asia; b) commitment to the principle of inviolability of state borders and respecting the territorial integrity of states; c) opposition to separatism and religious extremism; d) meeting the challenges to regional security posed by the deepening crisis in Afghanistan; e) combating terrorism, drugs trafficking, arms smuggling and organized crimes; and f) maintaining regional peace and security. Kazakhstan's President Nursultan Nazarbayev's forthcoming visit to India as the Chief Guest at India's Republic Day ceremony on 26 January 2009, will be yet another milestone in strengthening the bilateral relations.

K. Warikoo

CONFIDENCE BUILDING MEASURES IN ASIA *From Idea to Realization*

NURLAN YERMEKBAYEV

In 1992, for the first time in history, the head of newly independent Central Asian Republic of Kazakhstan, President Nursultan Nazarbayev, stated his vision of the future development of Asia at the 47th session of the UN General Assembly: “The world has now come closer to the threshold beyond which the visible disturbing challenges of the future compel us to adopt a new quality of coordination and a new way to organize our joint efforts”, he said while delivering his speech at the UN General Assembly. One needed to have a clear understanding of ongoing global processes and political courage in order to put forward the initiative of convening the Conference on Interaction and Confidence Building Measures in Asia (CICA) as one of the mechanisms for dealing with the issues faced by this continent.

The last decade of the 20th century was the period of upheavals for the entire world community. It witnessed the disintegration of one of the superpowers, i.e., the erstwhile USSR and birth of scores of new states on the world map. Besides, there were a number of military-political conflicts practically in all regions, including Europe as well as rising confrontation not only between the West and East, but also between the North and South. It was also a time when globalization began to increase its pace, while tying the knots of all the countries both economically and politically and thereby leading to greater interdependence among them. The forces of globalization have also been accompanied by positive factors such as gradual wiping off of interstate borders, free movement of capital, labour and intellectual resources, sharing of information as well as rapid development of trade and economic relations among the

countries. Unfortunately, this process also led to the internationalization of new threats and challenges, including terrorism, rise of religious extremism, drug trafficking and smuggling of small arms.

While addressing the 62nd session of the UN General Assembly, President Nazarbayev drew attention to this issue stating that “over the recent years international terrorism has significantly undermined world security. Global drugs trafficking serves as the financial pillar of terrorism. Today, global drug industry accounts for a third of the volume of the ‘economy of terrorism’.”

One may wonder, why did Kazakhstan take upon itself the responsibility of implementing such a large scale international project like CICA? It is worth recalling that after the disintegration of the former Soviet Union the balance of forces across the globe, which had been unshakeable until that time, underwent a change, which forced Kazakhstan’s diplomacy to start working in a vacuum.

The idea of creating a security structure in Asia had been floated several times but it failed to find adequate support. With the end of the Cold War and fast changing geo-political and geoeconomic scenario, CICA received support from a number of Asian states that were playing significant role in defining the political climate in the continent. Kazakhstan and other states supporting the CICA process were well aware of the extremely difficult task of creating such a structure because Asia is the most diverse continent in all its manifestations - be it political, economic, religious, ethnic or cultural. Tensions were still running high in certain regions of Asia on account of a long history of conflicts and mistrust. Nevertheless, by that time it became clear that the only way to enable the Asian nations to take advantage of globalization and to combat the new challenges and threats was through dialogue and cooperation in a secure and stable environment.

In view of the above mentioned specific reasons, it was unthinkable to blindly copy the administrative/conceptual principles of such regional organizations as OSCE. Therefore, it became necessary to create a new structure, whose operational principles and mechanisms could be acceptable to all the parties. The striking illustration of recognition of these efforts was the holding of the first CICA Ministerial Meeting in Almaty on 14 September 1999, which adopted the Declaration on the Principles Guiding Relations between the CICA member states that became the stepping stone towards future evolution of the CICA process. This first official document laid the foundation of the subsequent

development of the CICA process. The document reaffirmed “...universally accepted principles of international security such as, respect of sovereignty and all rights of the CICA member states; territorial integrity and non-interference into each other’s internal affairs; peaceful settlement of disputes between states; non-use of force; disarmament and arms control; social, economic, trade, cultural and humanitarian cooperation; and respect for fundamental human rights in accordance with the principles of the United Nations and international law”.

The First CICA Summit held in Almaty on 4 June 2002 marked the formal launch of the Conference on Interaction and Confidence Building Measures in Asia, a multi-national forum for enhancing cooperation towards promoting peace, security and stability in Asia. The summit was attended by the heads of Kazakhstan, Russia, China, Pakistan, Turkey, Mongolia, Kyrgyzstan, Tajikistan and Afghanistan, as well as Prime Ministers of India and Azerbaijan, special envoys from Iran, Egypt, Israel and Palestine apart from official representatives of observer states and observer organizations.

During the dialogue at the first Summit, leaders of Asian countries spoke about new fundamental approaches to security issues in Asia based on trust, respect and cooperation. These principles were reflected in the final documents of the forum - the Almaty Act and the Declaration on elimination of terrorism and promoting dialogue between civilizations. After the Summit, the member states worked out “The Catalogue of CICA CBMs”, the basis for the practical activities of CICA. According to this document, which was adopted at the Ministerial Meeting in 2004, each member-state voluntarily chooses those confidence building measures, in economic, human and environmental dimensions as well as in the field of countering new challenges and threats which suit the national interests of that country.

The Second Summit held on 17 June 2006 addressed the task of developing mechanisms for the realization of CBMs. The statements made by the heads of the State/Government at this gathering once again reaffirmed genuine interest of the parties in further developing the CICA process. The signing of the Statute of the Secretariat of the Conference on Interaction and Confidence Building Measures in Asia at the Second Summit, which was set up for increasing the efficiency of the process, has been a remarkable event. One of the most important and priority tasks of the CICA Secretariat is to assist the country, chairing the CICA, as well as other member states in the joint development of mechanisms

for implementing CICA confidence building measures. There are plans to hold various events. Nowadays, diplomats from India, Kazakhstan, Pakistan, Russian and Turkey are working at the Secretariat.

Clearly, the CICA has come into existence as a new political process that is meant to substantially expand the opportunities for multilateral dialogue. After the accession of the Kingdom of Thailand and Republic of Korea, the number of the CICA member states has reached eighteen. Few more countries of the region have applied for the full membership in the CICA. These facts speak of growing importance of the CICA as an all-continental structure. Now the CICA has reached the next stage of its evolution, which is meant for realization of Confidence Building Measures among the member states. The detailed concept and procedure for realization of the Confidence Building Measures adopted in March 2007 in Bangkok, when the Senior Officials Committee of the CICA took up the Cooperative Approach for the implementation of the CICA CBMs.

In a traditional sense, Confidence Building Measures are understood as the measures taken by the states to reduce fear and suspicion among one another and/or reduce the fear of war. The concept of Confidence Building Measures emerged from the attempts during the cold war period to avoid nuclear war by accident or miscalculation. In essence, Confidence Building Measures were perceived to be the political measures for reducing tensions among the states.

The CICA Confidence Building Measures, however, go beyond the traditional concepts. The leaders of the CICA member states recognized that in the increasingly inter-connected and inter-dependent world of 21st century, Confidence Building Measures in socio-economic dimensions were as important as in the politico-military dimensions. The CICA Catalogue, therefore, laid down five dimensions for realization of the Confidence Building Measures: (i) military-political; (ii) fight against new challenges and threats; (iii) economic; (iv) environmental; and (v) humanitarian. In Asia, there is an extensive potential for joint activity in such spheres as trade, economy, protection of environment, disaster management, transport, power, cultural exchange, dialogue between civilizations and counteracting new threats and challenges.

The process of realization of Confidence Building Measures in the four socio-economic dimensions has already commenced. Seven member states, namely, Azerbaijan, Iran, Kazakhstan, Republic of Korea, Russia, Tajikistan and Turkey, have volunteered to act as coordinating countries for certain projects for realization of Confidence Building Measures in

the areas of human dimensions, new challenges and threats, development of secure and effective systems of transportation corridors, drug trafficking, national disaster management, information technology, energy security cooperation, economic cooperation and tourism.

During a meeting of the Senior Officials Committee (SOC) of CICA held on 17 October 2007 and dedicated to the 15th anniversary of the CICA process, India too offered to act as co-coordinator with the Republic of Korea and Republic of Azerbaijan for the implementation of CBMs in the fields of energy security and development of secure and effective systems of transportation corridors. On the other hand, Israel offered to share its expertise in the fields of water management, advance agriculture, hi-tech development, disaster and crisis management and expressed its readiness to hold workshops in these fields. The Foreign Minister of Kazakhstan Dr. Marat Tazhin, while opening the meeting of the CICA Senior Officials Committee on 17 October 2007, stated that "...the attractive and unique feature of CICA is vested in the spirit and format of the Forum which has become a common platform for comparison of viewpoints and generating ideas on the acute issues of the life of the Asian continent."

The SOC has decided that henceforth the majority of events under the CICA auspices will be held outside Kazakhstan, particularly in Tehran, Ankara, Moscow, Tel Aviv, Kyrgyz Republic (expert meetings), Seoul and New Delhi (Special Working Groups/Senior Officials Committee meetings). The activities within the CICA framework will simultaneously be carried out on several fronts.

The meeting of the CICA Senior Officials Committee dedicated to the 15th anniversary of the initiation of the CICA process proved to be a breakthrough event. The Conference demonstrated that there has been a forward movement in the military-political dimension as well. The Republic of Korea expressed gratitude to the CICA for issuing a statement ahead of many international organizations condemning the seizure of Korean nationals in Afghanistan as hostages. The SOC also invited member states to continue to render assistance in combating terrorism, opium production and drug-trafficking, for reconstruction of Afghanistan and extending political support for ensuring peace and security and normalization of life in this country.

It needs to be emphasized that the CICA is open to all countries. It is also ready for cooperation with other regional organizations. On the Eurasian space, there are a number of inter-state structures that are close to each other in spirit and objectives. Therefore, the CICA Senior Officials

Committee adopted a decision on establishing relationship with Shanghai Cooperation Organization (SCO), Eurasian Economic Community (EuroAsEC), Economic Cooperation Organization (ECO) and South Asian Association for Regional Cooperation (SAARC). For strengthening cooperation among Asian interstate organizations the CICA, SOC has made a decision on holding an international conference under the aegis of the CICA with participation of all the Asian regional and sub-regional structures. The participants agreed to Kazakhstan's proposal to establish dialogue on the "inter-parliamentary track" among the CICA member states.

During the working negotiations of the Kazakh delegation with its counterparts from other countries, a proposal to consider the possibility and prospects of optimization of existing Asian regional multilateral organization came up for the first time. Such integration could take place by merger of the CICA and Asian Cooperation Dialogue. Possibly such an idea requires serious negotiations and consultations with the purpose of determining optimal conceptual and organizational solution.

In 16 years, the CICA process has come a long way. It has blossomed into a full fledged functioning forum for dialogue and for seeking mutually acceptable measures for resolving problems and conflicts in the region. The objectives and activities of the CICA have received wide recognition from the world community.

While participating in the general debate at the 62nd United Nations General Assembly session on 25 September 2007, President Nazarbayev underlined the importance of the CICA process in the following words:

...speaking of Asia, it is not possible to bypass the issue of setting up of a collective security mechanism of continental scale. That has become possible due to the realization of Kazakhstan's initiative to convene the Conference on Interaction and Confidence Building Measures in Asia (CICA), initiated by me from exactly this very podium, during the forty-seventh session of the General Assembly in 1992. Today, the CICA process brings together 18 states, which occupy 90 per cent of Asia's territory. Their population makes half of the people living on our planet. Time has proven the relevance of the CICA process, within which a political dialogue among Asian states is gaining momentum.

CICA AND THE CONTEMPORARY WORLD

JANDOS ASANOV

In the fast changing world of 21st century, Asia occupies a unique place. It has been showing a remarkable economic growth over the last few years. Therefore, 21st Century is being described as the Asian century. With its rising military, economic and political clout, Asia is playing an increasingly important role in the world community. For these reasons as well as on account of changing demography, there is no doubt that the future lies with Asia. Today, centre of gravity of the world economy is slowly, but surely, moving towards Asia.

However, at the same time, Asia continues to face numerous security challenges which threaten not only the economic gains but also the peace and stability of the continent. Asia has experienced some of the most disastrous conflicts of the post- World War II era. It is also an extremely diverse region composed of the largest and the smallest countries with significantly different levels of development and aspirations. There are cultural, ethnic, religious and historical differences to be overcome. As we approach the end of the first decade of 21st century, Asia continues to face multiple flash points with significant conflict potentials that have been in existence for historical and other reasons. Any of these flashpoints could spark conflagration that could undermine peace and prosperity of the region.

In addition to the traditional military flashpoints, Asia also faces a number of non-traditional security challenges, now commonly known as *New Threats and Challenges*. While globalisation has brought unprecedented benefits in the form of rapid economic, technological and social changes, these changes have also spawned the much more sinister by-product of non-traditional security challenges. Some of the major non-traditional challenges faced by Asia today are terrorism, trans-national crime, environmental degradation, spread of infectious diseases and

trafficking in human beings, illicit drugs and arms.

Globalisation has also been blamed for increasing economic and social inequalities and consequent tensions in certain parts of Asia. In spite of decades of positive macroeconomic development, nearly 900 million people in Asia continue to live on income under one dollar a day. While poverty itself cannot be identified as a security challenge, it has certainly contributed to the rise of some of the new threats and challenges. Most of the non-traditional challenges have trans-national linkages aided by the ease of communications and transportation. Terrorism, international crime, drug trafficking and trafficking in human beings thrive on account of trans-national linkages. Emergence of new infectious diseases has a spillover effect as demonstrated by spread of bird flu. It is, therefore, becoming increasingly clear that both the traditional and non-traditional security challenges cannot be addressed in isolation and hence they require collaborative multilateral responses.

It was to address these very concerns through a collaborative multilateral approach that Kazakhstan President Nursultan Nazarbayev conceived the idea of a Conference on Interaction and Confidence Building Measures in Asia (CICA) and presented it to the community of nations at the United Nations General Assembly in 1992. Earlier, collaborative approach was confined to few sub-regional mechanisms like Association of South East Asian Nations (ASEAN), South Asian Association for Regional Cooperation (SAARC), Economic Cooperation Organization (ECO), etc. The CICA process is unique because it aims to create a meaningful security environment covering the entire continent of Asia through dialogue, cooperation and confidence building measures among the member states. Member States of CICA come from all parts of Asia covering nearly 90 per cent of the area and the population of the continent.

In 2007, during his speech at the 62nd session of the UN General Assembly, President Nazarbayev underlined,

... speaking of Asia, we have to mention here the issue of the establishment of a continental arrangement of collective security. That has become possible due to the implementation of Kazakhstan's initiative to convene the Conference on Interaction and Confidence-Building in Asia (CICA), declared by me standing on this very podium, during the forty-seventh session of the General Assembly in 1992. Today, the CICA process brings together 18 states, which occupy 90 per cent of Asia's territory. Their population makes half of the people living on our planet. Time has proven

the relevance of the CICA process, within which a political dialogue among Asian states is gaining momentum.

The CICA is one of the youngest and most diverse regional groupings. It is to be noted that although the idea of CICA was conceived sixteen years ago, as a functioning forum, it is very young, having come into existence when first Summit Meeting was held on 4 June 2002. It is also among the most ambitious groupings, especially in terms of range of issues it seeks to address and its heterogeneity infuses it with potential dynamism. The fact that CICA is in a position to reconcile the diverse concerns is reflected in its ability to adopt a comprehensive set of documents and declarations, besides taking tangible steps for implementation of Confidence Building Measures within such a short span of time. This bears testimony to the commitment of the member states to the CICA process.

The Third Meeting of the CICA Ministers of Foreign Affairs was held on 25 August 2008. The period between the Second Summit Meeting held on 17 June 2006 and the Third Ministerial Meeting has been one of the most creative periods of the CICA process so far. The Second Summit marked the birth of the CICA Secretariat, which is the permanent administrative body of CICA charged with, inter alia, the responsibility of implementing decisions jointly taken by the member states. At present the diplomats seconded by the member-states work in the Secretariat.

While reaffirming commitment to the basic principles and goals of the CICA contained in the Almaty Act of 2002, the Second Summit also decided to carry forward the CICA process through active cooperation among the member states in countering drug trafficking, meeting non-traditional threats and challenges, promoting trade, and taking measures for environmental protection, energy security, education and tourism.

The way forward to accomplish the tasks laid down by the Second Summit was through implementation of the Confidence Building Measures (CBMs) contained in the *Catalogue of CICA Confidence Building Measures* adopted during the Second Meeting of the CICA Ministers of Foreign Affairs in October 2004. It may be mentioned that the CICA Confidence Building Measures go beyond the traditional concepts of reducing tension and fear of war. The leaders of the CICA member states recognized that in the increasingly inter-connected and inter-dependent world of 21st century, non-traditional security challenges were posing even greater threat than the traditional politico-military challenges. The CICA Catalogue, therefore, laid down five dimensions for realization of the Confidence Building Measures: (i) military-political; (ii) fight against

new challenges and threats; (iii) economic; (iv) environmental; and (v) humanitarian.

After the CICA Secretariat became fully functional, the first major step was adoption of the *Cooperative Approach for implementation of the Confidence Building Measures*. Member states agreed that in view of the diverse profile of CICA and realities typical to the Asian continent, it would be best to start with the realization of Confidence Building Measures in non-traditional security challenges which would create sufficient goodwill among the member states. Further, the Cooperative Approach laid down detailed modalities for implementation of Confidence Building Measures. Eight member states, namely, Azerbaijan, India, Iran, Kazakhstan, Republic of Korea, Russia, Tajikistan and Turkey volunteered to act as coordinating or co-coordinating countries for realization of Confidence Building Measures in the areas of human dimensions; new challenges and threats; development of secure and effective systems of transportation corridors; drug trafficking; national disaster management; information technology; energy security cooperation; development of small and medium enterprises; and tourism.

Kazakhstan took lead and organized the first Experts Meeting in Astana in June 2007 to draft a concept paper and action plan for "Confidence Building Measures in Human Dimensions", which was subsequently adopted by the Senior Officials Committee in October 2007. Islamic Republic of Iran organized an Experts Meeting in Tehran in December 2007 to finalize the concept paper on "Cooperation among CICA Member States in Combating Illicit Drug Trafficking" and Turkey organized an Experts Meeting in Ankara in January 2008 in the field of "New Threats and Challenges." The concept paper and the action plan in these two fields were likely to be adopted at the meeting of the Senior Officials Committee being held on the eve of the Third Ministerial Meeting.

Other coordinating countries have also taken specific steps for implementation of Confidence Building Measures. Russia has presented a draft concept paper in the area of "Promotion of Business Opportunities and Information Exchange in Small and Medium Enterprise Sector"; Azerbaijan has presented a draft concept paper in the area of "Development of Secure and Effective Systems of Transportation Corridors"; Republic of Korea has presented a draft concept paper in the area of "Energy Security"; and Tajikistan has presented a draft concept paper in the area of Tourism. These draft concept papers will be

considered in the Experts Meetings to be organized by the respective coordinating countries. In addition, Israel is organizing a Seminar on Advanced Agricultural Development in October 2008. More member states are expected to come forward to act as coordinating countries for implementation of Confidence Building Measures in different fields.

Member States also realized that in order to accomplish the ultimate goal of making Asia a region of peace and security, it is necessary that the CICA should have active cooperation with other Asian regional and sub-regional organizations and fora. A two-pronged strategy has been adopted for this purpose. On the one side, the CICA is on its way to establish institutional level relationship with other regional organizations, and on the other, it will be organizing a Conference of all the Asian regional and sub-regional organizations and fora in April-May 2009 to discuss Asian security challenges at the time of globalization, interaction between regional entities as well as other issues.

The Third Meeting of CICA Ministers of Foreign Affairs thus came at a time when substantial progress has been made towards accomplishing the tasks assigned by the Heads of State/Government at the Second Summit. The Ministers took stock of the progress made till now and gave directions for the future. The developments and future vision were reflected in the outcome documents of the event.

During the short period since its inception, the CICA has made big strides in its endeavour to find ways and means to eliminate the causes of mistrust, tension and hostility, besides creating conditions for sustainable peace in Asia as well as economic growth of Asian states and their peoples. That the CICA process is receiving wide acceptance, is demonstrated by the fact that two new states, Hashemite Kingdom of Jordan and United Arab Emirates, were admitted to CICA during the Third Meeting of the CICA Ministers of Foreign Affairs, thus taking its total membership to twenty.

KAZAKHSTAN TODAY

KAIRAT UMAROV

In terms of area, Kazakhstan is a huge country, it being the ninth largest country in the world after Russia, Canada, USA, China, Brazil, Australia, India and Argentina. Its total area is almost equal (about 86 per cent) to that of India. Part of Kazakhstan lies in Europe, making it a truly Eurasian country, the others being Russia and Turkey. Throughout its history, Kazakhstan has been a bridge between West and East, South and North. With its history going back to the Iron Age (8000-2000 BC), Kazakhstan has a civilization of thousand years. Archeological excavations throw light on the connections and trading contacts of the Kazakh people with the outside world. Artifacts excavated along the Silk Road cities of Kazakhstan reveal that they originated in India, Byzantium, Persia and China. Kazakhstan was at the crossroads of major civilizations – Islam, Christianity and Buddhism which provided excellent opportunity for the Kazakh nation to co-exist and interact with many distant civilizations, enrich its culture and develop an open-minded mentality and tolerance.

Kazakhstan is also an attractive tourist destination. Ancient sites and modern cities coexist with beautiful natural landscape. Snow-capped mountains and singing dunes, deep and picturesque canyons, forest and flat lands, rivers and lakes – all can be seen and experienced in the country. But the most valuable personal experience one can get there is the warm hospitality and friendliness of the Kazakh people. Air Astana operates flights three times a week: on Monday, Wednesday and Saturday. Boeing and Airbus planes offer comfortable journey to Kazakhstan. It takes only 3.5 hrs. to reach Almaty from Delhi, which means that Almaty is closer to Delhi than some south Indian cities.

The Kazakhs were quick to learn from the best practices in the world and adapt to the fast changing environment. This ability has proven crucial in overcoming the hardships of radical transformations, which

occurred many times in its history. The latest one was the economic crisis following the collapse of former USSR, as all economic links within the former USSR were disrupted.

Economic Development

However, after successful implementation of economic and political reforms, Kazakhstan has emerged as one of the most prosperous and dynamically developing nations in the CIS area. If in 1990s its GDP per capita was about 400 US dollars, in 2008, it stands at 7,000 US dollars. For the last eight years, economy has been growing at an average rate of 10 per cent.

Recent world financial crisis has been a good test for the Kazakh economy, showing up the effectiveness of the domestic financial regulators, particularly of the National Bank, which managed to minimize the impact of the crisis. As a result, the economy has continued to grow at a reasonably high rate of 8.7 per cent. Now, about 70 per cent of the total Central Asian GDP accounts for Kazakhstan which is over 100 billion US dollars.

High economic growth has been achieved through favorable investment climate. So far, Kazakh economy has attracted 70 billion US dollars of FDIs, which is about 80 per cent of all foreign investments made in Central Asian economies. According to the World Bank data, Kazakhstan is among top 20 investment friendly countries in the world.

Of course, rich mineral and energy resources also played a crucial role in ensuring the economic growth of Kazakhstan. It has proven recoverable oil reserves of 30 billion barrels and potential reserves are about 100-110 billion barrels. Development of new oil fields such as Kashagan (recoverable reserves of 13 billion barrels) will make Kazakhstan one of the top 10 oil-producing nations in the world.

The country possesses almost a quarter of the world uranium (second largest in the world) and ranks sixth in reserves of gold and eighth in iron ore and coal, third in copper, lead and zinc, second in chromite, phosphate rock, and first in barite and tungsten. To date Kazakhstan stands seventh in terms of its oil stockpile and sixth in gas reserves (three trillion cubic meters). With growing environmental concerns and global demand for ecologically clean fuel, Kazakhstan having abundant uranium reserves is poised to play an important role in the development of atomic energy. Kazakhstan fully realizes its responsibility for enhancing the global energy balance and security and

firmly stands for peaceful and equitable cooperation in this area.

Kazakhstan is taking active steps to increase the sustainability of its economy. Using best foreign practices, particularly Norway's policy on utilizing oil surplus profits, Kazakhstan in the year 2000 created the National Oil Fund, which is used as a mechanism to control inflation, make efficient investments, and as a financial "pillow" in case of fluctuations in the world economy. Today it has accumulated 35 billion US dollars. The global financial meltdown being experienced by the world now has proven the far-sightedness of creating of such a fund whose financial means are used today to mitigate its repercussions on Kazakh economy and to sustain economic growth.

Kazakhstan today is moving fast towards a post-industrial, high-tech, English-speaking economy with capabilities in aerospace, biotechnology, IT and peaceful atomic energy under the government-adopted Industrial and Innovation Development Strategy. Kazakhstan believes that the key to prosperous future lies in training the youth today to meet the requirements of the national economy in the globalised world. To train our brightest talents in the best universities and institutes in the world Kazakhstan has evolved the *Bolashak* (Future) program, which has become a successful initiative of President Nursultan Nazarbayev. Under the Program, 3000 Kazakh students are sent annually to pursue their higher education at the leading educational institutions abroad on full Government sponsorship.

To better involve private sector in development programs, Kazakhstan has established development institutions and holding companies in the priority sectors, by creating special economic and industrial zones, technology parks, social and entrepreneurial corporations to help promote competitive manufacturing. At present there are four operating Special Economic Zones in Kazakhstan: Astana-New City, Aktau Port, the Information Technologies Park, and Ontustyk (South) textile SEZ. To further simplify doing business in Kazakhstan in the year 2008 a new Tax Code has been adopted.

To tap the financial potential of Kazakhstan and Central Asia, the Almaty Regional Financial Center (ARFC) has been recently established. The activities of the Financial Centre are aimed at attracting foreign investment, developing the region's securities market and ensuring its integration with international capital markets by facilitating Kazakh investment in international securities. Huge infrastructural modernizations create profitable investment opportunities for foreign

corporations. A multi-billion project on revival of “the Great Silk Road” has been launched. Western Europe and Western China will be soon connected through Kazakhstan by efficient transport communication.

Political Stability

Along with the economic progress, Kazakhstan is also known for its political and social stability, which is the main prerequisite for flourishing business. Kazakhstan has a democratic multi-party system. Under the democratic transformation, Kazakhstan has become a presidential-parliamentary republic with transfer of significant powers from the President to the legislature.

Kazakhstan has also decided to conduct major administrative reforms to meet the challenges of the fast changing world, and to have highly professional state service and efficient government structures. The main idea is that government officials should be as effective and highly paid as businessmen in the corporate sector, cutting red tape and delivering the government service in a time-bound manner.

Kazakhstan has a vibrant civil society, with over 5000 NGOs. Freedom of speech is ensured. Censorship is prohibited by the Constitution. The number of Kazakh media outlets has increased from 600 in 1991 to 2,500 today. Eighty per cent of Media is private and in 13 languages. Major international and regional TV, internet, traditional media are available in Kazakhstan.

Like India, Kazakhstan is a multi-ethnic and multi-religious country, being home to 130 ethnic groups with various religious outlooks. They live in peace and harmony in the country thanks to the ethnic and religious tolerance prevailing in the society which has a predominant moderate Muslim population. To further consolidate the society, Kazakhstan has launched a project called trinity of languages, which means that every person in Kazakhstan should be able to speak equally in three languages: Kazakh, Russian and English. Kindergartens, schools and educational institutions are being geared to make favourable conditions for the citizens to grow and be prosperous.

Culturally rich and diverse, Kazakhstan is a country, where a healthy lifestyle and sports are encouraged. At the recent Beijing Olympics, Kazakhstan won 13 medals, including 2 gold, 4 silver and 7 bronze medals. Thus, Kazakhstan has occupied the 29th place in the world, a great accomplishment if one considers its population of only 15 million.

Foreign Policy Priorities

Kazakhstan's foreign policy is predictable, consistent and peace loving. Its multi-vector foreign policy stipulates that it will develop friendly relations with all countries in the world. It is one of the few countries, which does not have any adversaries and foes. Kazakhstan greatly contributed to preserving international peace by abandoning its nuclear arsenal, the 4th biggest at that time. It unilaterally closed the former Soviet Union's nuclear testing ground even before getting the independence. It also created, along with other Central Asian countries, the Nuclear Weapons Free Zone in Central Asia.

Kazakhstan is a founding member of the SCO, initiator of the CICA (Conference on Interaction and Confidence Building Measures in Asia) process, which unites 20 countries and provides an excellent venue for constructive discussions among Asian countries to conduct CBMs and strengthen security in our continent. At the recent third CICA Ministerial meeting on 25 August 2008 in Almaty, UAE became a full member, while Qatar acquired an observer's status. This fact speaks for itself about the growing importance of the Conference. Speaking at the meeting, India's Minister of State for External Affairs, Anand Sharma stated that "India is proud to be associated with the CICA process since its inception. It is a matter of satisfaction to us that CICA has emerged as an important forum for dialogue in Asia, offering member states an opportunity to exchange views on a broad range of issues impacting on security and stability in our region. By bringing together countries from various parts of Asia, CICA has successfully laid down a framework that will take us closer to realizing our shared vision of peace and prosperity in our region".

Kazakhstan has initiated the move for establishing the Union of Central Asian States, which foresees free movement of labour, investments, goods and ideas for the benefit of Central Asian countries. It will be based on the voluntary association of Central Asian countries, at the same time protecting the sovereignty of each participating nation. Here, a role model could be the European Union.

Based on Kazakhstan's experience of fostering inter-religious dialogue and promote tolerance, Astana has initiated the Congress of World and Traditional Religions, where spiritual leaders are gathered. The purpose is to avoid the clash of civilizations and spread the message of peace and understanding among the world citizens through the

religious leaders. India has been an active participant of this process. The 3rd Congress will be held in Astana in July 2009.

Speaking of Kazakh diplomacy, one would like to quote President Nursultan Nazarbayev, who in his Annual Address to the Nation in February 2008, said: "Since it gained its independence, Kazakhstan has become a full-fledged member of the international community whose initiatives have almost without exception received broad support and have been translated into reality".

Kazakhstan has always stood for peace and mutual understanding in the world. Upon the initiative of Kazakhstan, 2010 has been announced by the UN as the International Year of Rapprochement of Cultures. Kazakhstan will chair OSCE in 2010 and OIC in 2011. Inter-cultural and inter-confessional interaction will be high on our agenda to ensure security and understanding on the global scale. On 17 October 2008, Kazakhstan hosted Conference "Common World: Progress through Diversity" in Astana, which was attended by foreign ministers of Western and Islamic countries. Thus, Kazakhstan has already started to build a bridge of understanding between civilizations.

Kazakhstan-India Partnership

In Kazakhstan's foreign policy, India occupies a special place. India-Kazakhstan contacts go back to the days of the Great Silk Road which passed from China to the Western world through Kazakhstan. This route was the bridge between civilizations carrying not only goods but also progressive ideas. Building on the ancient experience and familiarizing with the past, there is need to revive the Silk Route.

India was among the first countries to recognize the independence of Kazakhstan. President Nursultan Nazarbayev's first official visit after Kazakhstan got independence was made to India in 1992, which shows the importance attached to New Delhi by Astana.

Interaction in the UN and other international fora has been close and mutually supportive. Kazakhstan backs India's candidacy for the UN Security Council Permanent Membership. India has constructively and actively participated in the Conference on Interaction and Confidence-Building Measures in Asia (CICA) process, initiated by Kazakhstan, since its inception. Kazakhstan facilitated India's entry into the Shanghai Cooperation Organization as Observer. India also supports Kazakh foreign policy's another initiative - Congress of Leaders of World and Traditional Religions. This tradition of mutual support at multilateral

organizations continues. For example, on 4 September 2008, on the first day of Nuclear Suppliers Group, Kazakhstan's Permanent Representative strongly supported India's case. This was despite the fact that Kazakhstan suffered 500 nuclear tests conducted on its territory by the former USSR in the 20th century. It is hoped that India will support Kazakhstan's aspiration to become a member of the WTO in the near future as continuation of this process.

As for energy cooperation, consultations are going on between KazMunayGas and OVL of India regarding the exploration of oil in Kazakhstan. It is hoped that the talks will conclude soon and practical work will start in the near future. Kazakhstan is the largest uranium producer in the world after Canada and Australia. It is expected that by the year 2010, Kazakhstan will become the largest producer of the uranium with the production of 15,400 tons annually, which will be equal to 32 per cent of the world's total production. "Kazatomprom" is keen to increase its supplies and has the potential to take part in the construction of atomic power stations.

Trade relationship is building up. Bilateral trade with India has increased from about 80 million US dollars in 2004 to over 300 million US dollars in 2008, thus increasing fourfold in just four years. In absolute terms, this is not a big amount for countries with fast expanding economies, but the dynamics is strong. Kazakhstan's main exports consist of mineral products, leather and raw materials; imports from India include tea, pharmaceuticals, chemicals, plastics, machinery and equipment. There is vast scope for cooperation in various fields including manufacturing sectors, such as textiles, construction materials, leatherwear, plastics, pharmaceuticals, IT, oil and gas, tourism, etc. It is especially relevant, since Government priorities are to develop tourism, oil and gas machinery building, food processing, textiles, transport logistics, metallurgy and construction materials.

So far, Indian investment to Kazakhstan has been about 16 million US dollars, which indicates the growing confidence of Indian businessmen in the favourable environment in the Kazakh economy. There are many Indian companies present in Kazakh market: Punj Lloyd, OVL, Punjab National Bank, Mittal Steel etc. On their part, Kazakh companies such as KazStroy (infrastructure), Kaspain Shelf (oil exploration), TVL (retail equipment), and STL (transportation and logistics) are establishing their presence in India.

In the 21st century, people-to-people contacts hold the key to the

success of cooperation. India enjoys great affection among the people of Central Asia thanks to its benevolent image and popular movies. Kazakh people admire India's culture and civilization and are keen to know more about this great country. There are two centres for Indian Studies, besides an Indian Friendship Association comprising of Indian as well as Kazakh citizens. Kazakh musician Marat Bisengaliev has helped to establish the first-ever Symphonic Orchestra of India and Kazakh language course is being taught in the Jamia Millia Islamia University, New Delhi.

Speaking of the future of bilateral relationship, there is a need to have strategic partnership between the two countries, as it suits the long term interests of both our countries. There are possibilities for increasing the level of bilateral interaction. Already there is military and technical cooperation, developing energy ties, and prospects of increased links in space and nuclear energy are bright.

There exist bilateral cooperation mechanisms to push forward our ties in various fields, such as Inter-Government Commission, Foreign Office Consultations, Joint Working Groups on IT, Oil and Gas, Textile, Transport, Military and Technical Cooperation, Combating Terrorism and Sub-Committee on Science and Technology. As such, the bilateral relations have been institutionalized.

Another dimension of interaction is inter-parliamentary dialogue. Vice President of India, Hamid Ansari paid a maiden visit to Kazakhstan, which was very successful. President Nursultan Nazarbayev is expected to make a state visit to India the Chief Guest on the Republic Day of India on 26 January 2009. The visit will provide an impetus to the bilateral cooperation.

Whereas Kazakhstan is the leader in Central Asia, India is an emerging world power. This makes it inevitable for both countries to engage each other more intensively. Central Asia and South Asia have always belonged to one cultural space sharing common history. One can foresee the moving together of the Union of Central Asian States and SAARC. With Afghanistan's membership in SAARC, the border between Central and South Asia has now blurred creating opportunities for regional integration.

NATO AND CENTRAL ASIA *A Cooperation Framework*

MURAT T. LAUMULIN

The NATO summit at its meeting held in January 1994 adopted a doctrine for expanding the alliance, and an initiative on the Partnership for Peace (PFP) Programme was put forth. Though Kazakhstan agreed to participate in the Program, soon after it started most active cooperation with NATO in 1995-1996. In March 1997, NATO Secretary General Javier Solana visited Kazakhstan, just before US President Bill Clinton's meeting with President Yeltsin to finalize an acceptable formula for Russia's consent to NATO's expansion. The alliance leadership was also interested in the opinion of other CIS states regarding NATO's expansion towards the borders of the Commonwealth. On the whole, Kazakhstan's standpoint on this problem was restrained; Kazakhstan recognized the inevitability of the bloc's expansion and put emphasis on strengthening the European security system.

In principle, the NATO Partnership for Peace (PFP) program (which included all the Central Asian states except Tajikistan and is open to all OSCE nations) can be seen as a potential alternative framework to the CIS for military and security cooperation in Central Asia, as also in other parts of the former Soviet Union. An underlying goal of PFP activities, according to some experts, might be to prevent Russia from acting as the only mediator in conflict resolution in the region and from asserting its power there. This would be consistent with the broad goals of the United States, which could be characterized as the principal sponsor of the PFP structure in Central Asia, with Turkey as the second-level sponsor.¹

However, PFP membership cannot provide a security guarantee (unlike NATO membership) and, therefore, cannot be expected to

address significant external challenges to the security of Central Asian states. It may stimulate measures for confidence building and preventive diplomacy and even prompt coordination against certain non-traditional security threats. It also tries to achieve interoperability in peacekeeping or search and rescue between NATO and the local states. But it makes no efforts to shape basic decisions about the doctrines or forces for more serious operations and has no mechanisms for responding to violent conflicts. Nor is it likely that the PFP will oversee large-scale peacekeeping or peace enforcement operations in Central Asia. It is true that NATO encouraged the creation of the joint Central Asian battalion (Centrazbat). But the functions of this unit have been uncertain. It has seen no real military action, although it enables annual well-publicized “regional” exercises with a variety of PFP partner states, including Turkey, Russia, Georgia and Azerbaijan.

NATO has confined its activity in Central Asia to collecting intelligence about the security policy of these states, to informing them about its own strategy, and to promoting its principles for maintaining peace in areas where Western states have no desire to commit their own troops. Cooperation also extends to nonmilitary questions, such as assistance in natural disasters and environmental protection. The states of Central Asia and NATO cooperate through the Partnership for Peace program on a bilateral basis. At present, the Partnership includes Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan. While the Partnership is an important program for the region, it does not provide the security guarantees that the Central Asian states would like to obtain from NATO. Thus, one of the most promising projects within the framework of the Partnership – the creation of “Centrazbat” (a battalion of Uzbek, Kazakh and Kyrgyz troops capable of conducting operations under the aegis of the United Nations) – did not prove viable, although it did participate in the training exercises “Centrazbat 2000,” which included forces from Russia, the United States, Turkey, Kazakhstan, Uzbekistan, Kyrgyzstan, Azerbaijan, Georgia and Mongolia.

NATO’s military policy in Central Asia has four main components:

1. establishment of direct military contacts;
2. assistance in democratic transformations (civil-military relations, civilian control, and defense management and accounting);
3. expansion of cooperation (training, doctrines, and equipment);

4. support for security measures (nonproliferation and control over weapons).

Military contacts constitute one of the most widespread instruments of military diplomacy and consume a significant part of the finances. They include bilateral and multilateral visits, the exchange of students and missions for communication and information, scientific conferences, and military-political consultations. However, there is good reason to doubt the efficacy of such expenditures. These contacts are often criticised as “military tourism”; the countries of Central Asia squander money on such activities that could be far more effectively used to strengthen their armed forces.²

Despite these limitations, collaborative PFP military exercises in the Central Asian region, such as the annual Centrazbat exercises since 1997, could be expected to have the overall effect of modifying the security policy conduct and expectations of partner states to some extent, as well as of displacing or diluting training and exercise regimes developed under Russian military programs. However, the latter is not a formally acknowledged objective of NATO, and Russian troops have been involved in the Centrazbat exercises, including a company of Russia’s 201st Motor Rifle Division based in Tajikistan in the Centrazbat-2000 exercise. But it is clear that to the extent that PFP activities enhance local military capabilities for self-defense they weaken the military reliance of Central Asian states on Russia and promote the diversification of their security policies.

Furthermore, PFP exercises are linked to US bilateral support programs and plans, which have a broader strategic remit. This is indicated by the decision to place Central Asia under the responsibility of CENTCOM, the United States Central Command, which represents a significant step in US contingency planning. At the signing ceremony of a bilateral Kazakh-American Defense Cooperation Agreement in November 1997, the US Secretary of Defense noted directly that the two parties were working bilaterally and through the PFP “to build new structures for regional stability in Central Asia”. The interaction of the PFP with US planning is also suggested by the existence of the US State Partnership Program, which exists as a subset of its PFP activities and is operated by the US National Guard. Indeed, in many instances national assistance to partner countries has been wrapped in the guise of a PFP activity, and has been labeled by NATO as “in the spirit of PFP”, when

in fact it has nothing to do with the program.

A potentially important function of PFP activities in Central Asia has been the encouragement of nascent regional security processes under the Central Asian Economic Community by offering a framework for joint exercises, and by providing technical support for the formation of Centrazbat. In this sense the PFP has been working to overcome the lines of division in the region and to build habits of regional military cooperation, even if enthusiasm for Centrazbat has declined in Central Asian capitals since the late 1990s, and Central Asian military officials may have reached the conclusion that bilateral agreements with the USA and Turkey offer more political and operational benefits than the PFP programs.

The expansion of cooperation has included joint exercises and assistance in modernizing the equipment of the armed forces of the Central Asian countries. Virtually all the countries of the region recognize the importance of joint exercises with NATO and participate either through the Partnership for Peace program or through bilateral military cooperation.

An important component of NATO activity is its assistance to modernize weaponry and, especially, communications. However, such aid has been limited by the extremely high costs and by corruption scandals. Yet another impediment has been the internal competition among NATO countries, as each seeks to promote its own defense industry. However, the countries of Central Asia need support to modernize and maintain the Soviet-made weapons inherited from the USSR. Assistance from NATO has consisted mainly in donations of used equipment, but that of course does not solve the problem of compatibility, especially at a time when the Western European countries seek to improve their own weapons systems and to apply new technologies.

It remains uncertain how far the PFP program or other NATO instruments can offer the Central Asian states the kind of practical assistance against low-intensity threats that they have sought more urgently since summer 1999 and which Russia is prepared to provide through supposed CIS structures or bilaterally. The USA and Turkey may continue to offer small security assistance packages on a bilateral basis. For example, in autumn 2000 the USA pledged three million US dollars worth of border surveillance equipment for troops in southern Kazakhstan. But for multilateral NATO security assistance to be effective it would clearly need to go further than encouragement for the show-

case and ineffectual Centrazbat.

The US and NATO involvement in military cooperation with the Kazakh Armed Forces, which has developed since the late 1990s, remains in its early stages, though it principally entails providing advice and training in anti-terrorist techniques. Twelve US specialist soldiers arrived in Kazakhstan in February 2002 to supply specialist training to the Alpine Chasseur battalion, consisting of around 200 Kazakh soldiers.³ The US intended to deliver such instruction as part of its strategy in its War against Terrorism, encouraging the Central Asian governments to take responsibility for defending against their own indigenous or particular terrorist threats. Washington has also promised increased expenditure on joint US-Kazakh cooperation in matters of regional security, aimed at countering regional terrorism and preventing the spread of weapons of mass destruction. In addition, the US is expected to provide five million US dollars in 2002 for the development of a motorized infantry and improvements in its military infrastructure, particularly in the Caspian region. As a participant in the US international military education and training program (IMET), Kazakhstan has already received almost 3.5 million US dollars.⁴

It is likely that the anti-terrorist training took place within the context of the "Zhardem-2002" (Assistance 2002) military exercises conducted jointly with the US Army. The Kazakh Ministry of Defence confirmed the participation of the Alpine Chasseur battalion, and that priority was given to search and rescue, mountain and medical training. These were envisaged as part of the planned US-Kazakh military cooperation, running over several weeks and ending in late March 2002. Although the Ministry of Defence claimed that such exercises had been conducted annually since 1998 with US involvement, they failed in their attempts to properly train an antiterrorist force themselves for active duty in Afghanistan, a plan mooted by President Nazarbayev that was evidently unrealizable in practice.

It is interesting to analyse the reaction of different Central Asian States to NATO's expansion and other Atlantic initiatives. In 1996, President of Kazakhstan said that NATO's expansion should be carried out while taking into consideration Russia's interests. In 1997, the Kazakh leader stated that he did not understand why it was necessary for the NATO to make quick decision on its eastward expansion. He warned that NATO's expansion was weakening the position of Russia's democrats. Thus, Central Asian reaction was determined by its relations with Russia.

For example, military links of Kazakhstan with Moscow remain strong despite its independence. Other Central Asian countries had less strong military links Moscow and had taken various positions on NATO's enlargement. Kyrgyzstan has made no public statements on this issue. Uzbekistan which criticized the counter military alliance within CIS, supports NATO's expansion. But Turkmenistan has taken no position on NATO's enlargement.

In July 2000, during Robertson's visit, issues concerning NATO's strategic interests and Alliance's eastward expansion and its consequences were discussed. Kazakh-Russia relations and Russian policy towards Central Asia, Russia-China friendship and its impact on the region, the NATO interests in Central Asia and Caspian region, Kazakh multi-dimensional foreign policy and its flirtations with Russia and China, the sale by Kazakhstan to North Korea military planes in 1999, were other issues that were discussed. There was one more issue which seriously concerned Brussels that is sabotaging the Weapons Reduction Treaty (WRT). In accordance with Western estimates, Kazakhstan still had 6,000 tanks, 1,500 armored personnel carriers and 7 000 artillery weapons which should be destroyed in the framework of the WRT. NATO put pressure upon Kazakhstan to make its strategic alliances clear.

Kazakhstan as EAPC participant, took part in the EAPC summit in Prague in November 2002. Astana demonstrated its willingness to come closer to the Alliance. President Nazarbayev proposed on 22 November 2002 to develop "working contacts" among their intelligence services in order to prevent the infiltration into Europe of international terrorist organizations which were seeking to recruit new members in Central Asian states. The Kazakh side also proposed the creation of a training center under PFP auspices to prepare border guards and help check the smuggling of dangerous substances. It was noted that Kazakhstan's participation in PFP program was beneficial, in particular the establishment of NATO information center and NATO's advice on reforming the Kazakh armed forces. However, in his speech regarding the Prague summit, the Kazakh president avoided any comment upon the next NATO enlargement that was the main issue of the summit.

It would also be necessary for NATO to justify further engagement in Central Asia in terms of NATO's overall objectives. This is particularly necessary because the alliance members view Central Asia as peripheral or marginal to their core security interests and where most member states tend to see threats in Central Asia and the wider Caspian region in non-

military terms and would prefer to emphasize economic, political and diplomatic engagement⁵. However, it seems that the requisite justification is being developed in current NATO thinking. During a visit to Kazakhstan in July 2000, NATO Secretary General Lord Robertson was explicit in stating that terrorism, trafficking of narcotics and extremism are threats which have direct and far reaching consequences for Europe and that “a crisis in the Central Asian region could put under threat the security and stability in the whole Euro-Atlantic region”. This followed his reported declaration in May 2000 that Moscow should team up with NATO, which has experience to tackle terrorism and extremism. He also warned that Russia could not on its own boost security in Central Asia.

According to European strategists, the Caspian region, in the context of NATO’s interests, should be viewed as a zone which falls under the goals and principles of the Washington Treaty and New Strategic Conception (1991). According to these documents, the states of the region are viewed as part of the conflict zone on NATO’s southern flank and are in the sphere of activity of the Alliance’s Southern Command. From the strategic point of view, these states are important for ensuring the alliance’s security, which is set forth in NATO’s corresponding documents and directives.⁶

NATO assistance for counter-terrorism in Central Asia could take place in the context of the PFP program and in principle could be coordinated with Russia, which remains a (largely inactive) PFP member state. However, this option does not appear promising since Russia has strongly condemned PFP activities in Eurasia as part of the Western strategy of advancing “geopolitical pluralism” and Western interests in the “post-Soviet space”. Joint NATO-Russia cooperation in this new field may, therefore, be better considered under the agenda of the Euro-Atlantic Partnership Council (EAPC) or the NATO-Russia Permanent Joint Council (PJC), even if the PJC agenda to date has not included discussions on how to manage conflicts or respond to security challenges in the CIS region. It is feasible in principle that a new subject for dialogue in the PJC “could be the security situation in Central Asia and Afghanistan provided that NATO can calm Russian fears that it seeks to supplant Moscow as the security patron of the region”. But it is unlikely that Russia would be ready to use the PJC to expedite a significant expansion of NATO security assistance programs to the Central Asian states.⁷

Nowadays, at a multilateral level Kazakhstan continues to cooperate

with USA and the European countries within the framework of the NATO. The Defence Minister, M. Altynbayev took part in the work of regular session of Council of the Euro-Atlantic Partnership of NATO (CEAP) in December 2001 in Brussels. The issues of cooperation within the framework of the NATO "Partnership for Peace" program were discussed at the session. In 2002 Kazakhstan joined the NATO program of planning and review. In August 2002 the commander of the Central Command of US armed forces General Tommi R. Franks visited Kazakhstan and met President Nazarbayev and Minister of Defence M. Altynbayev.

NATO and the US military's increasing involvement go beyond conducting PFP programs with local states and exercises with the Central Asian states in the region. NATO's expanding interest also reflects the broader process by which the entire area became part of the European security agenda. It is absolutely clear that the NATO's possibilities in the region after 11 September 2001 have basically enlarged. So, the cooperation between NATO and Central Asian States has a relatively long history. What are the key issues of NATO-Central Asian agenda? This subject demonstrates both the positive factors, as well as negative ones, besides new challenges. Among the positive ones, firstly, it is anti-terrorist campaign led by the US and European NATO-members in Afghanistan. This factor is impacting very positively upon Central Asian security. The other factor is weaponry, armaments and technical cooperation, joint training and manoeuvres etc. Third factor is the physical presence of NATO in general, and above all of the US stay in the region. It could be positive for local policies, so called "multi-vector" foreign policy of the Central Asian states, particularly of Kazakhstan. In reality, it is a politics of balancing between different "poles of power". From this point of view, especially regarding the growing influence of Russia and China, the NATO and Western factor becomes critically important and it is actually welcome.

What is the negative framework? Unfortunately, the same factors can be transformed from the positive to the negatives ones. Central Asia is an area where two political and military organizations dominate. These are the Collective Security Treaty Organization and Shanghai Cooperation Organization. In this regard, Russian and Chinese impact and their reaction on Western presence become sporadically very nervous. Since 2005, the SCO's core (Russia and China) raise questions about US presence in the region regularly. The example of Uzbekistan is

very typical for understanding, from this point of view. Uzbekistan has left GUAM, broken its military cooperation with US, withdrew the US military bases and returned to the Tashkent Treaty (CSTO). Currently, Moscow and Beijing wait for analogical steps from Kyrgyzstan, implying evacuation of US 'Gansi' base near Bishkek. But this situation is not directly connected with NATO's involvement in Central Asia.

The other vulnerable subject is perpetual interventions of Western countries into internal affairs and politics within the Central Asian Republics on the issues of democracy, human rights etc. This pressure could be realized at the bilateral level, in the framework of international organizations (OSCE). Central Asian states are supported by Russia and China which act as external sponsors for their independent status.

The Russia factor is very critical for NATO-Central Asia relationship. The Russian militaries are very jealous for military-technical penetration of non-Russian (non-Soviet) weaponry. For example, the reaction of Moscow on Kazakhstan's idea to obtain the air-defence system from the NATO countries, was very nervous. Moscow regarded it as direct challenge to common CIS (CSTO) and Russian security and this issue adversely affected Kazakh-Russia relations.

Russia's reaction to the NATO enlargement - real or hypothetical - is critical. As regards the regional framework, American ideas to establish the US military presence (probably, arranged as the North-Atlantic) on the Caspian is facing strong Russian resistance. Sooner or later, a growing level of cooperation between Kazakhstan and the Alliance would provoke a negative political response from Moscow.

The current international position of Republic of Kazakhstan is characterized by the following processes: in the external political direction it maintains the policy of balancing between great political power centers. It maintains relations with Russia on rather high level. With China, Kazakhstan carries out cautious policy using different mechanisms (SCO, CICA). The new correlation of powers around Central Asia appearing as a result of formation of new geopolitical situation threatens Kazakhstan with the appearance of new threats and challenges to its security and stability.

In conclusion, what are the strategic and political perspectives? The NATO factor for Central Asia will exist but shall be limited by other powers, Russia and China. The Alliance should search for more realistic model of relations with Central Asian partners and try a combination of methods and directions, including cooperation with concurrent

organizations like CSTO and SCO.

The NATO-Central Asia relationship can develop successfully in a situation where the US interests would not dominate and prevail over the European and common North-Atlantic interests. And, Brussels must share the Central Asian concerns (as well as Russian), on their own security and stability in Central Eurasia (actually, the responsibility sphere for CSTO and SCO), since Central Asia is part of this mega-region.

REFERENCES

1. R. Allison and L. Jonson (eds.), *Central Asian Security: The New International Context*, London, Washington: RIIA/Brooking Institution Press, 2001, p.231.
2. R. Burnashev, "Regional Security in Central Asia: Military Aspects" in B. Rumer (ed.) *Central Asia: a Gathering Storm?* Armonk, New York, London: M. E. Sharpe, 2002, pp. 114-165.
3. "Americans Covertly Training Kazakh Troops," *The Times*, London, 30 March 2002, p. 20.
4. "Trade, Aid, Oil and Non-proliferation the Keystones to 'New American Relationship,'" *RFE*, vol. 1, no. 23, 27 December 2001; "Kazakhstan Officials say the US is Offering Aid to Improve the Kazakh Military," *Associated Press*, 20 April 2002.
5. B. Kutelia, *A New Silk Road Strategy and the Security of the Caucasus*, Rome: NDC, 2001, pp. 97-108.
6. H.G. Ehrhardt, O. Thranert, "Die Rolle von NATO, EU und OSZE in der Kaspischen Region", *Aus Politik und Zeitgeschichte. Beilage zur Wochenzeitung Das Parlament*, B. 43-44/98, 16.10.1998, pp.37-46.
7. R. Allison and L. Jonson, op. cit, p.235.

CENTRAL ASIA AND USA IN THE POST-9/11 PERIOD *Security Aspects*

FATIMA KUKEYEVA

The events of 9/11 catapulted Central Asia into the world's spotlight, due to its strategic importance. Following the events of 9/11, Central Asia emerged from the shadows to the forefront of global attention. September 11 events have changed the world politics and global balance in international politics, which had an impact on the situation in Central Asia. Regional security problems are now in the focus of the main regional and non-regional powers. This paper focuses on the main geopolitical actor in the region – USA and analyzes its influence on the regional situation in the light of the great powers' anti-terrorist activities. It is important to discuss the question of the US strategy in Central Asia after 11 September 2001 in order to understand the dynamics of the relations between the USA and Central Asian countries.

Post-2001, a new phase started in the US policy towards Central Asia, which is characterized by the combination of unique geopolitical factors. Central Asia became a vital zone of interest for the USA, as it was the beginning of a new understanding of the region by the West. In the 1990s and the beginning of 2000s the American policy makers discussed the role that should be played by the USA in Central Asia - security manager, hegemon or limited partner. They also discussed the ways to implement this policy.

After following the policy of avoiding to assume responsibility in Central Asia, the United States found itself in the middle of Central Asian politics. The terrorist attacks put Tajikistan, Turkmenistan, Kazakhstan, Uzbekistan and Kyrgyzstan among the important frontline states in

America's war on terrorism. Reforms in political and economic field were no longer a matter of priority in the US regional policy. The war on terror imposed new requirements on the US strategy in Central Asia. After 9/11 and the beginning of the American military presence in Central Asia there was a lot of discussion among the American analysts about the "new Washington's strategy in the region."

In 2002, President Bush's administration adopted two principal policy initiatives. First, through the Freedom Act in Afghanistan the US intended to establish democracy and promote civil society as a means of eradicating terrorism. Second, the "US National Security Strategy, 2002" pledged the use of military, political and economic resources to promote open societies and the development of democracy in defence of US national interests.

According to the National Strategy Combating Terrorism, the US would wage the global war on terror. The new strategy lists four goals: Defeat, Deny, Diminish and Defend. That implies a) defeat terrorist organizations; b) deny support to terrorists; c) diminish the underlying conditions that terrorists seek to exploit; and d) defend US citizens and interests at home and abroad.

Military-to-military relations nurtured by the USA in Central Asia since 1992 now proved precious assets for expansion, but more would clearly be needed. Part of the "more" would be material, and that meant more than outlays for new infrastructure. Direct American assistance outlays to the region more than doubled in the first year, and the USA also supported vastly expanded inputs from international financial institutions.

In 2001, USA set up in Uzbekistan an airbase in Hanabad, another airbase "Manas" near Bishkek in Kyrgyzstan. These bases had regional strategic value as the USA could use them not only in Afghanistan, but also in South Asia, Trans-Caucasus, northern areas of the Middle East (Iran), and also in the Indian sub-continent. Within reach are also the western areas of China, all the largest cities of Kazakhstan and Southern Siberia. In order to achieve its geopolitical and geostrategic goals, the US is strengthening economic and military-political cooperation with the Central Asian states through NATO's "Partnership for Peace" (PFP) and other programmes and projects. Now NATO is in Central Asia and will likely remain there for the foreseeable future. Depending on its interests and concerns, NATO should maintain productive security relations with Central Asia through the Euro-Atlantic Partnership

Council (political dialogue) and PFP.

In the intermediate term prospect, the US military presence could be the permanent factor in the geopolitics of Central Asia. But in retrospect there apparently existed a broad gap between the US and its Central Asian partners as to how they viewed the war on terrorism and reforms in the region. The United States viewed the situation in Central Asia through the prism of the war on terror and long term political and economic changes as an integral part of the National Strategy Combating Terrorism. For the regional elites in Central Asia “stability through change” meant a kind of insecurity and multiple challenges to the status quo and the security and well being of their regimes.

But both American and Central Asian policy makers agreed that stability must be a common goal. In its report of the US Institute of Foreign Policy Analysis entitled *The USA Strategy in Central Asia* (2004), American experts considered it necessary to follow two strategic imperatives. First, State Department branch responsible for Central Asia should be separated from Caucasus branch because the first one is geographically located closer to Middle East and Southeast Asia, while as Caucasus is closer to Europe. Second, Washington’s primary goal is to use income from hydrocarbons for stabilization of economically weak Caspian states to improve the standard of life. The American experts consider that the bad social situation is extremely dangerous, and could be used as a basis for development of radical Islam and other forms of extremism. Besides, experts also considered that the USA should fix its presence in Central Asia for uncertain time, at least within five years.

In their recommendations for Bush administration, American analysts suggested that the USA should start with the establishment of closer connections with Kazakhstan in the field of security. In their opinion this state has the best political and economic prospects in the long-term perspective and actively shows the greatest desire “to listen” to the views of Washington. The news that the US must evict its forces from Karshi-Khabanad base had a broader strategic meaning for the United States, its policy toward Central Asia and its general strategy in the global war on terrorism. The deterioration in the US- Uzbek relations and Tashkent’s reorientation toward Russia and China also dealt a blow to Washington’s long-term war on terror. The discord between Tashkent and Washington undermines the notion that the US could pursue constructive relationship with the moderate, albeit undemocratic, Islamic country and simultaneously promote a democratic transformation there.

Central Asia emerged as a key testing ground for the American strategy of promotion of democracy, which was articulated by President Bush in his second inaugural address in January 2005. Moreover, the closure of the American base in Uzbekistan shifted the geopolitical balance in Central Asia in a relatively short period of time, which was not in favour of the USA. In that situation, the US economic, political and security engagement with Central Asia needed new regional strategy. The events have made it clear that the US strategy in Central Asia has three main options:

- to continue with the present policy;
- to concentrate on the security problems; and
- to develop a new strategy that takes into account the new geopolitical realities

According to American analyst E. Rumer, the first option is clearly unacceptable from the standpoint of the US interests. Aggressive promotion of democracy and double standards in American policy allowed authoritarian regimes to consider problems of democratization as minor issue or even ignore them. The perception of a double standard stated by nearly all the Central Asian analysts not only negates the understanding that democracy strengthens stability and security, but also encourages the idea that democracy undermines security. The double standard also leads to the growth of anti-American attitudes in Central Asian Republics. The second option was also difficult to be accepted. Strong militarized and unilateral US policy in the region would not only ignore the need for reforms, but was in contradiction with the regional interests of Russia and China, which are playing significant role in the region and regional processes. The third option, development of the new strategy is the most challenging for the US, as well as the regional states and regional neighbours.

The US continues to hold the key to regional security by virtue of its presence in Afghanistan. According to American experts, success in Afghanistan would remove a dark cloud hanging over Central Asian security; failure in Afghanistan would cast a long shadow over it. The new US strategy towards Central Asia originated as a proposal known as The Greater Central Asia Project (GCAP) initiated in 2005 by S. Frederick Starr, the Chairman of the Central Asia-Caucasus Institute (CACI). In his report, Starr emphasized that the US has to fulfill its obligations in the region and build its long-term policy strategy which

should be more about using regional approach instead of focusing mainly on bilateral relations. The major US objectives in the region should be advancing the war on terrorism, building US-linked security infrastructure and bases, enabling Afghanistan and its neighbours to defend themselves against radical Islamic groups, strengthening the sovereignties of regional states by promoting economic growth and trade, urging political reform, and preventing any single state from dominating Afghanistan or its region.

It is worth mentioning here that the US State Department considers such an integration to be a natural and reasonable step. American government claims that the region faces the common challenges (terrorism, drug-trafficking, corruption, instable economy, and political regimes) and has common cultural and historical links. The politicians agree that enhancement of political and economic integration will contribute to the stability, economic development and democratization of the region. The ultimate goal of the project is to make the region stable, predictable and self-sufficient.

The project followed the pattern of "Greater Middle East" model, underlining the need for integration of geographical space into the united regional "link" consisting of traditional Central Asian states (Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan, Kyrgyzstan), and, potentially, Afghanistan and South Asian states (Pakistan, India, Nepal, Sri Lanka) in order to pursue a common policy of "democratization", economic development and security. GCAP includes Afghanistan which has to be joined to stable and Western-oriented Central Asian states, with a view to reduce internal and external tension in the country and in the region. In the view of Washington, this would reduce Pakistani and Iranian influence on Afghanistan, and stabilize the country both internally and externally.

American experts argue that the economy of Afghanistan and neighboring countries will never flourish in isolation. That is why the key issue in regional development is trade which requires improvement of transportation, and constructing pipelines for transporting oil and gas from Central Asia to South Asia. Thus, economically integrated Afghanistan would be a bridge between Central Asia and South Asia. American regional policy stipulates "geopolitical pluralism". Washington invites Moscow and Beijing to take part in the project as guarantors and donors into the regional modernization. The political part of the project claims that the US does not intend to reduce Russian and Chinese

presence in the region. Moreover, the US invites these countries to be part of the modernization process.

At the same time, American analysts argue that the US would like to clearly outline its interests in Central Asia. They continue by saying that Moscow needs to articulate its interests and negotiate over them with the ruling elites of the regional states. The experts claim that these interests should be harmonized with American regional strategy as well. The American policy in the region focuses mainly on security, economic development and democratic reforms (the variation depends on their intensity and interlinkages). The GCAP stipulates intensive cooperation of the US, China and Russia in creating single military, strategic and geopolitical space consisting of Central and South Asia.

However, the GCAP is based on specific and nonequivalent aspects which are seen by Washington as single interdependent complex entity, shaping regional relations and processes. On examination of the Greater Central Asia idea one can conclude that the US relations with Central Asian states have already shifted from its bilateral nature to regional level. This calls for regional integration of all characteristics of the region. It is interesting to mention that the majority of the American experts consider the GCAP countries the "stans", having, therefore, the common principles of political, social and economic development, similar interests and that they tend to have similar reaction on the particular processes.

The principal point is that classical Central Asia is not a single monolithic construct. Kazakhstani scholars argue that Central Asia is not more than a handy geographical definition, which does not mean that all regional states are striving for their integration. Moreover, they are not similar as subjects of international relations which can be measured by a single indicator in conducting a certain foreign policy. In the current situation, regional states do not strive for interaction very much. On the contrary, being purely guided by their national interests, the preferred ways of development, these states head very often towards the opposite directions. So, the attempt to include Afghanistan which is not economically, politically and culturally linked with the rest of Central Asia in the pseudo united GCA region, hardly makes any sense.

Moreover, we can hardly bill the Central Asian states as stable and westward oriented. The USA is continuing the dialogue with the regional regimes about the need for liberalization and political reforms. Nevertheless, Washington is actually willing to conserve the current

authoritarian regimes preferring them to be more democratic but less predictable ones.

The USA has been facing great obstacles on its way to the “triumphal transition” of Central Asia to democracy, because, on the one hand, there is no common vision of the region and, therefore, there is no common policy based on this vision. On the other hand, democratization policy should be based on consideration of the peculiarities of the region. The political and economic development differences can have only the common regional security strategy, excluding the issues of human rights and democratization, which are developing at the bilateral levels.

The GCAP would contribute to the harmonization and development of transit routes, reduce obstacles for transit trade through bilateral and regional agreements. The projects and programs cover a vast territory. Apart from traditional Central Asia and Afghanistan, Pakistan, Iran, Azerbaijan, Xinjiang, the Ural, Western Siberia and Mongolia are also included sometimes. Experts argue that it is important to develop relations with Turkey, UAE and India.

Participation of Afghanistan in the project is useful for regional cooperation in spite of the fact that rebuilding of unstable Afghanistan would be made at the expense of the Central Asian states. Stable Afghanistan would prevent the aggravation of conflict and expansion of religious extremists into the territory of the neighbouring states. The US strategy of “Geopolitical pluralism” and the GCAP envisage the balance of regional cooperation in the sphere of security, energy, economy and human rights through conducting reforms. First of all, the problem is that none of these players worked out a model of regional policy, neither in the sphere of politics nor in the economy or energy sphere. All these competing nations have a certain interest, certain resources, and certain concept of their presence in Central Asia. China is mostly focused on providing economic assistance to the Central Asian states. The Russians are mostly interested in stability in the region. The US is interested in democracy and human rights.

However, in practice, neither Russia, China nor the USA observed the declared balance of the interests in the region. They acted spontaneously, and these actions resembled the chaotic movement of molecules. The point is whether the project of Greater Central Asia will be able to organize these chaotic movements onto a “geopolitical pluralism”. Secondly, this strategy and concept are, in fact, contradictory with regional interests of Russia and China. Consequently, any effort to

realize the strategy and concept would face active and sometimes coordinated resistance by the above mentioned actors. According to the project, the US invites India and Turkey as well as Russia and China to be the guarantors of modernization process by increasing presence of the former two states and reducing of the latter two. Neither China nor Russia would agree to be simple “favorable observers” meaning their deprivation from the geopolitical game led by the US and stabilization of this altered geopolitical space under the patronage of the USA, which these countries will oppose.

China is concerned that the GCAP includes not only Central Asia and Afghanistan but also sometimes Xinjiang which challenges the territorial integrity of China. Moreover, the GCAP implementation may have a negative effect on Chinese mid-term and long-term objectives in the sphere of trade, energy and gas. China has become a big investor in the oil sector of Kazakhstan. China’s presence in oil and gas industry of Uzbekistan and Turkmenistan is growing. Small and medium entrepreneurs from China are investing in various sectors of Kyrgyz economy. Thus China is the only state which has made investments in this small and poor Central Asian country. Russia takes Central Asia differently than the West. Taking into consideration the historical, military, political, economic and cultural links between Russia and Central Asia, Moscow has wide range of opportunities to strengthen its influence in the region. Russia and China are concerned that while implementing the GCAP, the USA could realize a number of communication projects linking the Caucasus and the Pamirs which are, in fact, anti-Russia and anti- China. In the energy sector, for example, certain conditions are being created to divert the energy pathways from China to Indian Ocean (India and Pakistan). So it is possible that Russia would join hands with China to settle issues of common concern in the region. Kazakhstani scholars argue that Russia does not possess sufficient economic resources to maintain its geopolitical influence. Thus it would share responsibility of stabilization of the region with Beijing. In general, Russia will enhance cooperation within Collective Security Treaty Organisation (CSTO) and Shanghai Cooperation Organization (SCO). This would strengthen the recognition of Russian military standards in the region which is not in the Western interests. Central Asian states would possibly join this kind of cooperation, pushed by the threats from terrorism, extremism, drugs trade and transnational crime.

However, it is clear that Moscow and Beijing would oppose the

GCAP Project. The project is seen as a symbol of American long-term interests and its presence in the region could undermine their own interests. It seems impossible to evaluate the relevance of GCAP without taking into account the interests of the regional states to join this kind of partnership economically and politically. Central Asia is becoming more important in the context of world economy and geopolitics. The regional states are developing their transit capacities and exporting valuable goods to the world market. New plans for oil and gas pipelines, as well as highways can be seen resembling the routes of the ancient Silk Road. The cumulative economic potential of Central Asia is thus growing.

The successful implementation of the GCAP faces the following challenges: instability in Afghanistan, which hampers transport communication between Central and South Asia; shift in Uzbek foreign policy; difficulties in the process of Central Asian integration when most of the states do not believe in successful integration without Russia (lukewarm support of Kazakh initiative of creating the Union of Central Asian states in 2005 is an example); the next challenge is the necessity to persuade Central Asian states to pursue economic and social changes initiated by the US and to persuade them that the measures in the GCAP framework do not harm the neighboring powers.

The important issue is how GCAP fits into the interests of Central Asia and whether the region would be a subject or an object of international relations. Since the GCAP would probably include geopolitical maneuvers with the USA, China and Russia, it does not fit into the interests of "traditional" Central Asian states, including Kazakhstan. In geopolitical terms, the project is aimed at breaking of traditional ties of Central Asian states with Russia and also with China. It also seeks to reduce influence of Pakistan and Iran on Afghanistan. The project would break Central Asia from Eurasia and isolate the region from Russia and the rest of the CIS, and build a fence between the region and China. Central Asian integration with Afghanistan would reverse the European vector of development of Central Asia and Kazakhstan, and therefore, suspend the process of modernization in the region. In this regard, artificial matrix of self-sufficiency of the region, cultural and historical closeness is being imposed for the purpose of shaping a common regional mentality. This process could push Central Asia towards the Islamic world, which the US is intending to control through the Greater Middle East and the GCAP. In the integration realm, the attempt is made to launch specific integration projects and possibly to

reduce cooperation within CSTO and SCO.

So far as Kazakhstan is concerned, it is a proponent of regional cooperation and supports the GCAP if it strengthens the existing ties, security and stability in the region. In Kazakhstan's view, the GCAP should be seen as a civilizational and economic concept, but not as a military doctrine furthering the geopolitical strategy. Kazakh experts argue that the GCA should focus on the following priorities: regional transit trade; energy; development of transport infrastructure. However, it is necessary to take into consideration the considerable obstacles, which include the absence of coordination within regional states and international community, instability in certain states, differences in economic priorities, legislature etc. Kazakhstan calls for solution of the existing problems and elaboration of common approaches towards the formation of a free trade zone and common market in the region. In this regard, Kazakhstan considers "Silk Way Strategy 2005" to be a positive step.

Afghanistan is a crucial state in these processes. The nation-building and socio-economic rebuilding of Afghanistan gives new opportunities for regional cooperation. Kazakhstan has actively supported Afghan government's Strategy for development in the so called "Afghan Contract". Kazakhstan is ready to assist Afghanistan in various fields. Kazakhstan supports economic cooperation in the framework of OEC, SCO, EuroZES and regional program of SPECA. This would facilitate Afghanistan connection with the world, rebuilding of its infrastructure, and exporting hydrocarbons to growing economies of South Asia.

Kazakhstan's participation in the GCAP's sub-projects, especially in the energy sector, is in the long-term interests of the republic. The project could be used if it is necessary as pressure leverage on China and Russia. Thus, Kazakhstan and other Central Asian states consider the GCAP to be a principal basis for economic cooperation and security in the region, which can be distinguished from the American geopolitical interests. At least three Central Asian states, Tajikistan, Turkmenistan and Uzbekistan would have the option for international cooperation and "access" to the world.

To conclude, the GCAP is a business project which is in general terms beneficial for Kazakhstan. Russia and China are free to propose the alternative projects, in case they are not satisfied with the strategy of "geopolitical pluralism", and these projects would be carefully considered in Kazakhstan, due to its multi-vector foreign policy. So, it is

clear that the US has geopolitical interests in the region having greater stakes in each of the Central Asian neighbours: Russia and Iran (oil), Russia and China (nuclear weapons), India and China (two rising superpowers in Asia), and Pakistan (a critical ally in the war on terror). By advocating Central Asian security, the USA policymakers pursue the object of making this region an integral part of the US strategy.

FOREIGN POLICY OF KAZAKHSTAN

KLARA N. MAKASHEVA

The foreign policy of any state is subordinated to its national interests that develops its own logic. While formulating the foreign policy, geopolitical realities and requirements as well as the state of international relations are taken into account. Speaking about the main characteristics of the modern state, it will be interesting to quote materials of a research project *Political Atlas of the Present*, which identifies the following five basic characteristics impacting upon the state position:

1. Quality and efficiency of statehood;
2. Ability of the state to accept external and internal challenges;
3. Impact of resources exploitation on environment;
4. Quality of life of its own population; and
5. Institutional potential for democratic development.

Proceeding with these parameters the following conclusions concerning Kazakhstan can be drawn:

- (a) Kazakhstan occupies 111th place in the list of 192 countries. The state has a developed economic infrastructure and an insignificant share of foreign assistance in Gross National Income as well as absence of internal conflicts.
- (b) Talking about ratings of external and internal threats, the Republic of Kazakhstan is placed at 141. Kazakhstan has a minimum spectrum of threats that provides it a chance to focus on development efforts in order to achieve national progress, particularly in the economic field.

After it got independence, the Republic of Kazakhstan, being a member of the United Nations, declared its readiness to follow international law principles in international relations. Besides being a

member of the Organisation for Security and Cooperation in Europe (OSCE), Kazakhstan has been guided by the principles of the Helsinki Declaration Final act of 1975 and the following ten principles enshrined in other international acts:

1. Sovereign equality of all states;
2. Non-use of force or threat by force;
3. Inviolability of borders;
4. Territorial integrity of the state;
5. Peaceful resolution of disputes;
6. Non-interference in domestic affairs;
7. Respect for human rights;
8. Equality and the rights of the nations to decide their destiny;
9. Cooperation between the states; and
10. Diligent performance of obligations in accordance with international law.

At the UN Millennium Summit in 2000, the President of the Republic of Kazakhstan invoked the "Principle of Global Partnership." He stated that the *trust principle* should determine mutual relations between the states. *The trust doctrine* has clear cut mechanisms of realization, such as transparency of the military policy, reduction of armed forces around border, reciprocal consultations concerning protection etc.

The principle of multiple-vector foreign policy is an important feature of the foreign policy of Kazakhstan. Multiple-vector, which is a derivative of pragmatism and realism, seeks to bring a fine balance between the aspirations and possibilities of Kazakhstan in the international arena. Its geopolitical position at the crossroads of Asia and Europe, economic and political interests, and also the existing resources and industrial potential define the place of Kazakhstan in international affairs as a medium regional power and objectively give a multi-vector orientation to its foreign policy.

For the first time on 2 December 1991, Kazakhstan's foreign policy was defined as multiple-vector, when President Nursultan Nazarbayev stated that Kazakhstan being an important Central Asian Republic should become a bridge between Europe and Asia. Elaborating the vision of Kazakhstan's foreign policy Nazarbayev declared that "Kazakhstan is not going to become a closed system. The destiny of the country is to be the unique bridge between Asia and Europe, between great cultures of the West and the East." Therefore, the many-sided foreign policy of

Kazakhstan allows the foreign policy to be independent from behaviour of one or another state, from unpredictability of developments in any region and changes in the world market. In practice the “multiple- vector policy” means mutually advantageous cooperation with the neighboring countries, the states of CIS and with the leading countries of the West, Asia and the Near East.

For the sovereign development of Kazakhstan and its foreign policy, *the principle of indivisibility of security* is very important. It means that there should be a close interrelation among all its elements. It is impossible to separate national security from state security, regional security from continental security and continental security from the global security. In the globalization process, all problems of security are closely connected with each other. During the 47th session of the UN General Assembly, President Nazarbayev observed that “security of one state should not harm the security of other state, and also regional and global safety. All states should be equally protected from existing threats and risks and should bear the common responsibility to ensure the stability of international relations system.”

Nowadays, Kazakhstan is the regional leader, the acknowledged international partner as well as an active participant in struggle against international terrorism, drugs trafficking and production of nuclear weapons. In the words of the former Kazakh Minister for Foreign Affairs, K. Tokayev, “the Republic of Kazakhstan has positioned itself as the substantive stability factor and security both in Central Asia and in the extensive territory of the Eurasian continent. There was a task assigned to it for the maintenance of a favourable external environment in order to bring internal reforms by adjustment of stable and friendly mutual relations, primarily with the neighboring states, and also with the leading political and economic centers of the modern world.”¹

The basic directions of foreign policy of the Kazakh Republic are defined by the President in his annual Presidential address to the people of Kazakhstan. They may vary depending on the strategic interests of Kazakhstan as well as on internal economic conditions, international contacts and development of world tendencies. In his annual Presidential address to the people of Kazakhstan which was read out at the joint session of the Chambers of Parliament on 1 March 2006, the interrelation of domestic and foreign policy in the light of realization of development strategy of the country till 2030 was clearly traced. The well known “Strategic Plan for Development of the Republic of Kazakhstan” of 4

December 2001 defined the model of development of Kazakhstan till 2010. Accordingly, the strategic priorities of social and economic policy were established in twelve directions considering the fact that Kazakhstan “stands on the borderline of a new stage of social and economic modernization and political democratization.”²

The foreign policy priorities of Kazakhstan are an active, versatile, balanced foreign policy, capable of resolving the problems of 21st century and are aimed at maintenance of long-term national interests of the country. Among the priorities of Kazakhstan, development of bilateral cooperation with the neighbouring states - Russia, China, the CIS countries, the USA, EU, Japan, India, Turkey and Iran takes a special place. Multilateral cooperation occupies an important place within the limits of the international organizations, the United Nations, OSCE and NATO.

Kazakhstan, being the competent member of the international community, performs important functions of maintaining the geopolitical stability and security in the region. Uniqueness of the geopolitical position of Kazakhstan may be used in the interests of the country. The foreign policy doctrine of Kazakhstan takes into consideration the geopolitical factor of the country’s placement at the centre of Eurasia, the region where the set of strategic interests and problems of the modern world is intertwining. In Central Asia, “the rivalry of great powers for economic domination is noticeable, and therefore, Kazakhstan pursues a balanced foreign policy in order to “take a correct position in relation to this global geo-economics problem”.³ Geopolitics remains a dominant factor for the realization of multi-vector external relations of the Republic of Kazakhstan.

In 2006, significant results allowed to take a firm decision in order to bring Kazakhstan among the 50 most competitive and dynamically developing states of the world. Today according to global economic trends as a developing country, Kazakhstan occupies specific place in the world economy system, being able to adapt to the new economic circumstances quickly. Seven priorities presented in the Presidential address highlighted various steps for country’s progress. Each of these steps takes into account the dynamics of the world and regional development. At the same time, the specified priorities also took into consideration both the progress made and the problems still faced by the country.

Special liability for fulfillment of the given programme falls on the

foreign policy of the Republic of Kazakhstan. The active and versatile foreign policy is able to withstand the demands of the 21st century and also achieve long-term national interests. The last seventh point put more emphasis on the balanced course of the foreign policy of Kazakhstan.⁴

Kazakhstan, being the regional leader, became the initiator of integration process on the Eurasian space. Today development of the region demands that it should either remain a part of the world economy or get integrated in the Central Asian region. It is understandable that further integration is a way to bring stability and progress of the region. In 2005, President Nazarbayev proposed to create a Union of the Central Asian States. Treaty of Eternal Friendship between Kazakhstan, Uzbekistan and Kyrgyzstan can be the lasting basis for the union, even though other countries of the region have not been excluded. The key strategy of the Republic of Kazakhstan is to involve itself in the regional integration process within the ambit of EurAsEs, CES, SCO etc. Kazakhstan recently identified itself as the regional power possessing a dynamic economic policy and a strong position in the international community. In his congratulatory message to Kazakhstan on being elected to hold the chair of the OSCE in 2010, French President N. Sarkozy noted that "Kazakhstan plays an important role in Central Asia as it is a stronghold of stability in the region."⁵

Globalization demands closer interrelation between internal and foreign policy, which is also relevant in the case of Kazakhstan which has been undergoing sweeping economic reforms. The foreign policy of Kazakhstan has endorsed necessary legal basis for friendship with neighbouring besides as well as close partnership and mutual relationship with the far flung countries apart from international organizations. South Asia occupies an important place in the multi-vector foreign policy of Kazakhstan, particularly because there are important states such as India, Pakistan and Bangladesh.

India has been one of the first countries which recognized the independence of Kazakhstan and established diplomatic relations in February 1992. India supported Kazakhstan's admission in the UN. Roots of communication and friendship between the two countries lay in the remote past. Ancient inhabitants of Central Asia and India had close trading and economic relations. Archeological findings in many places of Kazakhstan provide evidence of such relations. In the Middle Ages, right up to 18th-19th centuries, Indian merchants had been in constant contact with the cities of southern and western Kazakhstan. Luxury

goods, fabrics, tea, jewels, herbs were imported from India to the Kazakh steppe. Horses from Central Asia were famous in India. Large streams of people moved constantly from the Central Asian region to Punjab (*Pyatirechie*) and Doab (*Dvurechie*). The interaction of their cultures, customs and traditions with that of India is known through history. Interesting historical and cultural materials of both Central Asia (particularly Kazakhstan) and India during 15th-16th centuries can be found in *Baburnama* and also in the lyric poetry of Babur.

In the post-war years, relations between the two sides got revived owing to Jawaharlal Nehru, the first Prime Minister of India. In 1946, when struggle for national independence was going on in India, Nehru put forward the idea of convening a conference of Asian countries with the purpose of discussing the problems facing the whole of Asia. He invited delegations from the Central Asian Republics and Kazakhstan, believing that as part of Asia these regions should not be kept aside. Nehru believed that participation of these republics would have far-reaching political consequences. At his request, the representatives of five Soviet Central Asian Republics took part in the international forum for the first time in history, which is known as Asian Relations Conference held in March 1947 in Delhi. Later on, during Nikita Khrushchev's regime, Nehru paid a state visit to Tashkent and Alma-Ata (now Almaty). On 17 June 1955, in the capital of Kazakhstan, Nehru met D. Kunaev, the then head of local government. The new stage of relations between the two sides came into being after the independence of Kazakhstan. Top level political dialogue has been continuing between the two countries. The President of Kazakhstan has visited India three times – in February 1992, December 1996 and February 2002.

Kazakhstan pays high respect to the experience and achievements of India. Such great historic figures as Mahatma Gandhi and Jawaharlal Nehru are well known to Kazakhs. Gandhi offered a method of non-violence and creative resolution of conflicts. This remarkable sample of political philosophy has a special meaning in the present context. Jawaharlal Nehru developed and comprehensively pursued a policy of positive neutrality and non-alignment. The peaceful foreign policy programme of Nehru brought him the status of one of the most outstanding statesmen of 20th century.

In the 21st century, ever growing cooperation between the Republic of Kazakhstan and India has received increasing importance. It is determined not only by mutually beneficial bilateral economic and

political relations, but also by increasing possibility to influence the overall developments in Central Asian and the neighbouring region. Kazakhstan has also expressed its readiness to become one of the centers of intercultural and interfaith dialogue at the international level in order to create a positive understanding between the East and the West.

President Nazarbayev's address "New Kazakhstan is in the New World" deals with new regional and geopolitical responsibility of Kazakhstan. Nazarbayev states that "in the first place, today it is necessary to bring Kazakhstan to a new level as one of the important international centres of intercultural and interfaith dialogue. In case of need, the country could carry out the functions of the international mediator for finding out mutually acceptable political decisions in conflict situations. Secondly, with a number of states which are interested in the expansion and deepening of dialogue of civilizations, everyone could act in tandem with the large international initiatives directed towards bringing out an understanding between the East and the West."⁶

Thus, the consistent policy of the Republic of Kazakhstan directed towards maintenance of tolerance in the international community, interfaith and intercultural consent of representatives of all nationalities living in the country and representing the uniform people of Kazakhstan was duly recognized.

REFERENCES

1. Speech of Foreign Minister, Kasymzhomarta Tokayeva at the conference "Strategy Kazakhstan-2030 in Operation", 11 October 2005, Astana// <http://www.mfa.kz/rus>
2. "The Strategic Plan for Development of the Republic of Kazakhstan", *The Kazakhstan Pravda*, 5 December 2001
3. "Kazakhstan is on the way of Accelerated Economic, Social and Political Modernization", President Nursultan Nazarbayev's Address to the People of Kazakhstan on 18 February 2005.
4. "Kazakhstan's Strategic Tendency to be among 50th the Most Competitive States of the World", President Nursultan Nazarbayev's Address to the people of Kazakhstan on 1 March 2006, <http://www.mfa.kz/rus>.
5. Message of the French President N. Sarkozy on the occasion of taking chair of the Republic of Kazakhstan in OSCE in 2010 / <http://www.Akorda.kz/ru>
6. "New Kazakhstan is in the New World", President Nursultan Nazarbayev's Address to the people of Kazakhstan on 28 February 2007, <http://www.mfa.kz/rus>.

KAZAKHSTAN'S RESPONSE TO REGIONAL ECONOMIC, POLITICAL AND SECURITY CHALLENGES

OXANA DOLZHIKOVA

Central Asian countries are increasingly in focus of international attention because of their strategic geopolitical location and rich mineral resources, especially oil and gas. After the dissolution of the former Soviet Union, the newly independent Central Asian states became more distinct from one another as their governments followed different national development paths. All the five republics suffered sharp decline in real output during the first half of the 1990s, the impact of which was exacerbated by the cessation of funds transfer from Moscow. Inequalities rose in most of the Central Asian states and today, poverty rates in these countries are among the highest in the Commonwealth of Independent States (CIS).¹ Despite great difficulties and risks arising out of the former USSR's collapse, the independent Central Asian states managed to cope with many of these problems. In particular, they managed to prevent armed conflicts, both at interstate and domestic levels, with only Tajikistan being the exception during the first years of independence.

An analysis of the current economic and internal political situation in Central Asia during the last six or seven years shows that there exist deep systemic problems in the development process. Ineffective governance, inability of the elite to conduct large-scale reforms due to their fragmentation, social destabilization and weak development of the civil society institutions led to the decrease in opportunities for the stable political development of most of the countries in the region. The events in the Central Asian states bear testimony to such a trend which has significant implications for the changing dynamics of political processes

within these countries. Moreover, it demonstrates the internal weakness and fragility of their social structures and political systems.

In Central Asia, recurrent threats of political destabilization superimpose on a whole range of unresolved socio-economic problems. Poor market infrastructure and lack of an effective and stable economic development strategy, create low investment attraction of certain Central Asian economies. This trend is compounded by the low standards of living due to large-scale unemployment and poverty. As regards population growth, it outperforms existing production output. All these factors together lead to the formation of a conflict situation in the Central Asian societies. Apparently, Kazakhstan's surroundings too have faced the problem of lack of development and hence need an efficient and safe approach to modernize their societies. That is why an understanding of the internal political situation in Kazakhstan's neighboring countries assumes special significance from the standpoint of ensuring its security.

The transitional regimes of Central Asian countries have several common features such as the similarity of socio-economic and political systems, as well as societies. Internal relationship of post-Soviet Central Asian states brings out a similarity in their pattern of systemic development, which are linked to internal stability of their political systems. Preservation of political stability in the entire region largely depends on the smooth resolution of the problem of their transformation towards establishing more stable political systems in each of the Central Asian Republics.

In addition to purely domestic factors, there are a number of regional issues, which threaten not only the security of the region, but also Kazakhstan. Various forms of extremism and terrorism, usage of drugs and drug trafficking and illegal migration across Central Asia are already having a negative impact on Kazakhstan's security. In four Central Asian countries, the underlying domestic factors which are essential for their political stability include the prevailing socio-economic situation, current state of their systems of power and political elites, social and ideological development.

Socio-economic situation is the main determining factor of internal political stability in Central Asia. This factor is important for regional political stability, given that all the Central Asian countries, excepting Kazakhstan, have been going through difficult economic situation. Kyrgyzstan, Uzbekistan, Tajikistan and Turkmenistan continue to experience serious problems in their economic and social development,

which have a direct negative impact on social and political stability in these countries.

Central Asian economies are not only weak but are also dependent on Russia. The current situation is a result of decades of Soviet control, as the local economies were designed to provide raw materials, most notably cotton, to the Soviet industry, and they were expected to import whatever manufactured items they needed. Even after independence, Russian subsidies kept the Central Asian Republics economically afloat. Furthermore, Russia currently controls the transport of oil and gas in taking them out of the region to world markets.²

However, despite economic progress, FDI inflows are still dismally low in the Central Asian region. None of the above mentioned four Central Asian countries have sovereign investment grade rating as investment activity there involves great risks. Except for Russian companies, which are used to work in adverse situations, foreign investors are not willing to invest in the economies of the region. According to the World Bank's classification, all the four Central Asian states belong to the low income category.³ This is due to large-scale unemployment, particularly among young people. Much of the labour force is engaged in the underground economy, where employment is not documented. In the official texts, this category of people is referred to as "self-employed". According to the experts, it is impossible to objectively define the "unemployed person" in the Central Asian countries. Therefore, the statistics on the number of unemployed in the region is subject to criticism. In general, all the four Central Asian states are among the poorest, not only within the CIS countries, but also at the global level. It can further be explained in the following manner:

Firstly, economic reforms have not been completely implemented in most of these countries. Economic problems remain unresolved to a large extent. In case of Tajikistan, civil war destroyed the entire economic infrastructure. In other cases, it has been lack of resources, complex structure of the economy, shortage of skilled manpower due to brain drain, poor governance and corruption, which crippled the economic manageability.

Secondly, national governments have not been able to attract sufficient investments in their countries. The level of investment attractiveness of all the states remained low. The three main problems – flawed legislation, administrative barriers and corruption – impede the flow of outside funds. For the same reason, the level of shadow economy

remains extremely high in almost all countries of the region. In some cases, it even reaches as high as 70-80 per cent.

Thirdly, agrarian sectors of the economies of the region were unable to reform. Almost all the Central Asian states have serious problems in agriculture, which remains the most sensitive sector of their economies. Since this sector employs too many people, radical reform measures could lead to severe social and economic costs.

Fourthly, in each country of the region, a major chunk of population is employed in agriculture, which was originally having a low yield. Rate of unemployment and poverty in Central Asia remains relatively high due to the low efficiency of agriculture, small crop area, low degree of industrial mechanization, collapse of industrial sector and rapid population growth.

Fifthly, there is a problem of weak state control over regional economies in varying degrees. In some cases, the economy still remains under the influence of elite groups which actually have privatized some assets besides creating obstacles to positive changes in the economy as it could affect their status.

However, the main trouble for the countries in the region is that all specified problems have not been solved, and sometimes no viable approaches to their solution are initiated. This directly contributes to the perpetuation of a high level of social tension in the Central Asian societies, which in its turn has, or is likely to have adverse effect on the political stability in the region.

Overall, the macro-economic indicators in Central Asia have largely been achieved by exploiting diverse and rich mineral resources. At the same time, there are significant differences in the levels of economic development and market reforms in the region. The interest of Kazakhstan to act as a regional leader in providing stability and further sustainable growth in Central Asian states only affirms the need to find ways and future directions to promote development in other countries. There is urgent need to expand and deepen regional cooperation. Identification of promising areas of cooperation among the Central Asian Republics should be viewed from the perspective of economic interests of Kazakhstan⁴.

Significantly, the current system of power in the Central Asian states is yet another factor in regional political stability. The overwhelming majority of these states have not yet completed the reform of their governance system which in turn determines the development of the

state and political organisms. At the moment, in many countries of the region the political systems are going through a period of crisis due to several reasons. In particular, with Kazakhstan being an exception, the power elites in almost all Central Asian states have not been able to realize the strategic program needed to come out of the economic crisis. The system of organization of regional elites often undermines such a possibility and fundamentally weakens the effectiveness of public administration. As such, decisions are made within this system, and the processes at the local level often continue without control of central authority. In general, as per current state of affairs, the systems of power and political elites have some common points that reveal systemic problems. The first problem is connected with inefficient public administration, which can be evaluated in the following manner:

Primarily, most countries in the region demonstrate their inability to undertake major reforms, the reason being corruption and poor governance together with weak personnel resources. For example, in Uzbekistan the reform in agriculture sector has long been needed, but actually there is a fear that it can lead to an increase in the level of social tension. The authorities, therefore, may not decide to adopt serious measures to set right the agriculture sector.

Inefficient public administration and a combination of other factors like different models of state management (both formal/informal and traditional), contribute to corruption and widening the gulf between rich and poor. Against this background, public service is now in a state of underdevelopment, government agencies are becoming more like corporations and their effectiveness is extremely low.

All these problems have resulted in the failure of resource mobilization required for the effective implementation of economic reforms, such as redistribution of property and national assets which must inevitably fall into the hands of powerful groups which are not interested in the development of national economy. As such, dominance of the interests of power elites (or affiliates of power elites) often runs counter to the national interests. These elites have been fighting for resources, while at the same time facing the task of shaping public policy as well. In other words, the elites in Central Asia have not been able to become the national elite, who can protect national interests and pursue national objectives.

The second problem is the inefficient power structure, which produces conflicts. So, the main task for the power elites is retention of

power. It also leads to prioritize the routine tasks over the long term strategic objectives. Unfortunately, the elites in Central Asian states have not been able to adapt to the new conditions. Their actions are largely aimed at the formulation of a closed system, giving priority to short-term goals over long-term objectives, such as giving priority to maintaining their power instead of following long term strategic objectives for the country's development.

The third problem is the lack of credibility of the authorities in the society. Most of the Central Asian regimes have minimum credibility in the society, which is due to the following reasons:

As we know, public sanction and public participation in decision making are essential for the solution of radical problems. However, in many cases, the power elites in Central Asia are unable to gain public trust, and are thus not used to rely on social sanction. Holding referendums and elections with minimum competition (or without it) are the typical phenomena. The ruling group receives "carte blanche" to governance only because there is no alternative. Therefore, the regimes are "friendless" in case of the real need to obtain the consent of society to any action.

The low level of trust of the authorities in the society in some Central Asian countries is also fuelled by constant mass media monitoring, which leads to curbs on the freedom of speech. In such circumstances, society remains not only in an ideological, but also in an information vacuum. As a result, there is a growing alienation of the society from centres of power. Moreover, the scope of debate and public opinion, as the main element of civil society, has been reduced. Consequently, in some Central Asian societies, there is a potential risk of the formation of destructive political ideologies.

The fourth problem in the current state of power and political elites of the Central Asian countries is related to the fact that public participation in the political process in many cases is limited due to the weakness of civil society. As such, the process of political decision-making occurs at the elite level. This leads to the volatility of most Central Asian transitional regimes. The establishment of multi-polar elite groups happens under the influence of these processes. It is through these groups that a new economic class seeks to protect its own interests, thus ensuring its political security.

The so-called "informal" centers of political influence thus formed, play an important role in the process of political development. Moreover,

they increasingly express their interest in accelerating the pace of political reforms aimed at establishing a transparent and common to all “rules of the game”. Ignoring the interests of the newly emerging and growing “informal centers of political influence” may constitute a threat to the ruling elite of some Central Asian countries which could adversely affect the stability of their transitional regimes.

The trend in recent years has shown that such a scenario of political development in a number of Central Asian states was real and being inherently revolutionary, the situation led to a change of power in Kyrgyzstan in 2005.

Ideology stands as another factor in the political stability in Central Asia. The fact remains that the current socio-ideological development of Central Asian societies poses hidden threats to the region, including the southern area of Kazakhstan. This has been reflected in several situations.

The development of national ideology and civil society, which are in fact weak or even non-existent, could play a positive role for accelerating the process of formulating national ideology and national identity in Central Asian states. In the prevailing circumstances, there are only two alternatives for the development of Central Asian societies: either the idea of Islamic doctrine or the ethnic basis. From these two alternatives, a religious one can actually be described as “fully developed and ready for immediate use”. Strengthening and extending Islamic zone of influence would happen in case of serious socio-economic problems, as well as in the face of prolonged economic stagnation in the region. It also seems to be inevitable in case of Uzbekistan, Tajikistan, and in parts of the southern regions of Kazakhstan. The President of Kazakhstan Nursultan Nazarbayev stated: “We do not deny the civil rights of believers, but the excessive politicization of any religion or denomination will endanger denominational safety. The formula, which can and must ensure secular statehood and the balance of denominations in our society, is simple: believers certainly have civil rights and enjoy democratic freedoms, but religion, being the spirit and an opportunity to worship, has not and must not have any political rights and must not influence the political will of the state.”⁵

It may be noted that until now almost all the Central Asian societies evolved in a certain ideological vacuum. Unfortunately, in most Central Asian states, authorities have not yet been able to offer any serious basis for the development of the Central Asian societies. Due to the weakness of the so-called “state-nations” and the civil society, do not have ready

ideological models, for the simple reason that their traditional ideologies have either been eroded or have not been perceived in full capacity. It is obvious that existing ideological vacuum in the region must be filled with some concrete action, and the states too are looking for a way out to resolve this situation. But till now no serious action to formulate proper ideological concepts has been taken.

According to a scholar, "the spread of Islamist sentiment in a number of CIS countries has not been influenced by external but by internal factor. The ongoing socio-economic and administrative policies of the authorities of these countries are such that Islam is the only public tool for the implementation of rights and for getting justice. Islam preaches ideas of social justice, and is gaining new strength everywhere. In the post-Soviet space, the same trend is particularly pronounced because of a sharp fall in living standards and general feeling of hopelessness. Social nature of modern Islam virtually puts it in place of discredited communist ideology."⁶ Consequently, such a situation requires the resolution of acute socio-economic problems besides taking measures for promoting the development of civil society towards its secular model.

It appears that the role of Islam in the Central Asian societies may increase if the states are not changed ideologically. Overall, speeding up the national identity formation may push forward the development of civil society. But the civil society cannot develop in absence of liberal freedom and relatively low dynamics of internal social process. On the whole, ethnic component continues to be one of the defining elements of current socio-ideological development along with the religious idea. Rapid social and ideological development took place primarily in those states of Central Asia, where almost half of the country's population belonged to the so-called "non-titular ethnic groups" until the collapse of the former Soviet Union. Consequently, in the early 1990s, consolidation of indigenous titular population based on the idea of independence occurred in certain Central Asian countries along with the revival of ethnic identity, culture and languages.

Although the concept of ethnic state in the region emerged only during their independence, the process of "nation building" began in the Soviet era itself and that too was observed mostly in Kazakhstan. In other countries of the region, the situation remains worse. Yet, today Central Asian states are actively searching for their own identity, primarily based on their historical traditions, heritage and titular ethnicity.

In this regard, one can say that in terms of ideological development, Central Asian states have crossed the period of self-determination. It, therefore, appears that not only the ideological search but also the development of civil society would continue in Central Asia. Possibly, the ideological characteristics will be adjusted with the societal requirements, because the whole society has to participate in the process.

An analysis of the socio-political situation in four Central Asian countries demonstrates the existence of deep systemic problems in the overall socio-political development. Ineffective governance, fragmentation and division among national elites as well as their inability to undertake major reforms, impact of drug trafficking and catastrophically low standard of living at general level, and weakness of civil society have contributed to the decline in opportunities for stable development of these countries. There is also the possibility of escalation of internal political struggle leading to violence and armed confrontation particularly in Uzbekistan and in Tajikistan. In Kyrgyzstan, however, violence can be rather localized. Peaceful transformation of the Central Asian states and establishment of their own resilient political systems depends on the peaceful resolution of this problem.

The first method is to transform the political system in Central Asia in order to create an opportunity for a compromise between divergent groups of elites and begin the gradual democratization as part of pluralistic regimes. The second method to confront threats to political stability and for a peaceful resolution of the problem of system transformation is to find effective ways to modernize Central Asian societies. Central Asian countries need to expedite the protracted process of changing their development paradigms - from sovereignty to effective implementation of their own model of modernization.

At the same time, maintaining social and political stability in Central Asia is the fundamental national interest of Kazakhstan in order to ensure its own security. Kazakhstan is interested in a serious and long-term cooperation with other Central Asian states, especially in the fight against extremism, drug trafficking, organized crime, illegal migration and international terrorism. The measures within the framework of joint collaboration of Central Asian states include preventing and bringing an end to the outbreak of extremism, combating drug-trafficking, preventing the harbouring of international terrorists and extremists on the territory of the region, as well as preventing subversive activities against neighboring states in Central Asia. As such, Kazakhstan by

providing support to Central Asian states in the domain of regional security, demonstrates its national interests and promotes its political position in the region by taking the initiative to establish the Union of Central Asian States.

Currently, Central Asian states which are characterized by a fragile state of stability in the face of many unresolved problems related to regional security are in the process of continuing their systemic transformation. Potential conflicts linked to ethnicity still exist in several Central Asian states. Besides, there are other contributing factors for conflict situation such as territorial claims, international terrorists (Al-Qaeda, East Turkistan Islamic Movement etc), dispute over sharing of waters, and environmental problems. There are also threats to Kazakhstan's security at the regional level, which is directly related to interstate conflicts. The differences in domestic and foreign policy of Central Asian countries contribute to the emergence of new controversial issues in interstate relations. For example, cross-border disputes between Kyrgyzstan and Uzbekistan, Tajikistan and Uzbekistan, Tajikistan and Kyrgyzstan, Turkmenistan and Uzbekistan, including enclaves in the Ferghana Valley, occur periodically. Besides, the influx of refugees, increase in arms smuggling, infiltration of extremist groups into Kazakhstan's territory, different kinds of provocations to involve the country into conflicts, terrorist activities and deteriorating border situation also contribute to aggravate the unstable situation in the Central Asian states, particularly in Uzbekistan and Kyrgyzstan.

The issue of extremism and terrorism poses a serious threat to the stability of Central Asia. Reducing Islamic terrorist movement in the region due to the ongoing anti-terrorist operations in Afghanistan has been a serious challenge to the Central Asian security. In general, the problem does not lie in the existence of radical Islamic groups, but in the possibility of expanding their social and ideological base. A number of structural units of international terrorist organizations, including the *Islamic Party of Turkestan*, *Islamic Movement of Uzbekistan*, *East Turkestan Islamic Movement*, *Jamaat Mujahideen* and *Hizb-ut-Tahrir* operate in the region. These clandestine groups are particularly active in the territory of Kyrgyzstan, Uzbekistan and Tajikistan, mostly due to the socio-economic and political instability in these countries. At present, a direct threat of international terrorist organizations to the security of Kazakhstan, its citizens and infrastructure is relatively low. However, the problem may aggravate due to a variety of factors, which include:

- external political risks and worsening geopolitical situation in Central Asia;
- infiltration of disruptive elements (emissaries and members of extremist organizations) into the territory of Kazakhstan;
- intensification of the activity of religious communities, including those of non-traditional orientation, which can become a breeding ground for the activities of various radical groups;
- internal destabilization in neighbouring countries.

Drug trafficking represents another threat to Kazakhstan's security. The magnitude of drug trafficking from Afghanistan to Central Asia, which has increased in recent years, seriously complicates the situation in Kazakhstan. For about 30 per cent of drugs get transferred through the northern route of Kyrgyzstan-Uzbekistan-Kazakhstan. In the short term perspective, one can expect increased drug trafficking from Afghanistan to Central Asia due to the following reasons:

- inability of international community to resolve problems of economic rehabilitation of Afghanistan and inability to encourage the production of alternative crops;
- withdrawal of Russia's frontier troops from Tajikistan and transferring the duty of protecting Tajik-Afghan border to Tajik border guards; and
- intensification of criminal activities in Kyrgyzstan and failure of authorities to control the situation at the domestic level.

According to the UN estimate, at least 10 per cent of drugs going through the country in transit are used within. Thus, Central Asia has become not only a drug trafficking zone, but a zone of mass consumption of drugs.

Illegal migration represents yet another tangible threat to the regional security. This problem assumes greater significance in Kazakhstan. In the medium term, the scale of illegal migration in the region is gathering momentum due to the following factors:

- deterioration of socio-economic condition in most of the Central Asian states, and emergence of a significant gap in the economic development of Kazakhstan and other Central Asian states. Today, the labour market of Kazakhstan is most appealing to the citizens of other Central Asian states, resulting in a massive influx of illegal labour force;

- demographic imbalance in the Central Asian states. Kazakhstan is currently going through the phase of natural population growth of 4.4 per 1,000 inhabitants. Meanwhile, population growth in Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan continues at a relatively high level and is equal to 16 to 23 born per 1,000 inhabitants;
- simplification of visa regime between Central Asian states, lack of inter-state cooperation on labour market, as well as weakness of border controls;
- financial attraction of illegal migration channels and organized crime.

Obviously achieving success in tackling the above stated security threats seems to be a difficult task for Kazakhstan. And, therefore, Kazakhstan has fully engaged itself in the process of interaction in the regional security domain with its Central Asian neighbours. Multilateral cooperation holds an important place in ensuring Central Asian regional security. Collective mechanisms to combat terrorism, extremism and other threats in the region have been evolved in recent years.

In the initial stage of Kazakhstan's independence, its external policy focused mainly on building up so-called concentric spheres of stability. In this context, special importance was attached to the Collective Security Treaty Organization (CSTO). Within its framework, Kazakhstan, Russia, Belarus, Armenia, Kyrgyzstan and Tajikistan joined their efforts in the creation of regional security system. CSTO is gradually becoming a real force in the continental security system.

Another example of the multilateral initiative on interregional cooperation initiated by Kazakhstan is the Conference on Interaction and Confidence-Building Measures in Asia (CICA). In the long term perspective, the successful activities of CICA as a continental structure and a platform for security cooperation can be considered as a sound basis for security in the whole region. Institutionalization of CICA as well as adoption of its confidence-building measures have contributed to the formatting of modern security architecture in Asia. Anti-Terrorist Center was created within the framework of the CIS member states to coordinate the actions of states in this field. The Joint Air Defence System has been operating effectively among them.

It may be mentioned that Kazakhstan's integration in the world system is actually unthinkable without a qualitative breakthrough in all its developmental areas. Security is, of course, the most important issue

for both Kazakhstan and the world community. For Kazakhstan, which is situated in the heart of Eurasia, internal stability is vital but national measures alone are insufficient. External factors, as also the non-traditional threats to security, can destabilize the situation if adequate policy measures are not undertaken. Since 2006 the so-called “external security” has been treated as a separate foreign policy agenda in Kazakh President Nursultan Nazarbayev’s address to the nation, notwithstanding its close relationship with the National Security Strategy, 2006-2010.

Unfortunately, the world community has not yet worked out an adequate systemic response to the new challenges to security and ways to eliminate the causes spawning extremism and terrorism. In this connection, Kazakhstan’s position deserves support, as it has been making efforts in rooting out the causes of this “evil”. No less important is Kazakhstan’s policy in promoting cultural dialogue between the states. Terrorism has no nationality and no society is immune to it. Very often it is the external factors that spawn terrorism and extremism. Peaceful and stable situation in Kazakhstan is largely due to the changes in legislature and pre-emptive steps taken to prevent the activities of the extremists.

However, the problems of development of CSTO and enhancing its capability to counter new challenges and security threats are compounded by the following facts:

Kyrgyzstan and Tajikistan could not make an adequate contribution to the strengthening of joint capacity of collective security in Central Asia due to their economic difficulties. As such, these countries can only be regarded as recipients of military and other assistance in the domain of security. Therefore, Kazakhstan and Russia provided them with military and military-technical assistance during Batken events and the inter-Tajik conflict, respectively. Countering new challenges and threats is a relatively new direction for the CSTO. Till date, only joint operations *Kanal* can be described as a positive achievement. Joint maneuvers have also been held within the frameworks of in Shanghai Cooperation Organization (SCO) and CSTO.

The development of cooperation with Russia and China within the SCO has great importance for Central Asian states. A sufficient legal basis for joint action in the security domain [Charter of the SCO; Shanghai Convention on Combating Terrorism, Separatism and Extremism; Agreement on Regional Anti-Terrorism Structure (RATS)] was

established within the SCO. Institutional and legal arrangements for the launch of its machinery were also realized since the inception of RATS. A Council with the Executive Committee of RATS was established and expert's training solutions system was tested. Anti-terrorism exercises were carried out in the format of the SCO, including on the territory of Kazakhstan. Lists of the terrorist, separatist and extremist organizations whose activities are banned in the territories of Central Asian states as well as the list of wanted persons who have committed crimes or are suspected of being terrorists, separatists and extremists, have been elaborated. Agreements on the establishment of RATS' data bank and on the mutual protection of classified information were signed.

The programme of the SCO Member States to combat terrorism and extremism for the period 2004-2006 was implemented; mechanisms for joint response to crises were improved; and an intergovernmental agreement on cooperation in preventing and eliminating the consequences of emergencies was signed. In general, cooperation in the sphere of security in the framework of SCO is quite dynamic. Further measures in the context of the completion of the formation of international legal framework should be geared to the practical effectiveness for the benefit of the SCO Member States. Kazakhstan adheres to the principle of interacting with SCO members, as activity of this organization has helped ease tension and settle border issues. Besides, one of the main directions of SCO is cooperation in transport-energy sectors. Main strategic importers and exporters of hydrocarbons in this organization - Russia, Kazakhstan and China make up its core. Development of relations in the energy sphere within this triangle will largely influence other vectors of interaction between the member states.

In general, it can be said that by strengthening regional security, Kazakhstan counters non-traditional security challenges and threats. The country is interested in sustainable and peaceful development of Central Asia, which is possible through equal partnership and improvement of living standards in Central Asian states. It is true that each of the Central Asian states has specific domestic priorities and their implementation sometimes leads to the building of their foreign policy priorities. The format of the economic cooperation among the Central Asian countries is based on their bilateral relations. The multilateral initiatives on inter-regional cooperation, unfortunately, are rare. For example, in his speech at the 63rd session of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), held in Almaty in May

2007, President Nursultan Nazarbayev said that “partnership at the regional and sub-regional levels is particularly important in a close relationship and the economic development of a dynamic process of globalization”. Therefore, the role of the Association of South East Asian Nations (ASEAN) and the SCO are especially important. Kazakh President proposed the establishment of political and economic dialogue between Central Asia and the ASEAN. Today Kazakhstan, as a transit country between Europe and Asia, is ready to fully cooperate with its partners in the Asia-Pacific region. Potential transit can be through Kazakhstan to the Caspian Sea and the Baltic Sea and then to the bigger European markets.

Since Kazakhstan has applied for membership in the ASEAN Regional Forum on security (ARF), it will open new prospects of interregional cooperation and create favorable conditions for further construction of the Eurasian security zone ARF-SICA-OSCE. But without the development of closer integration, continuing multilateral initiatives will be difficult.

First problem in the area of closer integration is the lack of effective transport infrastructure. The liberation of Afghanistan from Taliban and extremists will make it possible to re-position Central Asia as a continental bridge between East and West and between North and South. Thus, the development of an effective regional transport and transit infrastructure becomes even more vital for the landlocked countries.

According to the UNDP, existing transportation costs are much higher and the time for delivery of goods to Central Asia is much longer than in other parts of the world. This is one of the main factors undermining the competitiveness of exports from the region to world markets. Transportation network of Central Asian states focuses on Russia. At the same time, transportation corridors in neighboring countries, such as Afghanistan, are weak. In this connection, the accession of Afghanistan to some of the regional transport infrastructure development projects, particularly in the Trans-Asian railroad, will link Central Asia with South Asia. The introduction of pipeline networks and transmission lines throughout the region will contribute significantly to increase energy exports to these rapidly growing markets. Through a common energy infrastructure and energy market, the cost of energy services to the region can be reduced.

Secondly, Central Asian states need to strengthen regional trade cooperation. The region must focus on the capacity of intra and inter-

regional trade to improve the overall competitiveness. Today, the borders are still perceived as a deterrent. Lasting peace in Afghanistan will provide an opportunity to enhance regional cooperation through trade links to the previous and now emerging Silk Road. This, in its turn, will ensure Central Asia's access to the world market through South Asia and Europe. Against the backdrop of trade barriers and high transport costs that continue to pose serious obstacles to improving both regional competitiveness and development, the latest developments of multilateral initiatives, which are reflected in the joint statement of the 4th ministerial conference of CAREC (Central Asia Regional Economic Cooperation) and the Kabul Declaration on regional economic cooperation give rise to some optimism.

At the same time, improvements taking place in one area will not have much effect, if they do not occur in other spheres. For example, reducing the cost of transport costs and simplification of customs procedures will help increase trade turnover, if trade policy alone is a deterrent. Trade facilitation and improvement in the transport sector will also have minimal impact on the development of trade relations, if the transit through neighboring countries is costly. As such, a comprehensive integrated approach to inter-regional cooperation in multilateral initiatives needs to be provided in order to improve the socio-economic well being of the people of Central Asian states.

REFERENCES

1. J. Cukrowski, "Central Asia: Spatial Disparities in Poverty", *Development & Transition*, May 2006.
2. Ebon Lee, "Central Asia's Balancing Act", *Harvard International Review*, vol. 23, 2001.
3. *World Development Indicators 2005*, Washington DC, World Bank, 2005.
4. M. Naribayev, "Kazakhstan's Economic Interests and Regional Cooperation Perspectives", *Analytic*, no. 2, 2006.
5. N. Nazarbayev, *Crucial Decade*, Almaty, Atamura, 2003, p.98.
6. M. Delyagin, "After CIS: Russia's Solitude", *Russia in Global Politics*, no. 4, July-August 2005.

INTEGRATION OF CENTRAL ASIAN REPUBLICS INTO GLOBAL ECONOMY

ZAURE CHULANOVA

Globalization and regional integration are two interrelated processes which stand out among the basic tendencies of the world economic development. In a situation of increasing globalization of political, economic and social processes, there is not a single country that can fence off from the contemporary world and trans-border processes. Globalization permeates politics, economy, social life, culture, ecology, national security and other spheres of public life and strengthens the world economic system. With open economies and liberal national regimes of trade and flow of capital, the countries which have been integrated into the world economy, have a stable high rate of economic growth. Moreover, access to investments, new technologies, knowledge, goods, services and interaction with transnational companies exerts positive influence on such countries' economies. However, these advantages are not accessible to all countries as the same are distributed unevenly in the regions and countries. Besides, these advantages are acquired through bitter struggle in the world goods and services markets. Not all countries face this struggle or survive in it. Especially vulnerable are those having deformed economy, with no possibility to sensibly assess the current world situation and, therefore, not capable to independently resist the negative consequences of globalization. They cannot exist in economic isolation, and their further prosperity depends on participation in the integration processes.

Under the contemporary situation, regional cooperation of the states has become the key trend of world development, regardless of the level of their social and economic development. The international experience of the survival of economically backward countries shows that integration into the world economic system, that makes possible to effectively realize

the external factors of development, is possible on the basis of regional association of the countries into different kinds of interstate unions.

The process of interstate regional economic cooperation in order to form a common market space spans over the continents in varying degrees. At present, integration within a framework of economies of several countries or region determines the situation in the world. The most practical process of regional integration is taking place in Western Europe (European Union), North America (NAFTA) and South East Asia (ASEAN). Commercial and cooperative relations are also developing actively in the Pacific region. Economic interdependence creates prerequisites for the political cooperation between the neighbouring states, thus, preventing the possibility of military conflicts.

Creation of regional associations and formation of a common economic space is a long and complex process. Factors such as the level and degree of specialization, division of labour, common boundaries and geographical location are the prerequisites which could accelerate the integration process. These factors exert their influence significantly in the Asian continent, where more than half of the planet's population live and one fourth of the world GDP is produced. The special feature of Asia is its "large geography", i.e., the countries located in different parts of Asia are considerably far from each other. This naturally is reflected in their political and economic interests. The continent's variety is manifested in religious, ethnic and cultural diversity of Asian countries. However, there exist mistrust and high socio-political tensions in some regions of Asia, which is a result of protracted historical conflicts.

In order to secure more advantageous position on the international arena, Asian countries compete for political and economic influence in the region, besides looking for the markets. With different models of social and economic development, each country searches for its special niche in the global economic system. However, such competition has aggravated many interstate, ethno-religious, social and economic problems. Possessing rich natural resources, the Asian continent has significant potential for development of trade, economy, transport and power engineering, and thus represents the traditional sphere of geopolitical interests for the great powers. But, interlacing of such interests is fraught with unpredictable consequences. It is but natural that the presence of diverse factors is reflected in the interstate relations and interaction of the countries, which are built on the basis of regional, national, economic and social specifics of each of these countries.

Today the Association of South East Asian Nations (ASEAN) is a concrete form of interaction of developing countries in spite of the negative external factors. It plays an important role not only in the development of the underdeveloped countries, but also in the creation of more positive image of the region, particularly for investments. However, as a whole the relations between Asian countries develop slowly due to the differences in their social and economic development levels, which remain in turn significantly behind the leaders of the world economy. Though these countries possess rich natural and economic potential, many of them are unable to realize their competitive advantages.

According to the World Bank's estimate none of the Asian countries has yet reached a level of countries with an average high income. Even comparatively economically successful countries such as China and Thailand in East Asia and Bhutan, the Maldives and Sri Lanka in South Asia are referred to as a group of the countries having an average low income. However, in terms of national economy, the rest of the states in these regions are considered to be countries having low income. Among many social and economic problems of these countries, the following should be noted: an increase in inequality, decrease of population's education level, high dependence on natural cataclysms and lack of readiness to resist religious extremism, terrorism and drug-trafficking.

The dynamics of development of Asian countries remains irregular. After the World War II, the economy of Japan, which was earlier viewed by the world community as personification of Asia, now reached a high level of economic growth. At present China in East Asia and India in South Asia are recognized as the leaders, as they are considered to be generators of not only regional, but also of the world development. Foreign policy of these countries provides a smooth entry into the world economic processes through integration.

Central Asia, today, is the object of attention both from regional as well as distant geopolitical forces. The region is going through a new stage of development so much so that it has become the epicentre of driving forces and promising possibilities of economic integration on regional and global scale. The countries of Central Asia have been in transitional state for the last two decades. They are going through a complex period of political, social and economic transformations connected with the modification of socio-economic structure. For more than 70 years, Central Asia remained a part of the Soviet Union, within

which all the Central Asian Republics interacted only with each other. International trade of the countries of the socialist block was carried out through COMECON (Council for Mutual Economic Assistance), the first integrated regional union. Disintegration of COMECON was followed by the collapse of the former USSR in 1991, which led to dissolution of once a common economic space and management that united the socialist countries. Simultaneously, administrative channels used for international trade also disappeared. It should be noted that the socialist system ceased to exist at a time when economic integration process in the world was gaining momentum.

As a result of the disintegration of erstwhile Soviet Union, five new sovereign states appeared on the Central Asian map. Transition from a common economic space with planned economy to market economy, where all external economic relations depend on the work of market mechanisms and international rules, was accompanied by destruction of existing industrial and trade links which led to economic chaos. Initial euphoria generated by political and economic independence acquired by these Central Asian countries was replaced by problems of survival, preservation of statehood in the globalized world and search for their own place in the world economic system.

In a crisis situation, the Central Asian countries started complicated transition process from disintegration to reintegration into the world market system. Construction of economy based on the system of market institutions and mechanisms has shown that restoration and modernization of industries up to the international standards is possible after carrying out economic reforms, including liberalization of foreign trade so as to attract foreign capital. When the question of further interrelation between the former Soviet republics, now sovereign and independent states, came to the forefront, Kazakhstan came up with an initiative to cooperate and act together to help each other. As a result, Almaty declaration passed on 21 December 1991 created the Commonwealth of Independent States (CIS) on the post-Soviet territories with 12 member countries. In recent years the CIS is characterized by steady growth, with an average of seven per cent in 2005 and 7.5 per cent in 2006, which is higher than the world average. In 2006, the common GDP of the Commonwealth countries reached 1,123.8 million US dollars, while as population at the end of year was 280 million, and this completely corresponds to the average market parameters of functioning international unions. However, in spite of this factor and the fact that

the Commonwealth countries have long-standing history of coexistence and are tightly connected geographically, culturally and ethnically, potential possibilities of smooth entry into the world economic system have not been realized. The process of regional interaction and rapprochement proved to be more complicated than anticipated. In many respects this is due to significant differences in internal characteristics of the social and economic growth of each country, as well as nature and dynamics of transition to the market economic system and considerable dissimilarities in the national legislations.

The deformation of production process, for instance, strengthening of the raw material production in the industry, and absence of unified policy in the trade sphere caused reorientation of a number of CIS states towards distant foreign countries. The developing centrifugal economic and political tendencies expressed in “colour revolutions” as well as unresolved territorial claims pose serious threat to the preservation of economic space within the CIS. All these factors complicate the process of political and economic interaction.

While international experts examine and discuss medium and long-term view of development in the CIS, the Commonwealth countries, under the influence of different centers of attraction realize accumulated potential for the joint activity through political alliances and in association with different economic groups, such as United Economic Space (EEP), the Association of Georgia, Ukraine, Azerbaijan, Moldova (GUAM), Eurasian Economic Community (EvrAzES) and others. These groupings differ considerably in terms of their political, social and economic spheres. However, in spite of existing differences, a certain uniformity of problems inherent in all groupings needs to be noted. One of them is that all these unions have serious and complicated work to do in order to bring about a common unified denominator to enable the functioning of a common market.

At present, EvrAzEs, which was set up in April 2001, is the most influential, integrated and promising model of economic grouping in the post-Soviet space. The members of the association are two European countries – Belarus and Russia, and four Asian countries - Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. In totality, the association has rich natural, human and economic potential. Within EvrAzES framework three fourths of the population of the CIS are united and they generate almost 80 per cent of the GDP volume. As an interstate organization it is registered in the United Nations which confirms its international-legal

status. Presently activation of coordinated actions directed towards reaching real economic integration, and guarantee of dynamic development of the member countries through effective use of their economic potential, are in the interest of improving living standards of the people. For the last seven years, the European Economic Community countries, after a prolonged decrease in production, have been continuing the process of social and economic stabilization to increase the production scale. As such, total volume of GDP in 2006 as compared to 2004 grew by 69.7 per cent. Originally, EvrAzES had united the countries having different levels of development and degree of market reforms. This explains the essential differences in scales and capacities of the domestic markets of the member states. The objective leader in the block is Russia, which has the largest territory with 72.3 per cent of population, and that it produced 87.8 per cent of the total GDP volume of the association in the year 2006. Russia is followed but not closely by Kazakhstan, with 7.4 per cent of population and 6.9 per cent of the GDP volume. Belarus comes next, with respectively 5.0 per cent and 3.3 per cent and Uzbekistan – 9.8 per cent and 1.5 per cent. Kyrgyzstan and Tajikistan have the smallest market shares, which in totality constitute 5.5 per cent and 0.4 per cent. Within EvrAzES, the Russian economy is not only the largest but also the most effective and is considerably ahead of the partners in terms of labour productivity. The volumes of economies are reflected in the production of the per capita GDP, which in Russia amounts to 6,873 US dollars, in Kazakhstan –5,045 US dollars, in Belarus –3,730 US dollars, in Kyrgyzstan –542 US dollars, in Uzbekistan –522 US dollars, and in Tajikistan –402 US dollars.

In spite of positive increase in the GDP, rates of the post crisis rehabilitation of the economies and redevelopment of fixed capital considerably differ. The volumes of investments do not compensate the drop occurred and are insufficient for the modernization of production capacities. In many respects, this is due to low level of domestic savings caused by low personal income, low wages, insufficient profitability and insignificant cash flow of many enterprises. In order to turn the situation around for carrying out necessary changes, the countries require significant inflow of the foreign capital to finance their investment needs. In 2006, the total volume of investments in EvrAzES reached almost 200 billion US dollars. Russia had the greatest share with 164.94 billion US dollars, followed by Kazakhstan with 22.29 billion US dollars and Belarus with 8.95 billion US dollars. Extremely low investment activity is in

Kyrgyzstan and Tajikistan – with 0.36 billion US dollars and 0.30 billion US dollars respectively, which is insufficient for the renovation of the fixed capital, the deterioration coefficient of which is great.

Today investment as a basic channel of the interstate economic collaboration within the Community has developed insufficiently and hence it depends on investment opportunities and investment attraction of a country. Thus, in 2004, out of the total volume of Russian investments into the economy of the CIS countries 71 per cent was directed to EvrAzES countries and divided as follows: Belarus – 39.3 per cent, Uzbekistan – 19.4 per cent, Kazakhstan - 11.8 per cent, Tajikistan and Kyrgyzstan 0.4 and 0.1 per cent respectively. Kazakhstan is attractive in terms of foreign investments. Main investors here are from the CIS and their share in the total volume was 97.5 per cent in 2004. The CIS countries invested 212.6 million US dollars, including 206.7 million US dollars from EvrAzES countries. The share of Russia is considerable as it invested 200.6 million US dollars in 2004 in Kazakhstan, which was 97 per cent of the total sum of investments from the EvrAzES countries.

Today EvrAzES is effectively involved in resolving commercial and economic problems. Dynamics of the rate of commodity turnover and export/import activity does not follow the direction of the Community countries. Export dynamics from Belarus, Kazakhstan and Russia is more intensive towards non-CIS countries, whereas the commercial connections of Kyrgyzstan and Tajikistan have generally developed towards the domestic markets of the CIS. In 2005, Kazakhstan exported its products to 16 countries of the world. Kazakhstan's main trading partners are European countries with their share of 61.4 per cent of Kazakhstan's export, including 39.5 per cent to the countries of the European Union. Under the influence of the world market forces, the export items from EvrAzES countries are generally the products of natural resources industry, i.e., energy and mineral ore. The economies of Russia and Kazakhstan have developed in recent years due to a high global demand for oil and mineral resources. The volume of goods and services produced shows that the existing strategic potential of the Eurasian group has not yet been realized.

Despite sufficiently high scientific, technical and intellectual potential, the EvrAzES countries have comparatively low competitive ability at the world markets. In many respects, this is due to the fact that the production growth in these countries is enabled by previously built production capacities, which basically work for the domestic market

where the level of competition is not adequate to the world conditions. The level of technological development prevailing in each country determines the value of the gross added value, embedded into the production. The share of gross added value in industries of Belarus, Kazakhstan and Russia in 2004 was at about 34.2 per cent to 39.4 per cent. This corresponds to the indices established for the middle income countries, but it is considerably lower in high income countries. For example, in a developing country like China the share of gross added value in industry in 2003 was 52.3 per cent and in 2004 it was 50.8 per cent. The share of the gross added value in agriculture of the EvrAzES countries is less than the industry and there are significant fluctuations, ranging from 7.3 per cent in case of Kazakhstan to 38.7 per cent in Kyrgyzstan.

At present the EvrAzES countries do not show any essential achievements in the sphere of technical and technological innovations and, therefore, they do not have sufficiently attractive processing sector. An increase in the commodity turnover occurs due to the bigger increase in exports of the extracting sectors' products as compared with the processing sectors, which is testified by a comparatively low share of the gross added value put in the latter. In respect of the EvrAzES countries, it should be noted that as of today the share of highly technological exports is insignificant. It comprised 3.6 per cent of the manufacture export in 2003, particularly in Kazakhstan (8.7 per cent), Russia (18.9 per cent) and Kyrgyzstan (1.9 per cent). It is obvious that in order to enter the world market with the science-intensive technologies, the EvrAzES countries must create sectors with the complete production cycle, from production of raw materials to manufacturing products for which there is a global demand. However, in spite of such problems, it is quite possible to establish an economic block in an integrated structure, with all its pluses and minuses, the main factor being its possession of the enormous potential for organizing the enterprises capable to enter the new niches of international economy.

The integration of the post-Soviet countries is predetermined by objective circumstances, acknowledgement of common interests in economic development, impossibility of isolated existence and need for integration process to compete with the world market. This is especially important, as the EvrAzEs member states have the centuries-old history of collaboration, besides having similar infrastructure, common borders and similar ways of economic development.

The most important potential of the EvrAzES as an integrated association lay in the very process of its successful functioning aimed at fulfillment of the initially defined goal of shaping up the Customs Union and common unified economic space. At present the top priority within EvrAzES is the completion of the unified Customs Union, which requires first of all unified customs tariffs, which in turn will bring up commercial and economic collaboration to the new level, not just within the EvrAzES, but even beyond. This can be possible by joining the WTO as the united/unified Customs territory. In future, the next stage of integration at the state level will be defined as the creation of a unified economic space, which can be achieved only with the harmonization of entire economic regulation and finalized by introduction of a single national currency.

The Shanghai Cooperation Organization (SCO), a fundamentally new system of regional association, was founded within the Eurasian geopolitical space in recent years. The SCO members first began their collaboration in the early 1990's in an attempt to strengthen stability in Central Asia after new post-Soviet republics had no independent experience of protecting their borders. In a zone exposed to global risks, preservation of sovereignty and territorial integrity was an important task. In other words, the basis for creation of this association was purely political, aimed at working together on security issues, especially combating terrorism, extremism, separatism and drug trafficking to and via the Central Asian territory. But, for the transformation of Central Asian region into a zone of stable development, it was necessary to have in place a more universal security system built on the principles of mutual trust, collaboration and friendly relations. The leaders of Kazakhstan, China, Kyrgyzstan, Russia and Tajikistan signed the Shanghai agreement in 1996 on strengthening confidence building measures in military affairs in the border areas. This was the start of a new regional union "Shanghai five". Membership of China with its powerful economic system made it possible not only to regulate and coordinate border issues between countries, but also marked the beginning of collaboration in the sphere of commercial and economic relations.

On 7 June 2002, in St. Petersburg during the second meeting of the heads of participating countries of SCO, three documents were signed. These were the Charter of the Shanghai Cooperation Organization, the Agreement between the member states of the Shanghai Cooperation Organization on the regional anti-terrorist structure and the Declaration of the heads of the member states of SCO. These documents defined the

legal basis of the Organization's development and gave a start to a fundamentally new system of sub-regional collaboration through close cooperation of six states. Within the short period the SCO became a valuable and efficient organ for resolving political issues in Eurasia. At the 2004 Summit of the Heads of the member states in Bishkek, it was noted that institutional building of SCO had been completed. The Secretariat of the Organization, Regional anti-terrorist structure and the Executive Committee began their work. The interstate councils at different levels and conferences of the leaders of various ministries and departments are conducted regularly.

Today SCO is one of the largest international organizations, which unites different nations. The territory of participating countries is on the Eurasian continent hosting about a fourth of the world population. In 2006, the joint GDP of these states was 8.3 per cent of the total world volume. The GDP growth rates of the SCO countries are higher than the world-wide rates. The largest partner in this integration is China on the territory of which 86.7 per cent of population live. China covers 72.8 per cent of GDP volume of SCO countries. Russia's share is respectively 10.2 per cent and 24.7 per cent, whereas countries of Central Asia have 3.1 per cent and 2.5 per cent, respectively. Such significant differences in human resources and scales of economies do not mean that SCO will express position of one particular country which plays the leading role in the organization. SCO is based on the principles of equality and consensus.

Emphasizing the importance of cooperation within the organization in fighting separatism and terrorism, SCO views helping each other to improve lives of the people of the member states as the central aim of its activity. SCO member states are convinced that successful fight against many contemporary threats is greatly dependent on the solution of social and economic problems, such as liquidation of poverty, mass unemployment, illiteracy, racial, ethnic and religious discrimination. In the course of time, a wide range of issues was considered and security issues were solved on the basis of economic cooperation, which included various other spheres such as politics, economy, national security, culture etc. The programme of multilateral commercial and economic cooperation between SCO member states includes power engineering, transport, telecommunications, agriculture, tourism, credit and banking system, water supply and nature conservation systems, as well as rendering assistance to establishment of direct contacts between small and medium-

sized businesses as the main priorities for cooperation. Implementation of this program, consisting of more than 120 projects in different sectors of economy, will convert SCO into a powerful center of attraction in Asia, not only in the military-political sphere but also in the economic sphere. For intensification of relationship between member states in a commercial/economic sphere, a special development fund of SCO has been set up to contribute to the investment activities of participating countries.

Having resolved the main problems of organization, expanding its size and increasing its political weight, SCO members now pay special attention to deepening effective cooperation along the lines of the priority directions of their activity with a purpose to convert the Eurasian region into a safety zone and one of the reliable driving forces of regional and world economy. In the social and economic spheres main emphasis has been put on increasing joint efforts of the member states towards economic reconstruction of the region in the following ways:

- to encourage effective regional cooperation in the spheres of commerce, economy, nature-conservation, culture, science and technology, education, energy, transport, banking and finance and others of common interest;
- to assist and promote an all-round, comprehensive and balanced economic growth as well as social and cultural development in the region by concerted actions on the basis of equal partnership for the purpose of a steady increase in living standards and quality of life of the people of the member-states; and
- coordination of approaches to integration into the world economy.

Other important matters include the expansion of SCO. India, Iran, Afghanistan, Pakistan and Mongolia have become Observers of this Organization. This testifies to the fact that not only these countries' political and economic interests coincide with the purposes and tasks of the Organization, but also leads to their interaction within the SCO. Participation in SCO provides a favorable institutional basis for interaction with Russia, Kazakhstan, Uzbekistan and other countries of Central Asia. Following the principle of openness, SCO is ready to establish contacts with the international organizations and states regardless of their geographical location. Existing external threats and challenges to the national security of the region were the key factors in uniting the states into SCO. At the SCO Summit in Astana on 5 July 2005,

India, Pakistan and Iran were granted the status of observers with the Organization. Mongolia had already obtained a similar status earlier.

At the meeting in Moscow at the end of 2005, India and Pakistan expressed their desire to become full members of SCO. Similar intentions were expressed by Iran and Mongolia as well. In case these countries join the Organization, SCO will represent the interests of more than 40 per cent of the world population, and their joint share in the total volume of the world GDP will grow by 11 per cent. Stable high economic growth of China, Russia, India, Kazakhstan and other countries of the SCO will positively influence the geopolitical situation in the world and strategies for productive forces in Asia. The possibility of subsequent entrance of other Eurasian countries into the Organization cannot be ruled out, provided they agree to conform to the principles and obligations on which the SCO is based.

INTEGRATION PROCESSES IN CENTRAL ASIA *A View from Kazakhstan*

G. M. SMAGULOVA

Twentieth century was an eventual and historical stage for the mankind. The Cold War ended following the collapse of erstwhile USSR leading to the emergence of new independent countries that redefined the system of international relations and followed new directions in their politics and economy.

Among the newly independent countries, Republic of Kazakhstan along with other Central Asian states entered into the system of international relations by developing new system of commonwealth and relations between the states. Today Central Asia is finding its own place in the world economy and, therefore, it can be considered as the first historical step to the integration process. The main requirements of the integration process in Central Asia are as follows:

- (a) The Central Asian states are situated close to each other;
- (b) All the states share their historical experiences as well as cultural and social lives;
- (c) The Central Asian Republics have both land and water which are necessary for agriculture; and
- (d) They have abundant raw materials, especially hydrocarbon resources.

These are very important requirements for integration, especially because these countries need to make use of the raw materials and in order to take them to the world market, it is necessary to establish new national companies and corporations. Besides, they also need to join together to use the system of transport communication, which will bring the whole of Central Asia into the process of regional integration.

Sharing their history, culture and way of life, the Uzbeks and Kyrgyzs in the Fergana valley and Kyrgyzs and Kazakhs in the Chu region have been practicing their agriculture together for centuries. The historical development of Bactria, Soghd and Khorezm in the territory of Central Asia have led to the formation of states in this region. Old civilizations which appeared in this region contributed much to the overall development and created viable conditions for agriculture. Today this is the most important factor for the development as well as growth in relationships among Central Asian states. Due to globalization, the Central Asian states have developed the regional commonwealth which has been existing for centuries and that the whole region is entering the integration process on the basis of friendship and understanding. The integration process which began with difficulties in 1990s, is now witnessing positive development. Three countries of Central Asia – Kazakhstan, Kyrgyzstan and Uzbekistan were the first to form the Union. On 8 July 1994, in order to develop the regional integration process, these three countries formed a “Central Asia Commonwealth and Development Bank”. In 1998, after Tajikistan joined these three countries, an organization known as “Central Asia Economic Community” came into existence. Keeping in view the international security issues, the Central Asian countries began paying attention not only to the economic, but also to the security problems.

The security problems in Central Asia are closely connected with the prevailing situation in the neighbouring countries such as Xinjiang region in China, Afghanistan and the Eurasian region. So these four Central Asian countries tried to find out ways of resolving the problems together, particularly the situation in Afghanistan. The problem of drugs production and trafficking in Afghanistan poses serious challenges not only to Central Asia, but also the world over. It is ironical that the drugs are carried through Central Asian countries, particularly Kazakhstan. Drug trafficking is the biggest problem as the number of drug addicted people is increasing. Besides, the drug problem is also connected with the problem of international terrorism and religious extremism. According to experts, the drugs trade is one of the main sources of financing the extremist organizations. In Central Asia, the Eurasian Economic Community and Shanghai Cooperation Organization have taken the lead in meeting the challenge posed by the drug problem.

Since ancient times Central Asia has been the bridge between East and West. The Great Silk Route played an important role. Today the countries in Central Asia which are situated along the Silk Route are not

only developing their knowledge in various areas including science, but also constructing architectural buildings and modern cities. As a result of geographical discoveries, the Silk Route lost its importance for a long time. Its reconstruction which began in 1990s gave an impetus to the trade and cultural relationship between Europe and Asia which is reaching new heights. Today oil and gas pipelines as well as motorable roads and railways are situated along the Silk Route. These are the economic assets of newly independent Central Asian countries which also provide great opportunities to further develop the existing infrastructure.

The reconstruction of the Silk Route is also important for tourism. Several countries all over the world pay much attention to develop tourism sector. The places like pyramids in Egypt, the Great Wall in China and Taj Mahal in India attract many tourists from all over the world. Such tourist places are important for the integration process in Central Asia. Uzbek scientists have made a plan for the future tours known as "The Great Silk Route" or "The Golden Ring." It will not only join all the capitals of Central Asian countries but also facilitate tour to the ancient cities of Samarkand, Bukhara, Khiva and Merv and also religious places like Bukhara (Samarkand), Ahmet Yassavi (Turkestan), sport and recreation places like Shahimardan, Aktash, Humsan, Chimgan (Uzbekistan), Sharyn, Balkhash, Burabai, Shardara, Medeu, Chimbulak (Kazakhstan), Isykkol (Kyrgyzstan), Bairam-Ali, Krasnovodsk (Turkmenistan), Kanibadom, Pamir (Tajikistan).¹

Central Asia has been home to famous persons in the world's cultural history like Al-Farabi, Ibn-Sina, Al-Beruni, Babur, Ulugbek, Alisher Navoi etc. Their writings occupy an important place in the culture of Central Asia. As these writers wrote their works in Arabic and Turkish languages, they not only made this region acquainted with their civilization, but also developed international relations. So, all round international relations were developed with China, India and Arab countries on the one hand and with European countries on the other. Achievements in the cultural realm which were there in the middle centuries were again restored in the 20th century. Al-Farabi and Ibn-Sina's scientific works, Babur's deep thoughtful compositions, Ulugbek's expertise in astronomy have come to us. Central Asian writers like M. Auezov, M. Aibek, S. Aini, Ch. Aitmatov, A. Margulan and others made important contributions to both the civilizations of West and East. In spite of the totalitarian system in the former Soviet Union, the countries in

Central Asia managed to develop their civilizations.

Situated on the Silk Route, Kazakhstan is now involved in developing the integration process in Central Asia. Although economics is a defining factor for this process in Central Asia, knowledge and science too play a key role in the same. Experts and policy planners have stressed on establishing modern scientific institutes and centres world over in the 21st century. The Central Asian countries too began to build new highly developed specialised centres and institutions having requisite modern equipment and facilities. For example, in Kazakhstan there are universities like Kazakh-Britain Technical University, which is supported by “Kazakhstan Oil and Gas Company”, and Kazakh Economic University named after T. Ryskulov is supported by ATF Bank in Kazakhstan. So these private universities are developing like corporations. Some agreements have been concluded between Kazakhstan and Tajikistan for training highly qualified teachers and provide them scientific degrees. It also gives opportunities for training future professionals. Besides, there are international programmes and grants like TESIS, TEMPUS and CARTI in Central Asia which also help develop the integration process. Particular mention may be made of *Bolashak* programme in Kazakhstan, which was initiated by President Nazarbayev. Under this programme, Kazakhstan sends more than 3,000 students to the best universities of the world every year.

There are objective as well as subjective premises in the integration process in Central Asia. Firstly, as a result of integration process, a number of organizations interested in the development of Central Asia have been established. The representatives of some business organizations are interested in enlarging economic relations. According to scientist I. Isingar, there were 53 Kazakh-Kyrgyz, 91 Kazakh-Uzbek in Kazakhstan, 295 Kyrgyz-Kazakh, 71 Kyrgyz- Uzbek in Kyrgyzstan, 22 Uzbek-Kazakh and 12 Uzbek-Kyrgyz organizations in Uzbekistan in 2000. But the situation changed in 2003. There are 122 Kazakh-Kyrgyz, 110 Kazakh-Uzbek, 70 Kazakh- Tajik, 12 Kazakh-Turkmen organisations now.²

Secondly, Kazakhstan began capital investment in Central Asia, Russia and the Caucasus. The main reason has been that neighbouring countries like Kyrgyzstan, Tajikistan, Uzbekistan, Azerbaijan and Georgia need more raw materials. Kazakhstan also took the lead in the integration process in Eurasia. On his part, President Nazarbayev has been advocating the benefits of joining the integration process at different

summits, fora and international meetings. Kazakhstan's economic situation gives it ample scope to develop the integration process. Today Kazakhstan is not only a part of the Eurasian Economic Community and Shanghai Cooperation Organization, but also of Asia Economic Organization.

Kazakhstan, therefore, needs to solve the political problems coming in the way of the integration process. The agreement on Bilateral Scientific-Technical Commonwealth was concluded during President Nazarbayev's official visit to Uzbekistan in March 2006. In the year 2007, some agreements concluded with Turkmenistan's new President Gurbanguly Berdymuhammedov in 2007 which only shows that Turkmenistan will also be part of the integration process.

The concept of integration, which exists in Europe, has not been implemented in Central Asia. Central Asia needs to develop from being merely a raw material region to an industrial centre. For this purpose, Central Asia is ready to develop its transport infrastructure so that investments could be made easily for developing scientific-technical and industrial cooperation.

In 2006, speaking on the "Strategy of Kazakhstan's entry into 50 highly Developed Countries of the World", President Nazarbayev stated that Kazakhstan took first steps towards developing market economy and democratisation of polities.³ In his opinion, integration in Central Asia is the way to regional stability, progress, economic strength and military-political independence. President Nazarbayev stated that Kazakhstan, Uzbekistan and Kyrgyzstan should enter into an agreement to form a single union in Central Asia,⁴ so that the Central Asian countries can have a common market and common currency. This will help the Central Asian region to compete with highly developed countries of the world as well as with the European Union and other organizations like CICA, ASEAN and MERCOSUR.

Kazakhstan and other Central Asian countries are participating in the integration process in CIS, CU, ECO and CICA. Common import tariff is levied on goods among the countries belonging to the Central Asian Union. Today it forms 62 per cent of all goods. In order to attract business organizations into integration process, a council has been formed, which has plans to speed up the establishment of a Central Asian Union.

On 6 October 2005, a decision was made to join together the Central Asia Commonwealth Organization and Eurasia Economic Community at a summit held in St. Petersburg. It was considered to be useful both

politically and economically for the Central Asian countries, because it is always better to form one great entity which has common aims instead of having two entities. That is why Uzbekistan also wanted to enter this organization.

Eurasian Economic Community has concluded 84 agreements, more than 60 of which are officially used. New participant - Uzbekistan followed all these agreements and also got them ratified by the Parliament. Central Asia Commonwealth Organization concluded 289 agreements since it has been formed.⁵ It has also been decided that all participant countries should follow Eurasia Economic Community's aims and objectives, while another organization should deal with defence, external security and drugs problems.

Eurasian Economic Community which includes more than 205 million people can be one of the largest economic unions in Eurasia and one of the strongest organisations in the world. Eurasian Economic Community has a great potential with its large reserves of oil and gas, sources of energy, foodstuffs, system of transport communication, infrastructure etc.

President Nazarbayev always refers to the friendly relations in EU and ASEAN which help develop world's integration process. There are all possibilities for the success of integration processes if there is trust and mutual understanding, which has been there in Central Asia for centuries. Since Kazakhstan is the leader of regional integration process in Central Asia, it is its responsibility to do its best to ensure political and economic stability and help develop the regional integration. It is the demand of the globalization in the 21st century.

REFERENCES

1. R. M. Alimov and Sh. R. Arifhanov, *Central Asia: Geo-Economics, Geopolitics, Security*, 2002, p.73.
2. N. Isingarin, *Kazakhstan and Commonwealth: the Problems of Economical Integration*, Almaty, 2000
3. R. Alshanov and A. Ashimbaeva, "Global Economics and Kazakhstan", *Sovereign Kazakhstan*, 28 February 2007.
4. Kazakhstan President's message to the people, "The strategy about entering Kazakhstan into the most developed 50 countries." *Sovereign Kazakhstan*, 2 March 2006.
5. S. Zhaksybai, "The Developing of Constancy", *Sovereign Kazakhstan*, 27 February 2006.

KAZAKHSTAN'S ECONOMY
*Perspectives on Regional and Global
Integration*

CHITTARANJAN SENAPATI

The meaning of globalization is to increase interaction among the states and people across the borders in areas of economic cooperation, technology and political engagements. This process is promoted and coordinated by a number of international institutions and organizations, with the objective of maintaining systemic stability and transparency in diverse and segmented markets across countries and regions and to promote equitable ownership and participation among partner economies over the time. It also aims at ensuring intergenerational sustainability of common global and regional resources. Thus, economic integration among interdependent countries has become multifaceted by involving economic production, trans-national resource mobilization, allocative decisions and intermediation.

The benefits of globalization depend upon the availability of newer, cheaper, faster and more diversified and expanded flows of resources, goods, services, facilities, ideas and knowledge, as well as access to higher living standards on a global basis. However, these benefits are not equally distributed among all participating countries. While the developed countries seem to enjoy the immediate benefits of the process of globalization disproportionately, the developing and least developed countries have to make painful readjustments to their economic and social policies.

Global integration has also made many nations more vulnerable to exogenous shocks, leading to internal crises that sometimes become international. The principal issue at stake is how best to carry out the

globalization process in a sustainable manner that is consonant with the inevitable diversity of local conditions and circumstances, both within and across interdependent countries and also through time.

Kazakhstan has been involved in the globalization process since the beginning of her economic transition to a market-oriented system in 1991. Macroeconomic reforms initiated in this country have included the introduction of prudent macroeconomic management, financial sector reform, tax reform, exchange rate management, legislative reform, better public administration and participation of the private sector in economic development. Considerable progress was made towards trade liberalization through the elimination of State monopolies in foreign trade, relaxation of licensing requirements and implementation of significant tariff reforms. The ongoing reforms of policies and structures have enabled Kazakhstan to be an open economy. The main focus of this paper is to describe and analyse the existing as well as emerging economic integration of Kazakhstan's economy in the world economy and to examine the challenges and opportunities emanating from global integration.

KAZAKHSTAN ON THE PATH OF DEVELOPMENT

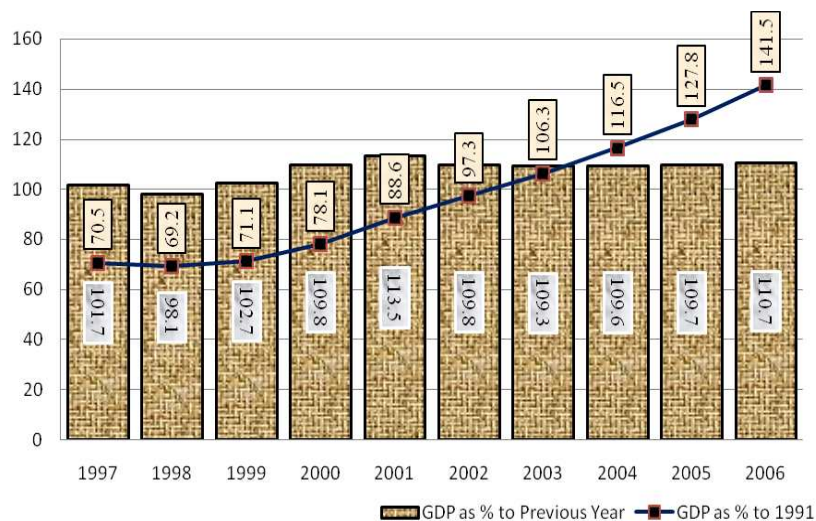
Kazakhstan's development as a rising petro-state since 1991 is Central Asia's leading success story. The rise in revenues from energy exports has had its impact producing the kernel of a new middle class, which is the symbol of betterment of social and economic development in Kazakhstan. The cornerstone of Kazakhstan's social policy is to foster the development of an indigenous middle class, seeing it as a social and political guarantor of stability. The world's largest landlocked country, Kazakhstan is an ethnically diverse nation. The 1999 census determined the population to be Kazakh (53.4 per cent), Russian (30 per cent), Ukrainian (3.7 per cent), Uzbek (2.5 per cent), German (2.4 per cent), Tatar (1.7 per cent), Uyghur (1.4 per cent) and others (4.9 per cent).

The nurturing and development of the middle class in Kazakhstan can be the hope of the manufacturing and processing industry and businesses. The government of Kazakhstan is trying its best to develop these industries for betterment of the citizen and to generate employment. During the preliminary post-Soviet period of independence, Kyrgyzstan was initially regarded by many analysts as the most reformist post-Soviet republic in moving swiftly towards political and economic infrastructure.

However, it is in fact Kazakhstan that has emerged as the most progressive regional economic reformer in Central Asia. President Nazarbayev's government was quick to stop the flow of some of its most highly skilled population by instituting major economic reforms. The Kazakh government has subsequently used its oil revenues not only to reform the economy, but also to restructure the country's educational legacy based on old Soviet system and begin creating an educational system at par with more economically advanced countries.

Kazakhstan's rising oil revenues have provided the Kazakh government with sufficient funds to enable it to institute its reforms. Estimates of Kazakhstan's oil-related wealth over the next two-three decades vary from 27 billion to 96 billion US dollars. Accordingly, Kazakhstan's was the first among its CIS neighbours, to pay off its debts to the International Monetary Fund in 2000 following economic reconstruction (seven years ahead of schedule).¹ It was also the first to obtain a favourable credit rating, the first to implement financial institutions approaching Western standards of efficiency and reliability, and the first to develop and introduce a fully-funded nationwide pension program. Besides oil revenues, one of the key elements in Kazakhstan's economic success has been its ability to attract foreign investment.

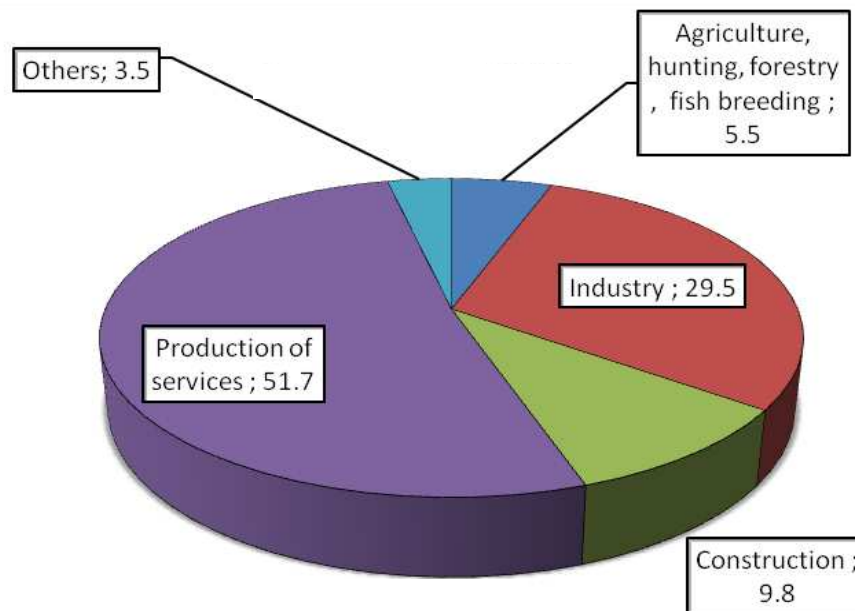
Figure 1 : GROWTH AND CHANGE OF GDP



Source: *Statistical Report Kazakhstan-2007*.

The GDP which has been growing very steeply almost doubled in 2006 as compared to 1997 (Figure-1). It has grown by 10 per cent at an average of real GDP for the last 8 years and is currently running at almost 8.7 per cent according to the latest figure.² The structure of GDP is shown in Figure 2 where service sector³ has grown tremendously which has been more than 50 per cent in 2006.

Figure 2 : STRUCTURE OF GDP 2006



Source: *Statistical Report Kazakhstan-2007*.

In Kazakhstan, more than 57 per cent⁴ of the population lives in urban areas, and this is where the middle class is concentrated. In 1998 Kazakhstan adopted an economic reform that impacted every citizen, a pension reform program based on the Chilean model, which introduced private pension funds. By 2004 nearly six million people, accounting for almost 80 per cent of the economically active population, were participants in the program. Kazakhstan made major advancements in banking reform and supervision, fiscal reform, small-scale privatization, pension reform, and attracting foreign investment to the energy sector. The country's output has increased to 50 per cent in the past four years. However, Kazakhstan faces major challenges of diversification, poverty, corruption, regional and urban-rural disparity. Although trickle-down effect of oil revenue has been the dramatic drop in the nation's poverty

from 44.5 per cent in 2002 to 18 per cent in 2006⁵, this problem is yet to be fully solved. There is need to develop further small and medium enterprises (SMEs), promote the rule of law, transparency, public-accountability, and to expand domestic and foreign investment outside extractive industries, which in turn will foster the middle class.

As the Kazakh economy became increasingly integrated with global markets, it could not avoid the impact of foreign fiscal difficulties. Kazakhstan needs to respond quickly to minimize the negative impact of the fiscal turmoil that began recently. For better or worse, Kazakhstan's heavy and inevitable reliance on its oil revenues has exposed the country to the volatility of the global energy market. In 2006 oil revenues accounted for at least two-thirds of the country's budgetary revenues. From July 2007 all hydrocarbon revenues are accumulated in the National Oil Fund and the national budget is formulated without oil and gas revenues. This is done in order to avoid overdependence on its hydrocarbon revenues. Kazakhstan's economy is now larger than those of all the other Central Asian states, largely due to the country's vast natural resources and relative political stability. According to Kazakh government forecasts, the economy is expected to expand at an average annual rate of 9.5 per cent in real terms from 2007 till 2011 due to foreign investments and increasing oil exports.

Besides, the huge reserve of oil and natural gas, the total share of industry was 29.5 per cent of GDP in 2006 (Figure-2). So, the manufacturing and processing industry have the potential to be the fertile avenue for investors which account for 37 per cent of total industrial contribution to GDP. The investor can consider this sphere as very important sector for development. The final product can be easily marketed by keeping in mind the expanding middle class and in Kazakhstan's exports to the outside market in the region, near abroad and globally at large. To create this market Kazakhstan needs to integrate itself not only with the neighbouring countries, but also with the global market.

REGIONAL ECONOMIC INTEGRATION

There has been a debate among scholars that through regionalism, trade is either diverted or created. Whether open economies prosper more than closed economies is another question. Another issue which has been debated is as to whether regional trade agreements are stumbling blocks

or building blocks of global trade liberalisation. There are two schools of thought. One argues that regionalism is complementary to multilateral trade liberalisation,⁶ whereas others see it to be the obstacle in the way of multilateral trade system.⁷

Those, who favour regionalism, advocate that if regional groupings are open towards the world market in the sense of keeping tariffs at a level that do not encourage trade diversion, it will increase world's production efficiency and will be complementary to the multilateral system. Kazakhstan has followed the trend of global integration through regionalism. It has been observed that share of regional trade in the world trade has been increasing for the past few decades. This is an indicator that Kazakhstan is learning to negotiate in a successful manner at the international level by bilateral rather than unilateral and finally at a multilateral level. The recent Eurasian Economic Club of Scientists Agreement signed in Astana on 26 June 2008 would be the pathfinder for the overall economic gain for the involved parties. The resolution of the forum was to strengthen the integration on the basis of creating of various economic blocks and the unions which is the dominant tendency in the world geopolitics and geo-economic processes today. Eurasia now acts as a uniform continental economic space.

The Club considered regional integration in multidimensional process, which includes economic integration, trading interaction schemes, and questions of safety, social and cultural interaction. In this parlance, they are interested to carry out researches on system engineering, as an indicator of regional integration. There is a need to work out a mechanism on regular basis to estimate integration process on the development of the CIS countries. They considered monitoring of integrating process as very important for integration processes and development of the Eurasian space.

Economic integration is a term used to describe how different aspects between economies are integrated. It encompasses broader areas of political, economic and cultural links with nations joining together in a forum generally belonging to one or several regions. The regional initiatives are projected to facilitate or enhance economic integration. Regional integration, on the other hand, is an integration of economies within a geographical region. It may be market-driven integration, or policy-induced integration among countries within a region to integrate their economies. Regional integration can vary in intensity. Full economic integration occurs when goods, services and factors of production can

flow freely and financial markets are unified among countries within a region. Lloyd defines economic integration in terms of law of one price and that in a global market, common prices prevail with utility maximizing resources allocation.⁸ The *Palgrave Dictionary of Economics* describes economic regionalism as “actions by governments to liberalise or facilitate trade on a regional basis, sometimes through free-trade areas or custom unions.”

Advocates of Regional Trade Agreements argue on the basis of gains from economies of scale, competition and attraction of FDI. The classical economists such as Ricardo, Adam Smith and modern economists like Herblert were also in favour of the free trade policy. The change of ideas and technology can increase the production capacity. UN officials on trade have been regularly discussing the merits of regional trade during the Trade and Development Board sessions. UNCTAD officials also meet annually in Geneva to review and examine global economic trends from a trade and development perspective. According to the former UNCTAD Secretary General Rubens Ricupero, regionalism is the only path available for many developing countries to integrate into world economy. He asserted that the best way to learn to compete is by competing, and initially competition should be among the neighbouring states. Carlo Trojan of the European Commission (EC) also believes that regionalism and multilateralism are complementary notions that reinforce each other as long as regionalism is open. Baldwin (1992), Eicher (1998) and Lawrence (1999) argue that regionalism is complementary to multilateralism. According to Lawrence, liberalisation strengthens the hand of exporters and pro trade forces.

European Union is the best example of economic integration as well as open regionalism. What was started with the cooperation of six countries has now 26 countries as the members of EU and many others are negotiating to become a member of this regional grouping.

KAZAKHSTAN AND CARs TRADE

During the Soviet period, Central Asian Republics (CARs) were considered as a single economic zone as integration was forced on them. However, after the collapse of the former USSR, these countries wanted to protect their independence through diversification of their foreign economic relations. For example, Kazakhstan’s metallurgical and energy base was linked primarily northwards, towards the Russian Republic.

Gas pipelines had different pressures, complicating inter-republican supply. The tourist industry was run from Moscow, with flights and hotels being booked by the tourists from Moscow. Hence, local officials in this important industry, like manufacturers, had little direct contact with foreign decision makers. Although the Central Asian region is resource rich and offers considerable trade and investment opportunities, yet due to lack of effective transport routes made it difficult for the Central Asian Republics to access international markets immediately after their independence. So, creating new transit and transport routes became an important precondition for integration and promotion of trade and development.⁹ The interdependence of Central Asian Republics is particularly pronounced in the critical network of energy and fuel transportation and communication. The need for regional cooperation is determined by geography. Lacking direct access to the sea, neither Kazakhstan nor other CARs can expect to become major exporters of hydrocarbons without close co-operation of their neighbours.

Since independence due to the disruption of administrative command system for new market based mechanism, the terms of trade have become worse in Kazakhstan, and there has been the problem of settling the outstanding payments. The trade intensity within the region is also fluctuating. Though Kazakhstan started liberalizing its trade policy more steadily in early 1990s, there have been little improvements within the region. The worst impact was witnessed after the Russian financial crisis, when the share of trade as compared to world was only two per cent. The impact of Russian crisis was more substantial in Kazakhstan. But the share of crude oil in Kazakhstan's exports rose to 56.8 per cent in 2004 from 39.3 per cent in 1999. It is estimated that 102 percentage points of the 242 per cent increase in Kazakhstan's exports were due to the rise in world prices of crude oil. Kazakhstan exports petroleum, coal, wheat, nonferrous metals, chemicals and plastics, machinery to Kyrgyzstan; wheat, flour, petroleum products, tractors to Tajikistan and gasoline, wheat, clothing, chemicals, rubber, copper, wool and meat to Uzbekistan. The land locked countries like Central Asia need good transport infrastructure, high quality transport services and easy and secure transit across borders and through neighbouring countries to integrate into the world. However, reduction in transport and transit cost will have little positive impact if trade policy remains restrictive¹⁰

According to M. E. Tusneem, Director General of ADB's East and Central Asia Department, "regional cooperation offers the most effective

way to put the building blocks of sustainable growth in place. To expand growth and reduce poverty, Central Asian nations need to create efficient transport infrastructure, rehabilitate energy networks, restore and improve irrigation systems, and enable seamless transit across the region to external markets. Success in each of these areas will require close cooperation.”¹¹ However, there are still procedural delays, apart from the problems of reserved industries where foreign investors are not allowed to invest and ceilings in many industries/sectors in these countries. Accelerating the economic reform process and making their economies politically stable and free from internal conflict would go a long way towards making Central Asia an attractive destination for FDI. Significantly, Kazakhstan alone accounts for 80 per cent of all the FDI attracted to the region. Kazakhstan attracted FDI to the tune of 6.7 per cent of its GDP in 2006¹². The gap between the investments is well managed by domestic investors. The basic indicators including infrastructure, show that the Central Asian countries lack adequate infrastructure facilities and governance. Thus, more effective public investment on economic and social infrastructure, along with stable economic policies to create an enabling environment, would attract more foreign direct investment. Other significant factors that contribute to growth are exports, gross domestic capital formation and infrastructure. Therefore, the region needs to improve its domestic investment, exports and infrastructure facilities, along with more foreign investment to achieve higher growth.

The Association of South East Asian Nations (ASEAN), European Union (EU), North American Free Trade Area (NAFTA) are few examples of such integration. Following these role models, the countries of Central Asia are also undergoing the process of liberalisation and regionalisation of their economies. The question of economic integration - at intra or inter-regional level or at the global level, is an important issue for both Kazakhstan and the Central Asian region. The region has enormous natural resources and abundance of labour, but it is suffering from shortage of domestic savings or capital accumulation, with the exception of Kazakhstan, which is investing abundantly not only in the domestic projects but also in foreign economies, including the EU. It is the biggest investor in Georgia and Kyrgyzstan. Economic initiatives at the regional and supra-regional levels are required to exploit their resources. So, the prospects of the region can not only be determined by the regional groupings but also by the degree to which they successfully integrated

into the world economy. Their richness in terms of natural resources, technology and labour resources have attracted the international community towards them.

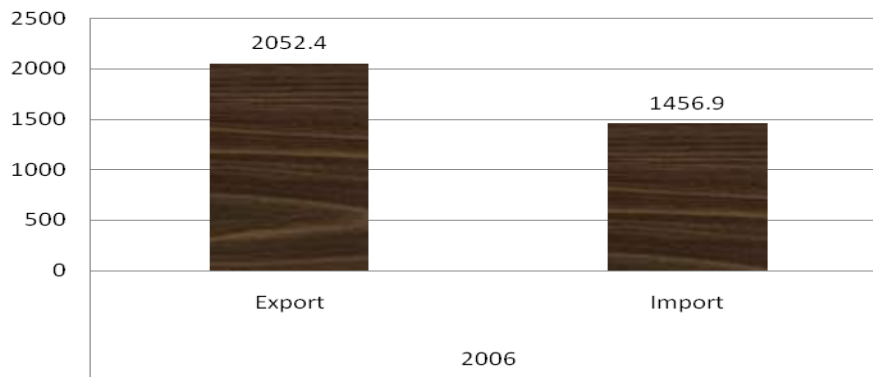
Kazakhstan is party to the following organizations that indicates its interaction with other regional, sub-regional and multilateral economic initiatives of Central Asia: The Central Asian Cooperation Organization (CACO); The Central Asia Regional Economic Cooperation Initiatives (CAREC); The Commonwealth of Independent States (CIS); The Economic Cooperation Organization (ECO); The Eurasian Economic Community (EEC or EURASEC); The Shanghai Cooperation Organization (SCO); The Single Economic Space (SES); and The Special Programme for the Economies of Central Asia (SPECA).

Table 1
KAZAKHSTAN'S EXTERNAL TRADE WITH OTHER CARs (%)

CARs	2004		2005		2006	
	Export	Import	Export	Import	Export	Import
Kyrgyzstan	37.9	22.9	35.5	26.9	32.2	22.5
Tajikistan	23.2	0.9	23.7	3.9	18.9	4.5
Turkmenistan	4.5	19.0	2.7	11.5	2.5	21.4
Uzbekistan	34.4	57.2	38.1	57.7	46.3	51.6

Source: Calculated from data given in *Statistical Report Kazakhstan 2007*.

Figure 3: KAZAKHSTAN TRADE WITH CARs 2006 (MILLION DOLLAR)



Source: *Statistical Report Kazakhstan-2007*.

The commodity structure of Central Asian trade is mainly comprised of mineral resources and agricultural raw materials. Kazakhstan is the main exporter of oil, steel products and copper. The trade relation between

Kazakhstan and other Central Asian Republics is shown in Table 1 and Figure-3. During the period 2004-2006, the trade of Kazakhstan shows trade surplus with CARs. Figure-3 demonstrates the export and import trade of Kazakhstan with the CARs in 2006, which shows more than 6 million dollar trade surplus. Export from Kazakhstan to Uzbekistan increased from 34.4 per cent in 2004 to 46.3 per cent in 2006, whereas import declined in the same period with the same country (See Table 1). In case of other three republics the volume of Kazakhstan's export has declined. As regards imports from Kyrgyzstan, it is constant over the period, while this has increased in case of Tajikistan and Turkmenistan. The mutual trade of Central Asian countries has played an important role in integrating the republics economically. It has been observed that since independence, the trade volume of Kazakhstan has increased to 1,449 million US dollars.

KAZAKHSTAN AND WORLD TRADE

Kazakhstan made considerable progress towards trade liberalization through elimination of state monopolies in foreign trade, relaxation of licensing requirements and implementation of significant tariff reforms. It has established relatively open and liberal regimes and has undertaken measures to abolish state monopoly privileges, unify exchange rates and simplify the regulatory and fiscal frameworks governing foreign trade. The efforts to liberalize trade also included elimination of non-tariff trade restrictions and export duties, surrender of earnings from exports and registration requirements for export contracts.

Kazakhstan's economy has benefited from trade liberalization and the move towards world prices (Table-2 and Figure-4). Its exports, which amounted to 38,250 million US dollars, grew at an impressive 21 per cent from 2004 to 2006. On the other hand, imports amounting to 23,677 million US dollars increased by more than 20 per cent in the same period.¹³ The major exports of Kazakhstan to world market are oil products, base metals, food and agricultural goods and chemicals. The leading markets included Italy, Switzerland, China, Russia, and France in January-July 2007.¹⁴ On the other hand, the major imports included machinery and equipments, consumer goods, chemicals and energy. The leading suppliers to Kazakhstan were Russia, China, Germany, US and Ukraine.

Over 80 per cent of total exports of Kazakhstan include the raw materials like oil, ferrous and non-ferrous metals, grains, coal and ores.

Table 2
KAZAKHSTAN'S EXTERNAL TRADE WITH ITS MAIN TRADE PARTNERS

CARs	2004		2005		2006	
	<i>Import</i>	<i>Export</i>	<i>Import</i>	<i>Export</i>	<i>Import</i>	<i>Export</i>
The EAEC Countries	39.5	16	40	12	41.6	12.1
Non-EAEC Countries	8.3	4.4	7	2.6	5.2	2.5
EU Countries*	27.4	34.8	24.7	39.5	26.4	43.2
Non-EU Countries	1.5	19.8	1.9	21.9	1.1	19.6
Asia	15.8	18.3	16.6	17.6	18.5	20
America	6.9	6.6	9.3	6.3	6.8	2.3
Africa	0.4	0.1	0.3	0.1	0.3	0.2
Australia & Oceania	0.2	0	0.2	0	0.1	0.1

Notes: EAEC: Eurasian Economic Community; *in 2003, the EU comprised 15 countries, while in 2004 there were 25 countries.

Source: Calculated from data given in *Statistical Report Kazakhstan 2007*

This is not a healthy sign for Kazakhstan's economy due to fluctuation of world commodity prices. Since Kazakhstan depends on exports of raw materials, having a small internal market trade integration is very important. Globalization provides new possibilities for accessing world markets. Kazakhstan applied to join WTO in 1996 and has since been engaged in the negotiation process. Membership in WTO, however, would enable the country to Most Favoured Nation (MFN) treatment to become a participant with equal rights in the international division of labour. A memorandum on the foreign trade regime in Kazakhstan has been presented to WTO and the country has been harmonizing its legislation with international norms and standards. Nine new laws and five amendments to existing laws were introduced in the areas of standardization, certification, subsidies, protection of domestic markets from imports, patent laws and so on. Membership in WTO will also benefit labour-intensive exports from the country such as machinery, textiles and processed foods, as has happened, for example, in China. Increased competition in domestic markets will force local producers to improve product quality and lower the price with benefits for consumers and society.

In the long term, Kazakhstan hopes to move up the value-added scale in its exports as well as to diversify and expand export trade. Imports in Kazakhstan are dominated by machinery and equipment, vehicles and instruments but other major items of import such as

closely integrate into the international trading system to achieve sustainable economic development. Kazakhstan is actually aware of the need to revive the deep rooted traditions of economic interaction. In the past decade, it has been observed that not only Kazakhstan but also other CARs, CIS and Eurasian countries are keen to establish regional integration as they have signed many bilateral and multilateral agreements within the region. According to these agreements, the states are obliged to provide mutual support to each other on issues related to threats to independence as well as conflicts, cross-border crimes and illegal migration. They are also interested in cooperating on issues such as creating common transport and energy infrastructures besides conducting coordinated policy in the sphere of border and custom controls. Trade integration is one of the main areas of concern for Kazakhstan if it has to achieve competitiveness and integration with the world economy.

The integration of Kazakhstan into world economy directly depends on how quickly and how successfully the leading transnational corporations are able to find ways to solve the problems. The salient geographic characteristic of the region is its remoteness. Improved trade, transport and transit, and better water and energy management on a region-wise basis would bring the gains. But cooperation among members is essential to deal with natural disasters, drug trafficking and epidemics. Economic cooperation is particularly important to Central Asia, as the countries in the region have a shared history and face common development challenges, including locational disadvantage, small domestic markets, and the shared use of resources such as energy and water. Economic cooperation complements and supports national development strategies as well.

Regional economic integration is the key to human development in the five Central Asian Republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, according to the United Nations Development Program.¹⁶ In the words of UNDP Administrator Kemal Dervis integration of the economies of the five Central Asian Republics is an uphill task. Lowering trade barriers and trade facilitation will help them to expand and boost economic growth and employment. Stronger economic integration among Central Asian countries can be summed up as technological, cultural and social changes that would decrease the distance between the countries; reduce and or fully abolish government limitation of inter-country operation; and bring about geographic closeness. This is more so because economic integration between

neighbours is more economically efficient than between those situated far from each other.

Kazakhstan's geographical location and its natural resources make it one of the most important countries in Eurasia. With a relatively liberal polity and high growth economy, it is the most attractive destination for foreign investors. It also hosts a large number of ethnic Russians in its territory. No longer suffering from demographic insecurity, Kazakh state leadership today talks of its Eurasian identity. While Kazakhs constitute the majority, there are still more than 45 per cent non-Kazakhs living in the republic. However, all its ethnic groups are living now in greater harmony than at the time of independence. Even some of those who immigrated to Russia in early 1990s are today coming back to Kazakhstan. There has been no incidence of inter-ethnic violence in independent Kazakhstan. It can become the crossroads of East-West and North-South connectivity. Increasing connectivity with China would strengthen East-West transport corridor projects. It can also link India with Central Asia through the north-south corridor via Iran and Russia.

The development of these resources leads to the activation of market forces to increase production and realise the export potential of this region.¹⁷ This provides an opportunity for Kazakhstan to have multiple ethnic identities. These identities have cultivated interaction and connections with their ethnic brethren or the people with similar political-ideological orientations in the neighbouring states. These identities have not been politicized to the extent that could endanger the existing political order and stability in Kazakhstan.

Speaking at a joint session of the Parliament in February 2007, President Nursultan Nazarbayev stated that Kazakhstan has strengthened its position as a full-fledged and responsible member of the world community contributing to geopolitical and international stability. He expressed that Kazakhstan's keen interest in economic integration of Central Asia and the establishment of dynamic market in the region to explore all the opportunities of Caspian Sea and Black Sea.¹⁸ Diversifying from oil and mining is high on the government priority list, though the prospects for developing business services around these industries can not be underestimated. There exists the potential for industries (mostly private but some state owned) to invest in neighbouring countries. This will provide a natural incentive for improving competition and productivity of domestic companies. Regional cooperation is also important to promote cross-border business activities.¹⁹

CHALLENGES TO REGIONAL ECONOMIC INTEGRATION

All the five Central Asian states, which are landlocked and distant from world markets, remained dependent heavily on an intricate Soviet system of trade routes and energy pipelines for essential input supplies and exports. Mineral and fuel resources of the region, however, made it a potentially attractive outlet for foreign investors. Following a long period of isolation and catering to the needs of the former Soviet Union, these countries faced a tough challenge of how to exploit more effectively their natural resources to improve living standards. Another serious challenge was how to introduce the systemic changes needed to achieve a market framework and to integrate their economies with the rest of the world. Till late 1960s, most of the developing economies, including those of East Asia, adopted closed macroeconomic policies with import substitution and industrialization policies, under which self-reliance and indigenous efforts were encouraged. At the same time, a dominant role was assigned to the state in the development process. These import substitution strategies, coupled with the large public sector, resulted in rent seeking activities and uncompetitive production processes. Therefore, export-oriented industrialization and liberalization was advocated to make the production process efficient and competitive. Following the export-oriented growth argument, and the success of East Asian countries with higher exports and economic growth during the period beginning with 1970s to mid-1990s, the CARs started opening up their economies from the early 1990s. The Central Asian economies are currently enjoying the benefits of economic reforms, particularly reforms related to trade and investment. These countries undertook reform processes and opened up their economies after having experienced sluggish growth rates during 1990s.

Kazakhstan is facing major problems in the way of integration to CARs. The major challenges Kazakhstan has been facing are:

Varying Economic Models of CARs

From the very beginning Kazakhstan opened up its economy and undertook drastic reforms as a means to stimulate its economy. But other countries have followed different development strategies such as controlled reform (Uzbekistan), mixed economy (Turkmenistan) and carrying on the state management techniques of the former Soviet Union. Kyrgyzstan, meanwhile, has been able to get a membership of the WTO

but due to less cooperation from neighbouring countries, it has not been able to get maximum benefits. Tajikistan is a very small economy and remains more dependent on other countries of the region. It has no alternative but to integrate with the region. It is most important to sustain growth after the deep recession.²⁰

Political Regime and Lack of Political Will

Different political approaches of the Central Asian governments come in the way of the integration process. Differences in the political structure of the Central Asian regimes also affect the regional integration process because of their tendency to impose control over society. Thus borders are tightly controlled and flow of information is restricted. The economic impact of these uncertain political developments is difficult to forecast. Moderate political instability would have a relatively modest economic impact. Severe political instability, however, would further dampen the growth projections and raise poverty.

Lack of Communication

Less use of information technology is yet another factor hindering the integration of the republics in their development. Lack of information and regulations restrict the cross-border trade and cooperation. The percentage of trade among the region has decreased over the past years. At the policy level, the timing of structural and policy reforms envisaged could be delayed. These reforms include regional cooperation arrangements in the oil and natural gas sector that would increase revenue and reduce transit taxes as well as general regional cooperation measures to deal with trade and transit bottlenecks.

Security Factor

Terrorism is the continuing potential threat to the region, particularly where ethnic tensions could surface. Generally, political instability and poor governance pose considerable risks to the CARs. There seems to be increasing pressure for democratization in some CARs.

CONCLUSION

It has been realized that in this era of globalization, regionalism as a process will get further strengthened. By covering first of all, economic sphere, it will start manifesting itself more actively in politics.²¹ Reliance

on regions would, therefore, become a necessary condition for their survival and relevance to the world political economy. Obviously, regions will grow more and more into an international community and regionalism will become an important factor for the world economy. In the words of Anderson, "No country in the world today not even Turkmenistan can operate a closed market. This is the reality of globalization. Resources like air and water simply cannot be controlled individually. We have to depend upon each another for technological advances. Domestic policies of other countries penetrate our borders and have an impact on our own economy whether we like it or not."²²

Kazakhstan, which accounts for a significant share of Central Asian transit trade, needs to shoulder its responsibility for regional economic affairs. Certain aspects of the transit systems currently in place in the CARs impose constraints on cross-border movements of goods by rail and road. And reinforcing cooperation in the areas of water and energy will be crucial for the development of the region. Sound and sustained economic growth requires transparency and good governance. In this regard, we may conclude that the initiatives of Kazakhstan to establish the Union of Central Asian States and strengthening economic ties with the CIS (post-Soviet space) are viable and timely. Cross-border infrastructure development needs to be undertaken. In order to capitalize on the benefits from the scale of regional integration, it is essential to improve key infrastructure such as cross-border transport, telecommunications and power transmission. It is also important to streamline the existing rules for power interchange to ensure its effective use; promote intra-regional cooperation on trade; remove the infrastructure bottlenecks constraining movements of goods across borders by rail; enhance competition in rail, air, and international road transport, in particular, by restructuring state-owned railways and airlines, separating regulatory and commercial functions in the transport sector; creating a level playing field for domestic and foreign transport operators; facilitate labour mobility, thus increasing the number of immigrants; encourage policy dialogues on regional economy to help in exchange of views on economic policies; establish and maintain through regular day-to-day contact and consultation long-term working relationships with key government agencies responsible for regional economic cooperation; identify the government's needs and implementing capacity building for regional economic cooperation; monitor programs and initiatives of the government and regional

organizations on regional economic cooperation; identify, evaluate, and recommend potential areas; and above all monitor programs of other stakeholders, especially of external funding agencies operating in the country.

REFERENCES

1. *Address by President of Republic of Kazakhstan Nursultan Nazarbayev*, 6 February 2008.
2. Ibid.
3. Here the service sector comprises: Trade, repair of motor vehicles, personal and households goods; Hotels and restaurants; Transport; Communication; Financial activities; Real estate activities, lease and services rendered to consumers; Government administration; Education; Healthcare and social services; Community, social and personal services; Activities of households as employers of domestic staff and producing goods and services for own use
4. *Statistical Year book of Kazakhstan 2007*.
5. Ibid, p.65
6. Robert Z. Lawrance, *Regionalism, Multilateralism and Deep Integration*, Washington: Brooking Institution, 1996.
7. Bhagwati and Panagriya, "Preferential Trade Areas and Multilateralism: Strangers, Friends or Foes?" in *The Economics of Preferential Trade Agreement*, (ed.), AEI Press, Washington DC., p.78; Kruesger 1995.
8. Pomfret Richard, *The Economics of Regional Trading Arrangements*, Oxford University Press, New York, 1997, p. 174.
9. Bakhtior A. Islamov, *The Central Asian States Ten Year After: How to Overcome Traps of Development, Transformation and Globalization*, Tokyo: Maruzen Com. Ltd, 2001.
10. *UNDP Report, 2005*, p. 50.
11. J. Bhagwati and T. N. Srinivasan, *Regimes and Economic Development*, Macmillian, New Delhi, 1975.
12. *Statistical Year book of Kazakhstan 2007*.
13. Ibid.
14. *Kazakhstan Country Report 2007*.
15. M. Chanachev, "The Central Asian Cooperation Organization and its Potential for the Development of Regional Integration Process", *Central Asian Affairs*, Kazakhstan Institute of Strategic Studies, Kazakhstan, vol. no. 3, 2004, p.33.
16. Afzal Khan, *UN Agency Highlights Economic Integration Need in Central Asia*, accessed on 07 April 2006 at www.un.org.
17. S. Komilov, *Regional Economic Cooperation: Appraisal and Problem of Development*, 2003, p. 33.

18. *President Nursultan Nazarbayev's Address, 2007.*
19. *Asian Development Outlook*, ADB, Manila, 2007, p. 1 16.
20. *UNDP Report 2005, "Bringing down Barriers: Regional Cooperation for Human Development and Human Security"*, p.45.
21. M. Primbetove, "Globalization and Problems of Regional Integration" *Central Asian Affairs*, Kazakhstan Institute of Strategic Studies, Kazakhstan, No 3, 2004, p. 25.
22. W. Andersen, "Integration Based on the EU Model: A Central Asian Union", *Central Asian Affairs*, Kazakhstan Institute of Strategic Studies, Kazakhstan, No 3, 2003, p. 22.

ECONOMIC DEVELOPMENT IN KAZAKHSTAN

E.B. ZHATKANBAEV

During the post-Soviet period, Kazakhstan has scored success in providing socio-economic stability for the country. Soon after the independence of Kazakhstan, President Nazarbayev took the initiative in defining and putting into practice the vectors of internal and external economic policy on the basis of market relations and democracy. This economic policy resulted in high rate of economic growth and since the year 2000, it has been registering more than 9 per cent annual rate of growth. High rate of economic growth is also related to the rise in oil extraction and exports. Transformation in other branches of social production is also contributing much to the economic growth.

In the past few years, stable growth has been observed in different spheres of economy particularly in manufacturing, mining of black and nonferrous metals, foodstuffs, chemical industry, electricity generation, electronics, mechanical engineering etc. These achievements were, in certain degree, also due to the change in the pattern of ownership. The ownership pattern of industry in the year 2004 was 80.3 per cent under state ownership, 0.8 per cent under the property of other states and 18.9 per cent under their legal owners and citizens.

The agriculture sector, which experienced deep recession in the 1990s, registered growth in production and services. There has been an increase in the cattle and birds etc. For example, large horned livestock increased from 4.1 million to 5.2 million heads. Grains, cotton, potato, vegetables, meat, milk and other basic kinds of agricultural production also witnessed a stable growth.

Impressive growth in agricultural and industrial production led to increase in the standard of living of the population of Kazakhstan.

Whereas birth rate has increased, the death rate has declined. During the first nine months of 2005, population increased to 109,000, 85 per cent of which was due to natural growth. The monthly average nominal wages during this nine month period increased by 24.4 per cent, and the real wages increased by 15.3 per cent. At the same time, the number of the unemployed, has declined. Moreover, the labour market of Kazakhstan is employing several hundred thousands of able-bodied citizens of Kyrgyzstan, Uzbekistan, Tajikistan and the Caucasian region of Russia. Retail commodity consumption has also increased which reflects the growing consumer capacity of the population.

Construction of houses for both the local and state bodies as well as private businessmen and individual citizens of the republic has considerably increased. Housing construction is considered to be the locomotive of development not only for the building industry, but also for the overall economy of Kazakhstan. Building of Astana, the new capital of Kazakhstan and Almaty, the financial and economic center of Kazakhstan led to the boom in building industry.

The transportation network also witnessed steady development in Kazakhstan. New railway lines connecting cities and new economic centers have been constructed. If earlier motorable roads and railways connected cities of Kazakhstan with the Russian economic centers like Moscow, Ural, Siberia, nowadays the newly built roads connect the internal regions of the country. Local and strategic highways have not only been repaired but constructed as well, which has led to the development of transport business.

Telecommunications is an integral part of the economic and social infrastructure of Kazakhstan. Both wireless communication and internet have successfully developed in Kazakhstan. Communication satellite "Kazsat", developed by Kazakh and Russian experts has started its operations in space. As regards investment activity in Kazakhstan, foreign investment into the national economy exceeded 40 billion US dollars, which was distributed as: 45.4 per cent in industry, 10 per cent in transport and communication, 17.2 per cent in real estate, rent and services, and the rest in agriculture and other services. During the last few years, the national economy has witnessed sharp rise in investment mainly due to inflow of foreign investments and a safe investment climate for foreign investors. Growth of investment into fixed capital has also been due to the increase in the number of profitable enterprises.

President Nazarbayev's convincing victory in the presidential

elections strengthened his resolve to follow firm and steady policy directed towards economic growth of the country, thereby raising standard of life of people. The program for "Strategy of Development of Kazakhstan till 2030" paved the way for the implementation of industrial development, Program of Kazakhstan-2010, plan of social and economic development for the years 2005-2007, an intermediate term fiscal policy for the years 2005-2007 and monetary and credit policy 2004-2006. The plan sets the strategy for industrial development, modernization of education system, scientific and professional development of the population, development of an industrial and social infrastructure as well as development of small business. These programmes have further been concretized in the sub-programmes such as strategy for industrial-innovational development; program of development of rural areas and agriculture; development of public health services, education system, scientific innovations; telecommunications etc; housing construction; development of Astana city and setting up of electronic city. All these programmes have been put into operation.

President Nazarbayev stated in his message to the people of Kazakhstan, "Kazakhstan is on the way of an accelerated economic, social and political modernization." Further on 18 January 2006, in another statement at the joint session of chambers of Parliament, Nazarbayev revealed Kazakhstan's strategy of joining the list of most competitive 50 countries of the world. He outlined the basic directions of Kazakhstan's socio-economic policy and defined priorities and mechanisms for realization of the social, economic and political modernization of the Kazakhstani society. These priorities include: i) modernization of economy; ii) accelerated economic development; iii) adoption of modern social policy; iv) further democratization and political modernization of the society; v) chalking out strategy for national security; vi) following a foreign policy in tune with the changes in the world. However, these priorities are complex, particularly when one talks about the directions of a viable social and economic policy. Each of the priorities demand decisions, both at the supreme bodies, and at places of concrete execution of the tasks set for realizing the goals of these priorities.

The priorities and tasks set for social and economic development of Kazakhstan on the basis of principles of "Program for Strategic development of Kazakhstan till 2030" requires concrete definition of action at various levels of both the power structure as well as businessmen. For a steady growth of competitiveness of Kazakhstan it

is necessary to strengthen the work culture at social level, which includes perfection of the system of economic management, investments into the human capital (like education, public health services, habitation, labour), reforming structural elements of infrastructure, perfection of the system of government activities (such as struggle against corruption, regulating licensing, standards and certifications, tax and customs administration, etc.), undertaking research and development and innovations (for commercialization of technologies, intellectual property, innovational system, etc.), and adopting a diversified policy (on clusters, oil and gas, agriculture and state regulation to support these sectors.).

These directions also aimed at setting right the power structures and enterprises. For example, in Southern Kazakhstan cotton cluster has uplifted the textile and light industry of the country, measures to support agriculture have been taken, structural transformation of economic management has been done, education system and public health services have been modernized, and houses have been constructed in all regions of the republic. However, there are different complex problems which demand cumulative efforts not only by the government, but also by enterprises, banks and financial establishments of foreign countries or international establishment. Besides, the state should determine precisely in what sectors of economy it is necessary to involve investments from private sector as well as foreign investors. If the state bodies do not determine their priority, the country will not achieve the targets that have been set forth.

Kazakhstan needs to implement the economic development measures in sectors such as machine-building complex of oil-extraction, transportation of oil and gas and establishment of an oil refinery complex. It is more so because Kazakhstan, with its reserves of oil and gas, has been included into the category of oil-producing countries. Today the oil companies from 20 countries participate in Kazakh projects on exploration and extraction of oil and gas resources. Many of them work separately, or as consortia. Such companies include America's Exxon Mobil and Chevron-Texaco, Britain's British Gas, Canada's Harricane, Italy's Agip and ENI, ex - Belgian TotalFinaElf, American - Netherlands Royal Dutch/Shell, Russia's Lukoil and China's CNPC. Oil export of the country has been expected to reach up to 100-150 million tonnes. But oil refining factories working in the country can process only 18.5 million tonnes which is not sufficient to meet the export demand.

Previous researches have shown that the resource base of the

Caspian Sea is suitable for profitable development, which is comparable and even exceeding the volume of the proven oil reserves in the USA (22 billion barrels) and in Northern sea (17 billion barrels), and is equal to a quarter of oil reserves of a zone of Persian Gulf. Moreover, one of the reports of the US State Department, has noted that "having taken the potential stocks, reaching 200 billion barrels of oil (about 27.5 billion \bar{U}), the Caspian region can become the most significant new player in the world oil market in the next decade." Basically, the Caspian Sea shelf has not been industrially developed. Hence, the Caspian region can become one of the largest manufacturers of energy resource in the world.

The government of Kazakhstan expects to extract 100 million tonne oil in one year. However, achieving this level of extraction needs an investment of not less than 10-12 billion US dollars for the extraction of raw material and creation of an infrastructure, including pipelines. So huge sums of money are required to realize this potential. Kazakhstan practically has not yet opened up new deposits and the foreign oil companies have also not been able to open new deposits. About 70 per cent of oil deposits of Kazakhstan are concentrated in the western part of the country. Almost 50 per cent of all current extracted volumes of oil in Kazakhstan come from the three shelf deposits - Tengiz, Uzen and Kachaganak.

Having huge resources of oil and gas, Kazakhstan is faced with certain internal problems. In this connection, since 1 January 2004, a new mode of taxation has been introduced in Kazakhstan, in order to bring transparency in mutual relations of the benefiting companies and the state. The system of taxation in Kazakhstan has been adjusted by the tax code which provides some kinds of special payments, which include the royalty, tax on superprofit and the rent tax on export of crude oil. The royalty is the most effective way of withdrawal for the benefit of the state from the rent. However, as against the international practice where the rate of royalty reaches up to 20 per cent, Kazakhstan's experience is different. For example, the rate of royalty is adjusted to the volume of extraction saved for a year and makes two per cent if less than two million tons of oil and increases up to six per cent at extraction for more than five million tons of oil is extracted in one year. The companies which develop new oil deposits, pay a royalty under identical rates that put them in an unequal position.

The tax on superprofit is paid after achieving 20 per cent of profitability of extraction. The rent tax on export of crude oil is paid by all

exporters, except those companies which work under the agreement on section of production. As base of calculating such tax the cost of crude oil is determined by actual volume of the export and the existing market price, minus expenses towards extraction, transportation and realization.

In Kazakhstan, there exist favourable conditions for the oil companies. For instance, export of oil has zero rate tax. Oil, which is in steady demand in the world market, provides substantial profit in its export. Experts have suggested to levy export duties on oil. Kazakhstan has taken a right decision to deposit part of incomes from the oil exports in the National fund. This became necessary as oil income was being consumed in the construction of new industrial enterprises.

Kazakhstan has also made substantial investment in other sectors such as construction, automobile, railways, manufacturing etc. Within the framework of industrial innovation strategy, 257 projects with 1.6 billion US dollars were implemented in 2005, and 460 investment projects are expected to be realized by the end of 2008. It is also proposed to build 8 to 10 petrochemical complexes by the year by 2015.

In Kazakhstan there is a paradoxical situation. Development of oil extraction leads to the establishment of new workplaces. But there is shortage of skilled workers proficient in new technology. As a result, there are jobless people even in other fields. For instance, if qualified teachers in natural sciences are required, they are available in the field of humanities. On the other hand, there is high level of labour productivity in industry, agriculture and other sectors of social production such as education, science and public health services. There is need for investment in the formation of human capital in the sphere of science and technology, with stress on quality rather than quantity.

Since the economies of Kazakhstan and India are complementary, it would be expedient for both countries to cooperate not only in the energy sector (oil and natural gas), but also in nuclear energy, as Kazakhstan has enormous potential for the extraction and initial processing of uranium. Both countries can also cooperate in the field of mechanical engineering and agrarian sector, as Kazakhstan produces large quantity of grains, meat, and other agricultural products. Agricultural mechanical engineering industry in Kazakhstan is also developed and both countries can collaborate to set up new enterprises for processing of agricultural products. India can effectively help Kazakhstan in preparing specialists and technocrats in the field of construction, transportation, medical sciences etc.

CONSTITUTION OF KAZAKHSTAN AND INTERNATIONAL LAW

S.Z. AIDARBAYEV

For the last several years, Kazakhstan's legal science has been discussing problems related to enforcement of prevalence of international law provisions over the national legislation. The discussions mainly focus on the problems of identification of prevalence of international treaties over the laws of the Republic. In general, bottom line of the debates centres around whether it is necessary to determine prevalence of any international treaties over the laws of the state (which is the viewpoint of the most of Kazakhstan's specialists in international law) or we shall be guided by an express provision contained in the Constitution stating that the prevalence should not be given to any international treaty unless ratified by the Republic.

It is the viewpoint of many experts of legal sciences that the statutory provision shall be implemented without failure. And this was the position of the Constitutional Council of the Republic of Kazakhstan as well as the other state authorities of Kazakhstan. In other words, the state regarded the hierarchy among legal sources as follows: first and foremost, the Constitution; then, international treaties ratified by the Republic followed by the laws, and only after them are any other international treaties, and by-laws complete this list.¹

Yet, this standpoint has been subjected to informed criticism in our legal science because of its incompliance with internationally accepted theory and practice, so far as it violated the *pacta sunt servanda* rule.²

It is obvious that an "artificial" model of the legal sources hierarchy could not persist, for the logic of the state-to-state relations inevitably had to make the state realize that its approach was wrong. And it happened so, when in 2006 the Constitutional Council was requested to

tell the difference between the law on ratification of an international treaty and the law on accession to an international treaty. Answering this question the Constitutional Council inferred that acts of ratification of international treaties and acts of accession thereto were legally equal and bore the same legal subsequences. In this connection, international treaties whose binding nature upon Kazakhstan is established by international treaties accession regulations of the supreme representative body of the Republic having legislative duties (Supreme Council or Parliament of Kazakhstan) and decrees of the President of the Republic having force of law, shall be equated to the ratified international treaties. Such a conclusion of the Constitutional Council is substantiated as follows:³

1. "Ratification", "acceptance", "approval" and "accession" mean in each case the international act so named whereby a State establishes on the international plane its consent to be bound by a treaty [Article 2(1)(b) of the Vienna Convention on the Law of Treaties, Vienna, 23 May 1969].

Ratification of an international treaty is the final approval of an act by the state's authorized body which is then embodied in two acts: international one (ratification instrument) and national (as a rule, in the form of a law). Pursuant to Article 54 of the Constitution, ratification falls under the competence of the Parliament of the Republic and is exercised through a sequence of deliberations on the scope of the relevant matters in separate sittings of the Chambers - first in the *Majilis* and then in the Senate.

2. Provisions of the Vienna Convention do not provide for the difference between ratification of an international treaty and accession thereto in terms of the legal consequences these two might render (Articles 11, 14-15). According to the explanations by Treaty Section, UN Office of Legal Affairs, "accession shall entail the same legal consequences as ratification."⁴

A prominent Russian legal scholar, Prof. I.Ī.Īukashuk places special emphasis on the fact that the Vienna Conventions on the Law of Treaties (1969 and 1986) define ratification as an international act, though it is a legal act of the state to be adopted according to each state's internal provisions of law. Dual – internationally accepted statutory and domestic – nature of ratification manifests in the following: in the sense of the Constitution, ratification is an act of a state's competent body establishing

its consent to be bound by a treaty, and in internationally accepted statutory sense - a procedure bringing into existence the international consequences of such consent. According to Prof. Lukashuk who lays down principal norms of the existing theory, Parliament's ratification of a treaty in accordance with the internal law is not isolated from ratification on the international plane whereas there will exist no constitutional powers required for execution of an international act of ratification, therefore, international and constitutional ratifications of a treaty are different procedural acts implemented in two different planes.⁵

Prof. Lukashuk quotes an interesting excerpt from the Israeli Supreme Court's award of 19 June 1968 that illustrates the above difference. The award states, inter alia, that "it's important to tell clearly the difference between international process of ratification whereby the state expresses outwards its will to be bound by a treaty it signs, and internal constitutional process which deals with building such a will." While, as Prof. Lukashuk says, the theory mainly defined ratification as a domestic act before adoption of the 1969 Vienna Convention, it has come to be defined more and more often as combination of internal and international acts.⁶ At the same time, Prof. Lukashuk also names such authors as Prof. E. M. Ametistov, who defines ratification as a domestic act having international consequences.⁷

All aforesaid is in principle correct as applied to accession to an international treaty as a form of establishment of the state's consent to be bound thereby. It is worth noting that the resolution of the Constitutional Council of Kazakhstan in question speaks of ratification of international treaties and accession thereto in their capacity of acts of domestic law. It comes out of the provisions of the international and national legislation of the Republic that, in cross-border sense, accession shall entail the same legal consequences as ratification, provided that accession is implemented by the Parliament through adoption of a law. In the Republic of Kazakhstan, the same adoption procedure applies to both the laws on ratification of international treaties and laws on accession to international treaties to be ratified. Therefore, they are equal in terms of legal force and consequences they bear.

Based on the foregoing facts, the Constitutional Council judged that ratified international treaties shall be those whose binding nature for the Republic is established by the laws on ratification of international treaties or by laws on accession to international treaties.

In other words, even if Kazakhstan has acceded, through a law (or

another act of the supreme representative body) to an international treaty, such treaty shall be deemed ratified and shall entail legal consequences as if it has been ratified. Bearing in mind that Article 4(3) of the Constitution requires that international treaties ratified by the Republic shall have prevalence over its laws and shall be applied directly, except when the treaty clearly requires a law to be adopted in order for the treaty to be applied, one can infer that the Constitutional Council has easily expanded the scope of the constitutional provision in question.

It is possible to say that this is, to certain extent, a precedent for the legislative and law enforcement practice of Kazakhstan in as much as if "today" treaties whose binding nature for the Republic has been acknowledged by way of adopting acts of accession can be reckoned as ratified treaties, it is not impossible that "tomorrow" treaties whose binding nature for the Republic has been established by way of signing or approval will also be classified as ratified.

The Constitutional Council made provision for such opportunity in its resolution by expressly stating that, as far as the Parliament's authority to pass laws is a form of implementation by the state of its sovereignty, prevalence of ratified international treaties over the laws of the Republic as established by the Constitution may be applied by the law-maker to other international treaties of the Republic of Kazakhstan as well. This inference is supported in the resolution by reference to the existing legislative practice [in particular, to the Civil Code of the Republic of Kazakhstan (General Part)] of 27 December 1994 No. 268-XIII and the Law of the Republic of Kazakhstan of 30 March 1995 No. 2155 "On the National Bank of the Republic of Kazakhstan." The law-maker shall, as per the Constitution [Articles 61(3)(3)(3) and 62(8)], be entitled to establish a procedure, through adoption of a law, which procedure will ensure that the Republic complies with its international covenants along with determination of relationship between effect of laws and non-ratified international treaties of the Republic of Kazakhstan.

Thus, this resolution of the Constitutional Council bears a critical, "decisive" nature. However, it was adopted notwithstanding the Constitutional Council's being rather clear as to the difference between the concepts of "ratification" and "accession," whereby the Council recommended that the Parliament executes its resolutions regarding accession to international treaties to be ratified, by adopting every time of a new law "on accession to and ratification of" such international treaties. In general, analysis of the resolution of the Constitutional Council

in question shows that Kazakhstan is experiencing a gradual turn to the global prevalence of international treaties over the local laws regardless of the form of establishment of the binding nature thereof.

Although the resolution under review notes that non-ratified international treaties of the Republic shall not prevail over Kazakhstan laws and shall only be complied with to the extent they are in line with the national laws and that, in case of conflict, parties thereto may, in accordance with the RK Law of 30 May 2005 "On International Treaties of the Republic of Kazakhstan" and subject to the provisions of international law, settle such conflict amicably in good faith, nevertheless, drift from the now existing "strong" position of the state whereby it negated the prevalence over the law of any international treaties except ratified ones towards a compromise witnesses a growing integration of Kazakhstan into global economic and political system as well as an increasing transparency of the Republic. Kazakhstan becomes mature as a truly competent and legitimate member of the world community and is no longer afraid of losing or having its sovereignty restricted.

REFERENCES

1. G. Sapargaliyeva (ed.), *Constitution of the Republic of Kazakhstan*, Almaty, Zheti Zharghy, 1998, pp. 30-32.
2. S. Zh. Aidarbayev, International Labor Standards in the Republic of Kazakhstan: Problems of Implementation and Protection, *Materials of International Workshop Conference*, Almaty, Orkeniet, 2003, pp.72-75.
3. Resolution of the Constitutional Council of the Republic of Kazakhstan of 18 May 2006, No.2, "Official Interpretation of Article 54 (7) of the Constitution of the Republic of Kazakhstan", *Kazakhstanskaya Pravda*, 29 June 2006.
4. *Treaty Reference Guide*, 2001, at <http://untreaty.un.org/ola-internet/Assistance/Guide.htm>
5. I. I. Lukashuk, "Conclusion of International Treaties", *Contemporary Law of Treaties*, vol. 1, 2004, pp. 412-413.
6. Ibid. p. 413.
7. E. M. Ametistov, "Legal Nature of the Act of Ratification of International Treaties" *Soviet State and Law*, no.5, 1983, p. 85.

CONSTITUTIONAL DEVELOPMENT IN INDEPENDENT KAZAKHSTAN *A Review*

MUKESH KUMAR MISHRA

Constitution is described as a “document or set of documents which lay down the framework of a political system.”¹ Constitution also defines the very essence of the political system in some cases. In states which are undergoing a process of a political change, Constitutions symbolize a transition from the old to the new, and set new goals and aspirations.²

FIRST CONSTITUTION

The first constitution of the independent and sovereign Republic of Kazakhstan was adopted in January 1993. Amidst heated debate in the Supreme Soviet building and heckling by a crowd of protestors outside, the Kazakh Parliament ratified the country's first post-Soviet Constitution in January 1993. According to official statistics, the referendum held on 30 August 1993 attracted 91 per cent of eligible voters, of which 89 per cent supported the Constitution.³ The Constitution of the Kazakhstan Republic which established Presidential form of government, describes Kazakhstan as a “democratic, secular and unitary state.” with emphasis on democratic principles.⁴ Life, liberty, and the inalienable rights of the individual are held in high value. Citizens are guaranteed basic civil liberties including freedom of thought, expression and speech, freedom of media and right to receive information, freedom to demonstrate peacefully, and freedom to create public organizations.⁵ The citizens of the Republic have the right to property, education and right to profess or not to profess any religion. International human rights agreements

signed by Kazakhstan have precedence over state law.⁶

The Constitution of the Republic, which lays emphasis upon establishing the government's fundamental objective of nation building strategy, also accommodates the aspirations of non-Kazakh population. While Kazakh is the state language, the 1993 Constitution accorded Russian a prominent position as the "language of inter ethnic communication" and prohibited any limitations on the rights of citizens who do not speak Kazakh. The Constitution granted automatic citizenship to all who desire it, with no language or residence requirements whatsoever. In line with the Constitution's declaration that Kazakhstan is a unitary state, regional governors (*Hakims*) are appointed directly by the President. This ensures that local governments follow Nazarbayev's wishes and act as a check for ethno-national extremists from becoming powerful and disturbing socio-political stability. The Constitution of the Republic prohibits the establishment of any social organization which seeks to forcibly change the constitutional order and undermine the state security, violate territorial integrity, or promote 'social, racial, national, religious, class or tribal discord'.⁷ The new Constitution supplemented the legislation by an absolute ban on any propaganda or campaign directed towards the above aims. The creation of political parties based on religion is not allowed in the Republic. However the constitutional democracy is emphasized.⁸

The Supreme Soviet is the highest state representative body of the Republic exercising legislative powers and gets elected for five year term. The main functions of the Supreme Soviet as determined by the Constitution of the Republic are to interpret the laws of the Republic, approve the Republican budget, give its consent to the President of the Republic appointing the Prime Minister, Deputy Prime Ministers, the Ministers of Foreign Affairs, Defence, Finance and Internal Affairs, the Chairman of National Security Committee, heads of the diplomatic representatives of the Republic of Kazakhstan, elect the judges of the Constitutional Court, Supreme Court and Higher Arbitration Court of the Republic and determine the procedure for the formation of lower courts, appoint Prosecutor General, Chairman of the National Bank, ratify and denounce international treaties and confirm the Presidential decrees on a state of emergency and resolve issues of war and peace.⁹

SECOND CONSTITUTION

In May 1995, President Nursultan Nazarbayev convened a council of experts to draw up a new constitution under his guidance. The prepared constitution which is second since Kazakhstan became independent was adopted in August 1995 by a popular referendum. About 90 per cent participated in the vote as per official claims. The constitution guaranteed equal rights to all nationalities and prescribed both Kazakh and Russian as “official” state languages, suitable for use in government documents and education. The President and the legislature, the Supreme *Kenges* (Supreme Soviet), are to be elected by universal adult suffrage for five year terms. The President is head of state. The second component of the executive branch is the Council of Ministers, key members of which are appointed by the President. The Prime Minister, as head of the Council of Ministers is the appointing authority of the other ministers.¹⁰

CONSTITUTIONAL AMENDMENTS

On 16 May 2007, President Nazarbayev and his government introduced several constitutional amendments which enhanced the authority of the Parliament. This in turn would transform the republic from presidential to a parliamentary one. Nazarbayev stressed the need for strengthening the Parliament’s role by increasing the number of deputies, introducing new procedures of forming the Government on the principles of parliamentary majority, introduction of proportional election system of deputies to the lower chamber of *Majilis*, cancellation of the party affiliation of the Senate deputies and many other political innovations.¹¹

According to the new procedures of forming the Government, Prime Minister has to be appointed by the President after consultations with political parties and by the appropriation of a majority of the Parliament’s deputies. The implementation of such an approach will first of all elevate the role of political parties in forming the Government. Secondly, the party having a parliamentary majority will be responsible for the formation of the Government and its consequent actions implementing the program of the winning party or coalition. The proposed election of *Majilis* deputies under proportional elective system would ensure representation and take into account the specific features of the country. The President also offered to develop practical mechanisms for partial support of the activities of political parties from the republican budget.

The President proposed a reduction of the presidential term from seven down to five years and also that regional governors must be elected with the appropriation of corresponding *maslikhats* (regional elective entity).

In the area of judicial reform, not only legal confirmation of an arrest but also the abolition of the death penalty has been announced in Kazakhstan. It may be pointed out that the Constitution provides for death penalty to those who commit terrorist acts or violent crimes. President Nazarbayev underscored the need for the above stated amendments to the Constitution of Kazakhstan for ushering in a new stage in the democratization of the nation.¹²

STRUCTURE OF GOVERNMENT IN KAZAKHSTAN

The post-independence government was structured by the 1993 constitution with a strong executive, parliament and judiciary. In practice, the administration of Nursultan Nazarbayev dominated the governance in the country after its independence.

The Executive

The constitution formalized the enhanced powers that President Nazarbayev assumed upon the dissolution of parliament in early 1995. It continued the previous constitutional definition of Kazakhstan as a unitary state with a Presidential form of government. The President is the highest state officer, responsible for forming the government, subject to parliamentary approval, and appointing all other republican officials. The 1995 constitution expanded the President's powers to introduce and veto legislation. The President has the powers to appoint the Council of Ministers, headed by a Prime Minister, and several state committees. In October 1995, Nazarbayev himself assumed the portfolio of the Ministry of National Security. In early 1996, after Nazarbayev had reshuffled the government in October 1995, the Council of Ministers included the heads of twenty-one ministries and nine state committees, the Prime Minister being Akezhan Kazhegeldin.¹³

The new Constitution does not provide for the position of Vice President. However, it permitted the incumbent Vice President, Yerik Asanbayev to remain in office till 1996. The President has the power to declare state of emergency during which the constitution can be suspended. The President is the sponsor of legislation and the guarantor of the constitution and of the proper functioning of government, with the

power to override the decisions and actions of local authorities and councils. The only grounds on which a President can be removed are infirmity and treason, either of which must be confirmed by a majority of the joint Upper and Lower Houses of the new parliament. In the event of such a removal from power, the Prime Minister would become the temporary President.¹⁴

The Legislature

The 1993 constitution created a unicameral parliament, which was to replace the 350 seat Supreme Soviet when the mandates of its deputies expired in 1995. The 1990 parliament, which was composed of the former communists, was dissolved early under the pressure of President Nazarbayev in December 1993 in order to pave way for a smaller and presumably more flexible parliament. Under the 1995 constitution, the parliament consisted of two houses, the Senate and the *Majilis*, both operating in continuous sessions. All the provinces of Kazakhstan and the city of Almaty, which had provincial status, had two Senators, chosen for four-year terms by the joint sessions of the provincial legislative bodies. Additional seven senators were appointed directly by the President. In addition, ex-Presidents automatically receive the status of senators-for-life. The *Majilis* had 67 representatives, including one from each of 55 districts having roughly equal population, and the Senate has forty seats. Direct elections for half of the seats are held every two years. In the first election under the new parliamentary structure, all the seats in both houses of parliament were contested in December 1995; runoff elections filled twenty-three seats in the *Majilis* for which the initial vote was inconclusive. The new parliament, which assembled in January 1996, included sixty-eight Kazak and thirty-one Russian deputies, among whom only ten were women. The initiative for most legislative actions originated with the President. If a law passed by the parliament faces the President's veto, a two-third vote of both houses is mandatory to override the veto. A similar margin is needed to express no confidence in a Prime Minister, an action that requires the President to name a new Prime Minister and Council of Ministers.¹⁵

Judiciary

The judicial system is the least developed of Kazakhstan's three branches of government. The constitution retains the provision of Presidential appointment of all judges in the republic. Whereas, the 1993 constitution specified the terms of service for judges, the 1995 document made no

mention of length of service, suggesting that judges would serve at the discretion of the President.¹⁶

Under the constitution of 1993, lines of judicial authority were poorly defined, in part because the republic had three “highest courts”, the Supreme Court, the State Arbitrate Court, and the Constitutional Court employing a total of sixty six senior judges. Many of these senior judges, as well as numerous judges in lower courts, had been retained from the Soviet era, when the judicial branch was entirely under the control of the central government. The 1995 constitution makes no provision for the State Arbitrate Court Provisions, for the new judiciary clearly subordinates all other courts to the Supreme Court, which has a consultative role in appointing senior judges.¹⁷

Local Government

Kazakhstan is divided into fourteen provinces, and the city of Almaty has administrative status equal to that of a province. In turn, the provinces are divided into regions that consist of a number of settlements. Each province or region and most settlements have their own elected councils, entrusted with making a budget and supervising local tax collections. Cities have their own local councils as well, and large cities are divided into regions, each having its own council.¹⁸

The local legislatures lack the authority to choose the local executives, who are directly appointed by the President. The duty of a local executive is to ensure the enforcement of the decisions of the national government and a proper observance of the constitution. Provincial and regional “heads of administration,” known by the Russian term *glav* or the Kazakh term *Hakim*, are Presidential appointees. The *Hakim*, in turn, appoints the members of his staff, who function as departmental heads. The *Hakim* also can reverse budgetary decisions of the local councils.¹⁹

There has been considerable pressure, especially in the predominantly Russian north, to alter the nature of the post of *Hakim* making it elective rather than through appointment by the Presidential. The 1995 constitution provides that only the local councils have the capacity to express no confidence in their *Hakim* by a two-thirds majority. The President has the power to override or revoke the decisions taken by local councils.

POLITICAL STRUCTURE IN KAZAKHSTAN

Reformation period of Kazakhstan's political system began immediately after its independence. Transition to democracy commenced under difficult conditions: The country was then experiencing socio-economic crisis due to decline in industrial and agricultural production, hyperinflation (up to 3,000 per cent), and drastic decline in living standards. After the collapse of the USSR, former Soviet states experienced a crisis situation. Kazakhstan too experienced the same and tried to overcome the problems related to democratization of political institutions, so as to strengthen the political system in Kazakhstan.

In accordance with the 1995 Kazakh constitution, the government exercises the executive power. The government is composed of the Prime Minister, the deputy ministers, heads of the government departments, ministers and Chairpersons of state committees. According to Act 166 of the Kazakh constitution (1995), the government works out the basic socio-economic directions of the state policy, its defence preparedness and security, ensures social order and organizes their implementation. The government presents state budget to the parliament. Among other functions performed by the government mention may be made of tabling laws in the *Majilis* (Parliament) and administration of state properties, working out measures for conducting foreign policy; guiding the activities of the ministers, state committees, other central and local executive organs, keeping vigilance on the actions of the ministers and state committees as well as on other central and local executive organs of the republic, appointment and removal of the heads of the central executive organs not forming part of the government. In short, the government is liable to discharge functions entrusted to it by the constitution, laws and acts of the President.²⁰

The new constitution of 1995 preserved the extensive executive powers of the President and also abolished the post of Vice President. The Supreme *Kenges* was replaced by a bicameral Parliament, comprising a 47 member Senate (the Upper Chamber with 40 members elected by Kazakhstan's regional administrative bodies and seven appointed by the President) and 67 directly elected members of *Majilis* (Assembly).²¹ The Constitutional Court was replaced by a Constitutional Council, whose decisions are subject to a Presidential right of veto. The Constitution retained Kazakh as the state language but guaranteed the development of all other languages, making Russian the language of inter-ethnic communication.

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

Questions related to the resignation of the government are regulated by the constitution in such a fashion that the government or its individual members can relinquish office only when it is sanctioned by the President. President's power in deciding over the resignation of the government is not limited by any provision whatsoever. The strong dependence of the government on the President follows from the fact that the decisions and acts of the government can be altered or stopped by the President in full or in part if he views them as being contradictory to the constitution, legislative acts or Presidential decrees and orders. The subordinate character of the government before the President is manifested in the fact that the government's powers are terminated before the new President is elected. This provides ample opportunity to the next President to appoint a new government.²²

The correlation in the system of state power is defined in the Constitution of the Republic of Kazakhstan in such a way that the executive power is independent of legislative power and the latter is comparatively weaker. Article 53 of the constitution, which provides for the consent of the President to the appointment of the head of the government, curtails the jurisdiction of the Parliament. The Parliament can reject the candidate proposed by the President but if this happens twice the President holds the power to appoint a person of his choice as head of the government. The parliament faces the risk of dissolution and fresh elections in case it tries to obstruct the President for the third time.²³

Secondly, the Parliament can express its lack of confidence in the government through a No-Confidence Motion in two cases: When a draft law introduced by the government gets rejected, the Prime Minister has the right to raise the question of confidence in his government by proposing it for the second time. The second instance of the no confidence motion occurs in the case when the parliament expresses its rejection twice to a government's proposal by a two thirds majority in the house. The fact remains that parliament's role in deciding the question of confidence in the government is *de jure* while the President acts as the *de facto* arbitrator. If the Parliament expresses its lack of confidence in the government, it hands over its own fate to the President by doing so. The Parliament decides the question of its agreement or disagreement with the President over the issue of the appointment of the Prime Minister.²⁴

The Parliament, in reality, has limited powers on framing the budget. According to Article 61 of the constitution, all draft legislations concerning reduction of state revenues or increase in government expenditure should be introduced in the Parliament by the government alone. In October 1998, several alterations and additions were made in the constitution of the Republic of Kazakhstan. Firstly, the powers of the Parliament in relation to the government were enhanced. In case members of the Parliament were to demand that a member of the government be relieved of his post, the President has to either take a definite decision over it or if the President turns down the demand of the members of the Parliament for removal of a member of the government, they can repeat the same demand after a period of six months. Such a demand is constitutionally valid if it is supported by two-third members of the Parliament. In such a case, the President is bound to relieve the member of his post.²⁵

The history of building up the national statehood of sovereign Kazakhstan is the history of establishing and strengthening the Presidential powers. As a result, Kazakhstan's President is endowed with extraordinary powers. In October 1998, both Houses of Kazakhstan's Parliament amended the law to further enhance President's powers. Such amendments have extended President's tenure up to seven years (as opposed to five years under the earlier constitutional provisions); they have extended the qualifying age for the Presidential candidates (earlier upper age limit was 65 years). The President has the right to establish rules and procedures for appointment or "election" of *Hakims* (heads of *oblast*, district, city and local administration).²⁶

In 2007, the Parliament of Kazakhstan underwent its most radical transformation over a decade when seats were added to both the senate and *Majilis*, with the latter body elected exclusively through a system of proportional representation, with nine members elected from within the 400-member Assembly of Peoples.²⁷ But it is noteworthy that the concentration of power in the hands of an experienced statesman and administrator like Nazarbayev during the critical years of transition has proved fruitful for Kazakhstan which has withstood the difficulties in its economic and socio-political transition. Following are some features of the democratic reforms:

1. Kazakhstan passed to a new form of governance with many powers of the President being transferred to the Parliament, thus effectively constituting a presidential-parliamentary Republic;
2. The Government is to be formed on the basis of the Parliament majority;
3. The size of the Parliament is expanded with the Lower House being formed on a proportional basis;
4. Term of the President has been cut from 7 years to 5 years starting from 2012;
5. Kazakhstan de-facto abolished the death penalty, which is allowed only in case of terrorism with heavy human casualties and mass killing at the time of war.

As an outcome of the amendments, the key powers are transferred from the President to the Parliament. The new changes are thus aimed at increasing Parliament's authority in forming the Government.

The Prime Minister, who will represent the party holding majority in the Parliament, will be appointed by the President after consultations with political parties and with the consent of the majority of the Parliament. Some factions of political parties may be established only in *Majilis*, lower house, its role will increase many fold. Thus, the Government will be accountable not only before the Head of State, but also the Parliament. In its turn the Parliament will be responsible for the government policy and accountable for its outcome.

No Confidence Motion of the *Majilis*, lower house of the Parliament, has been greatly simplified. Now a simple majority of *Majilis* may express no confidence in the Government, while as earlier, the Constitution required two thirds majority for the same. The Parliament will also have a

greater say in forming such important bodies as the Constitutional Council, Central Election Commission and Accounts Committee.

The Senate, the upper House, will be given additional powers to pass laws during the temporary absence of *Majilis*. This will ensure continuous functioning of political processes in the country in case the *Majilis* is dissolved before its term ends.

In addition, the Senate will approve the nomination of the Chairman of the National Bank of Kazakhstan, which will ensure autonomy of the National Bank from the executive branch in running monetary and credit policy as well as institute its accountability before the Parliament.

Under the reforms, the number of seats in the two-chamber Parliament has been increased from 116 to 154, with 9 seats in the Lower House allocated for the members of Assembly of the Ethnic Groups of Kazakhstan. With a view to ensure inter-ethnic and religious accord and also ensure representation of interests of 130 ethnic groups.

In the 154 seat Parliament, 98 seats in *Majilis* are to be filled by voting for political parties on a proportional basis rather than individual candidates. Earlier only 10 seats were given for the political parties.

The same procedure of checks and balances at the Centre level is applicable in the local governance. *Hakims* (head of local governments, major cities and the capital) are to be appointed with the consent of *Maslikhats*, local Legislative Assemblies. The *Maslikhats* can also express no-confidence in *Hakims* through a simple majority of votes.

The Council of Ministers exercises the executive powers and is responsible to the President of the Republic. Local state administration is exercised by local representative and executive bodies, which are responsible for the state of affairs on their own territory. The local representative bodies, the councils (*Maslikhat*) express the will of the people of the corresponding administrative areas. Councils are elected for a period of five years by a secret ballot on the basis of equal and direct suffrage. The local executive bodies are part of the unified system of executive body and are headed by the *Hakims* of the corresponding administrative/territorial unit, who act as the representatives of the President of the Republic of Kazakhstan.²⁸ The judicial authority in the state is independent and subject only to the Constitution and laws of the Republic of Kazakhstan.

On 20 October 2002, experimental local district *Hakim* elections were held, representing the first move away from the Presidential appointment of local district *Hakims*. In each of the 14 oblasts, elections were held to fill

2 local *Hakim* positions. The positions to be elected were chosen by the oblast administration. The local *Hakims* were elected through secret ballot by a group of "electors," who were chosen by local residents through a public "show of hands" vote. Although minority ethnic groups are represented in the Government, ethnic Kazakhs hold majority of the high positions. Nearly half of the population is non-Kazakh according to the national census completed in 1999. Non-Kazakhs hold one out of three positions of Vice Premier and two out of 14 heads of government ministries and the national bank. Non-Kazakhs are under-represented in the *Majilis* and the Senate. In Parliament, seven senators were non-Kazakhs, and 19 members of the *Majilis* were non-Kazakhs.

The task of economic reconstruction undertaken immediately after independence was extremely complex. The Soviet styled planned management of the economy was dismantled; government finance and the banking system were reformed and the new currency, the *Tenge* (KZT) was introduced. Small and middle size businesses and housing were privatized. Foreign investment flowed into the country to develop the rich natural resources. Though immediately after independence there was hardship and a decline in the economy and by the end of 1990's, economic restructuring bore fruit. In 1999, the economy began to grow and the take off phase started. GDP in the first half of 2001 was 13 per cent higher than in the year 2000 and the rate of inflation declined to 7 per cent. In the year 2000, the government introduced its *Strategy 2030* outlining the economic priorities and objectives over a thirty years. In an important speech made in September 2001, the President outlined the aims for the years up to 2010 in political and economic matters. This included the doubling of GDP by that date and increase in investment.

ROLE OF RELIGION

Though Kazakhstan professes to be a secular state, Islam, in its orthodox Sunni form, has been accorded special status akin to that of state religion. While the Government unsuccessfully sought to amend the National Religion Law to give the Muslim Spiritual Association a quasi-official role, both the Government and the Association denied any official connection. Other religions that have long been established on the territory of Kazakhstan including the Russian Orthodox Church and Judaism are also treated with respect and do not suffer any discernible harassment. New faiths like Baptists, Jehovah's Witnesses, Mormons,

various evangelical sects, the Hare Krishna movement and Bahais are subject to many forms of direct and indirect harassment.²⁹ Recently the complex of Hare Krishna Movement near Almaty was demolished. There is also particular concern about the activities of some of the Protestant sects. Several of these missions (mostly from the US and South Korea) are extremely well funded and these seek converts. Many Kazakhs regard this as a dangerous phenomenon, on the grounds that it “steals” vulnerable young people away from the faith of their ancestors. This is regarded as a threat to national unity. There are also concerns about the nature of the teachings of some of these faiths.³⁰ President Nazarbayev emphasizes the importance of equality, stating that “it is necessary to stress our commitment to the principle of equality of all citizens of the Republic regardless of their nationality, race, or religion.”

The Constitution provides for freedom of religion. The Government invited the leaders of the two largest religions, Islam and Russian Orthodoxy, to participate jointly in some state events. The leaders of the Catholic and Jewish religions, which were represented by small proportions of the population, also participated in some official events. Religious organizations need to be registered to receive legal status in order to act as a legal entity to buy or rent property, hire employees, or engage in other legal transactions.

The administrative law allows national and local authorities to suspend activities or fine the leaders of unregistered religious organizations. Local officials, particularly in remote areas, often insisted that religious organizations should register at the local level, despite the fact that registration at the national or at the *oblast* level was sufficient to obtain the rights that registration offers. Members of the Council of Churches of Evangelical Christians and Baptists reported that they were harassed by law enforcement for not being registered. Although the Council of Churches was reported to act as a legal entity, it has a policy of not seeking or accepting registration in former Soviet Republics. The Government dropped criminal cases and did not fulfill court orders that would have compelled congregations affiliated with the Council of Churches of Evangelical Christians and Baptists to register. In Nikolayevka, Almaty Oblast, Aleksandr Kalmakov was fined for his group’s failure to register.³¹

The Constitution provides for the right to emigrate and the right to repatriate. However, the Law on National Security prohibits persons who had access to state secrets from taking up permanent residence

abroad for five years after leaving the government service. A permanent exit visa was required for emigrants and obtaining this visa requires criminal checks, credit checks, and letters from any dependents concurring to the exit visa. Foreigners are required to have exit visas, which they received routinely with entry visas. Foreign visitors intending to stay in Kazakhstan for three months are required to register, either with the airport immigration officials or local migration police.

The Government accords special treatment to those ethnic Kazakhs and their families who left the country in Stalin's era and wished to return. These returnees are now entitled to citizenship and many other privileges. Other ethnic Kazakhs living abroad were also encouraged and promised assistance when returned. The Chair of the Agency for Migration and Demography reported that between 1991 and 1 April 2002, approximately 322,500 ethnic Kazakhs immigrated to the country, mostly from other former Soviet Republics, Iran, Afghanistan, Mongolia, Turkey, China, and Saudi Arabia. The Government maintained a quota for such immigrant families that kept on increasing annually; during the year 2000 it was 10,000.³² The Government provided such families with facilities like housing, stipends, and other benefits.

To conclude, the first Constitution of sovereign Kazakhstan adopted in January 1993 was to some extent a compromise between the old and new political systems. It has been an attempt to introduce a Western democratic model in the post-Soviet context. As a result of the referendum held on 30 August 1995, a second Constitution of the Republic of Kazakhstan was adopted, removing the shortcomings of the preceding Constitution. So far as the political opposition in Kazakhstan is concerned, currently it is weak. To quote Anthony Clive Bowyer, "the state of multi-party system can be seen as going through a crisis phase at present, with no party strong enough in terms of its popularity, influence, outreach, financial wherewithal, or stature to be considered an effective counterweight to official power in the country."³³

REFERENCES

1. J. Denis Derbyshire and Ian Derbyshire, *Political System of the World*, London: Helocon Publication, 1996, p. 11.
2. John Anderson, "Constitutional Development in Central Asia", *Central Asian Survey*, vol.16, no. 3, 1997, pp. 301-320.
3. Ian Bremmer and Cory Welt, "The Trouble with Democracy in

- Kazakhstan", *Central Asian Survey*, vol.15, 2002, p.183.
4. Constitution of Republic of Kazakhstan, (References regarding Articles of the Constitution are based on the text published in the *FBIS: Central Eurasia*, 1993), pp. 68-78.
 5. Constitution of the Republic of Kazakhstan, Article 10.
 6. *Ibid.*, Article 3.
 7. *Ibid.*, Article 55.
 8. *Ibid.*, Article 58 (Paragraph 2).
 9. *Ibid.*, Article 64 (1-21).
 10. E. Curtis Glenn, *Kazakhstan: A Country Study*, Federal Research Division Library of Congress, Washington, 1996
 11. Marat Yermukanov, *CACI Analyst*, 30 May 2007.
 12. www.akorda.kz , 16 May 2007
 13. E. Curtis Glenn, *op.cit.* p.56.
 14. *Ibid.*
 15. [http://www.president.kz.](http://www.president.kz), n.11
 16. E. Curtis Glenn, *op.cit.* pp.56-57
 17. *Ibid.*, p.56.
 18. *Kazakhstan and CIS Countries* 1 (2000): p.41
 19. *Ibid.*
 20. D Galyamova., "Division of Powers in Kazakhstan: Constitutional Experience of Independent Development", *Contemporary Central Asia*, vol.11, no-3, December 1998.
 21. *Ibid.*
 22. *Ibid.*
 23. Osnovnoi Zakon., *Konstitutsia Respubliki Kazakhstan*, 28 January 1993.
 24. D. Galyamova, *op. cit.*
 25. *Ibid.*
 26. *United Nation Development Report*, Almaty, 1999, p.42.
 27. Anthony Clive Bowyer, "Parliament and Political Parties in Kazakhstan", *Silk Road Paper*, Washington DC: John Hopkins University-SAIS, 2008, p.7.
 28. The Constitution of the Republic of Kazakhstan, Article 92.
 29. Keston News Service, <http://www.keston.org> (accessed June 2002) is an invaluable source of information on religious affairs in Kazakhstan. See in particular report of 18 December 2001 on the presentation of the new draft law on religion.
 30. Adel E. Abishev, *Kazakhstan in Focus: Ten Years of Independence*, Almaty, 2002, p.147.
 31. *Ibid.*
 32. *Ibid.*
 33. Anthony Clive Bowyer, *op.cit.* p.12.

KAZAKHSTAN AND INDIA

Perspectives on Regional Security

K.I. BAIZAKOVA

The global changes witnessed in the world in the beginning of the new millennium lead one to look at the problems of security of Kazakhstan and other Central Asian states in a new perspective. The changes in the security sphere have led to the essential shift of focus in terms of new measures to be taken and issues like ecological, social, etc. have been added to the military factors of security. More attention has been given to the humanitarian aspects of security, like the need to protect the interests of individuals and social groups. Security issues of the individuals and the society, which were earlier having a secondary importance, have now come to the forefront.

Central Asia has been suffering from a high degree of terrorism. The President of Kazakhstan identifies the following problems that encourage terrorism: presence of extremely unstable regional environment (Afghanistan, Kashmir, Northern Caucasus); porous borders; expansion of drug trade; religious extremism; conflicting interests of the leading powers and interstate contradictions. The factors encouraging the growth of terrorism also include instability due to influence of growing criminalisation, increasing tendencies to solve the problems by force, poor performance of the state machinery and the law enforcement bodies etc. That terrorism is assuming increasingly advanced and carefully disguised forms, it assumes even dangerous proportions in the situations where lack of proper security measures, weak defensive systems and also the irresponsible attitude towards storage of fire-arms, ammunitions and explosives.

Effectiveness of the fight against terrorism depends on a number of factors taken as a whole: comprehensive and objective identification and

consideration of the reasons and conditions leading to the emergence of terrorism; a degree of technical and special equipment and professional preparedness of the forces engaged in the fight against terrorism; the level of development and effectiveness of the nation-wide system of counteraction against the terrorist threats and the degree of realization of those dangers by the society which ensue from terrorism, etc.

Presently the fight against terrorism is basically directed to suppress terrorist activities while the main focus of this activity should be on their prevention. In the formulation of the policy to fight terrorism the onus should be on the identification and elimination of the causes and the conditions leading to terrorist activities. Consequently all the means of prevention should be set in motion: political, social, economic, legal, educational, informative, propagandist, etc. Thus, it is necessary to create an interstate mechanism, capable of tracing and blocking the channels of financing international terrorism without which this phenomenon cannot show its destructive potential.

The important point in the fight against terrorism is adequate legislative measures at the state level. However, each country differently perceives the threat of terrorism, and terrorism itself has various (typical for the given country) objects of infringement that excludes an opportunity of speedy unification of anti-terrorist legislations and their merger into a uniform complex of legal norms for all the states. There are internal and external factors for the potential existence of extremist groups. The internal factors include low standard of life of the population and generally unfavourable socio-economic situation in the Central Asian region, as well as lack of proper social security leading to increasing threat on the part of radical elements. External factors include international terrorist organizations, powerful external financial support, military-political instability in the Middle East and negative impact of an adverse geopolitical situation and drug trafficking.

Under the banners of Islamic extremism there can be any criminal forces interested in destabilizing the situation by means of drug trade, arms smuggling, fundamentalist groups, hidden criminal elements, etc. After the 9/11 events, the fight against terrorism, extremism and drug trade became the main concern of internal and external policy of many countries. More often it began to be considered as a problem since drug trade remains the main factor in the growth of religious extremism and terrorism. The illegal distribution of drugs as one of the negative factors of modern development, undermines the foundation of stability and

safety of any state. Significant growth of illegal transportations of drugs in the Central Asian Republics threatens not only the health of local population, but also exerts a negative impact on political, economic and social stability and also on the process of democratic reforms. In Kazakhstan as well as in other Central Asian states, the situation of drug trade is quite complex. The number of drug addicts has increased by four times. In the overall structure of drug addiction, heroin registered a significant increase as 10 per cent of all crimes happen to be drug related. According to the experts, fight against drug trafficking and anti-terrorist operations of the coalition forces in Afghanistan have not led to any decrease in the production of Afghan opium and heroin. On the contrary, drugs trade operating through the countries of the region has increased. Today on the territory of Kazakhstan, there are four main routes of drug trafficking. The Republic of Kazakhstan has taken independent measures to fight against drug trafficking. Nevertheless, to deal with the problem, it is necessary to do much more including strengthening of borders and development of effective regional and international cooperation. It is also necessary to evolve a common strategy for the fight against consumption of narcotics. Priority measures in the fight against consumption of narcotics and drug trafficking should be the following:

- create appropriate legal provisions through perfection of judicial system, strengthening of criminal law to deal with the crimes related to illegal drug trade;
- establishment of police forces for the control and implementation of the laws forbidding drug trafficking. In order to train such personnel the services of former officers who served in Afghanistan may be utilized since they can render substantial help as advisers in controlling the problem;
- take effective measures to restrict drug related problems through customs control, strict regulation of illegal circulation of drugs and their eventual destruction, introduction of other special mechanisms;
- provide for medical-rehabilitation; and
- set up a warning system through development of drug immunity, involvement of non-governmental and public organizations, educational programs for teachers, and creation of specialized information-analysis centres in the districts.

For an effective fight against drug trade, a clear understanding of its

military, economic and political implications is important. The Central Asian countries should play a key role to fight against drug trafficking and insist on international control over the modes of financing of drug trade, thereby curbing the income generated by drug trafficking. Thus, in order to successfully fight against international terrorism in Central Asia, religious extremism, drug trade, illegal circulation of arms and illegal migration, it is necessary to evolve a coordinated policy leading to the formation of regional and inter-regional systems of security on a bilateral and multilateral basis.

From the initial days of its independence, the Republic of Kazakhstan has adopted the principle of indivisibility of security in its foreign policy. Security must be indivisible, i.e., all security issues must be solved in an integrated manner. National security can not be separated from state and regional security can not be separated from the continental, and continental security can not be separated from the global. In the world of globalization, all security issues are closely interlinked. In his address at the 47th Session of the UN General Assembly, Kazakhstan's President stated that "the security of one State may threaten the security of another as well as regional and global security. It is important that all nations are equally protected against current threats and the risks and bear common responsibility for their security. This is the stability of international relations system."

One of the goals of Kazakhstan's foreign policy is the involvement of the state in the establishment of collective security system. Kazakhstan became a non-nuclear state and its anti-nuclear policy has helped in the establishment of positive relations with the world community. It has received guarantees of security, thereby enabling itself to pursue internal political reforms independently with the aim of strengthening its statehood without outside intervention. In other words, it took full advantage of the "confidence" it enjoys among the world powers. The anti-nuclear policy of Kazakhstan has created conditions for supporting regional and global security, which in turn is facilitating Kazakhstan to get involved in the decisive process of building up a system of international security and disarmament.

So far as the issue of creating a system of security in Central Asia is concerned, it is necessary to take note of the weak functional relations of the states of the region among themselves. In fact, the evolution of the system of security of post-Soviet space and the Central Asian region has not gained momentum. Each of the countries of the Central Asia region

independently defends its own national security interests. This explains the intention of the big international players to deal with these countries not through regional cooperation, but individually.

Realizing that in the event of the region being unable to conduct a coordinated policy in the external environment, Kazakhstan is threatened “with the possible loss of that significant status, which it has achieved in the recent years in the world geopolitical and geoeconomic system.” Kazakhstan consistently supported implementation and improvement of principles of multilateral structures. Thus, in his Annual Address to the people of Kazakhstan on 7 February 2008, President Nazarbayev outlined the priority areas for further strengthening of international authority of Kazakhstan as well as regional stability and international security. He said that “inter-state organizations established on the initiative or with the direct participation of Kazakhstan proved its relevance. CICA, SCO, CSTO provided the foundation for building an effective system of regional security.”¹

While supporting Kazakhstan on the issue of its integration into world politics and economy, and the attitude of the Kazakh leadership vis-à-vis large-scale reforms in all spheres of the state and socio-political life, the Western countries identify Kazakhstan by virtue of its geographical location and its natural potential as an area of their geopolitical interests. Therefore, the position of Kazakhstan on important world issues may be dependent on the alignment of forces in the world, the interests of the world powers, and also the turn of events in the international arena.

Kazakhstan supports the formation of additional guarantees of security, both in the territory of CIS as a whole, and in Central Asia, in particular. Kazakhstan has taken the initiative to create a new structure of cooperation in Asia by creating a Conference on Interaction and Confidence Building Measures in Asia (CICA), which occupies a special position in its foreign policy priorities. In terms of its objectives and functions, the CICA is often compared with the OSCE. It provides a perspective for the realization of strategic objectives to establish partnerships with many countries in Asia, and for the prevention of crises and conflicts.

Kazakhstan defines the role of CICA as a forum for negotiations and consultations in the sphere of security and stability in Asia. The initiatives by Kazakhstan are directed towards the creation of a common area for security covered by CICA, which is “free from dividing lines

where the states are partners of equal rights." According to the diplomats of Kazakhstan, CICA also entails "the refusal of the concepts of the spheres of influence" and "the regional approach to solve the problems of security", ensuring transparency in interstate relations, keeping in mind, that the foreign policy of each participant state should be built on the principles of predictability and openness taking into consideration individual and collective needs in the sphere of security.²

The Shanghai Cooperation Organization (SCO) is becoming more popular in Central Asia. It has been proved not only by the active participation of Russia and China in this regional organization, but also by the interest of the observer countries - India, Pakistan and Iran. SCO as an organization emerged as a result of the desire of states to jointly address the issues of mutual security and confidence building. The interests of the participating states include political, economic, cultural and humanitarian cooperation. Though efforts of the SCO member-states are aimed at maintaining peace and stability in the region, expansion of the geographical areas of cooperation has also been discussed. The existence of external threats and challenges to the stability and security of the region, especially the escalation of terrorism and extremism as well as the emerging economic problems in the world are crucial to the process of cooperation among SCO member-states.

Maintenance of military security of the SCO member-states is an important function, but it is not the main task for the organization, which is to ensure confidence, friendship and good neighbourliness in the region besides countering new threats, particularly the terrorist threat. It should be noted that initially one of the main tasks of the SCO was to fight against terrorism, separatism and extremism. The Convention on Combating Terrorism, Separatism and Extremism was signed at the "inaugural" SCO Summit in June 2001. Subsequently, SCO Regional Anti-Terrorism Structure, a permanent body to facilitate coordination and interaction of the corresponding authorities of the SCO member countries was established.

The SCO is not involved in defence issues. As it is not a military alliance, not even a political union of states, the priority of this organization is to oppose separatism and international terrorism, fight against smuggling of weapons and drugs and to protect borders of the Asian continent. It is a regional security structure aimed at expanding the scope of cooperation. Important tasks for the strengthening of comprehensive cooperation of SCO are not only military and political

cooperation but also economic. Now SCO is at the stage of self-development and is poised to exert significant influence in future.

The Central Asian countries are also member-states of the Collective Security Treaty Organization (CSTO). At present the role of the CSTO is of great importance because it is a regional organization established to ensure the stability and security of Kazakhstan in particular and Central Asia in general. It has undergone a major transformation and is consistent with the realities of today's stage of development of the CIS and the entire system of international relations.

In the 1990s, the post-Soviet space became a new geopolitical and geostrategic arena of activity. There has been significant progress in the field of arms control as well as in the strengthening stability and security in the world. At the same time, global changes which have taken place in the world, show some contradictory trends. On the one hand, the world community is taking concrete steps to increase cooperation for peaceful resolution of disputes, to control arms race and proliferation of nuclear weapons. On the other hand, new risks and threats to security have emerged.

The CSTO originally was a political and an open grouping which was not aimed at creating a military bloc. It became the basis for a qualitatively new level of maintenance of security of member states, mainly by peaceful political means, and through joint efforts to build a new security system. It remains an important mechanism of Russia's participation in the Central Asian processes. In this case, Russia can use its leadership to strengthen its influence in Central Asia, which has played an important role in the national and military security of Russia. Russia considers Central Asia as a zone of vital interests and it has long been closely associated with the countries of Central Asia. The Central Asian region for Russia serves as a kind of "buffer" to protect their own southern borders from infiltration, first of all, from Islamic religious extremism and terrorism. Therefore, military dimension in the relationship between Russia and the Central Asian Republics plays a key role.

The CSTO is one of the few organizations still working to follow the CIS structure. Its charter is like the NATO Treaty, according to which an attack on one of the participating countries in the Collective Security Treaty Organization is regarded as an attack on all member countries, which inevitably involve them in military action. While evaluating the role of the CIS Collective Security Agreement, Nursultan Nazarbayev lamented that "unfortunately, the CIS has not fully lived up to

expectations.”³ Yet the official position of Kazakhstan regarding CSTO is that the system of collective security, despite all problems and difficulties, is the real basis for the formation of a regional security system and it is necessary to take further steps to improve the effectiveness of the organization.⁴

Obviously, the only solid pillar of multilateral cooperation within the framework of the Collective Security Treaty Organization is a convergence of interests. The national and state priorities of the post-Soviet countries are now being determined. Therefore, it is possible to define the principal areas of convergence of their interests. Formation of new security structure in Central Asia cannot yield the expected results, if it is to be conducted on the basis of old principles. In an era of globalization, it is not enough to have new regional designs on the basis of interstate agreements and contracts. It is also necessary to talk about “the formation of uniform economic law and order practices and acceptance of the uniform code of regional and world security.

Kazakhstan believes that concrete steps towards resolving actual problems of the region could be the creation of a Regional Center in the republic to coordinate the activities related to border security of the region, including the fight against terrorism, drug trafficking and other illegal transaction.⁵ Kazakhstan supports the initiative for prompt acceptance of the universal international convention against international terrorism. It is necessary to build a system of counteraction to illegal transit of drugs through joint efforts. It is quite logical to set up an international structure to fight against such threats to security like illegal migration in Central Asia under the aegis of OSCE. The OSCE can also play an important role in the security of the Caspian Sea. In this context, Kazakhstan proposes to sign a pact on maintaining stability on the Caspian Sea by prohibiting the use of military force in the Caspian region.

South Asia is of great importance in Kazakhstan’s multi-vector foreign policy. India is one of the first countries to have recognised the independence of the Republic of Kazakhstan. It also supported Kazakhstan’s admission to the UN. Its selflessness and willingness to help Kazakhstan has been felt throughout the years following the independence of the Central Asian states. This is not a random phenomenon. India has long advocated the freedom of peoples and peaceful cooperation with all countries. The roots of close ties and friendship between the two sides can be traced to historical contests. Since time immemorial, Central Asia and India have been continuing their trade

and cultural relations. India has always played a constructive role in the international arena. It has considered the world as a uniform system and mankind as one family. It has its own position in world politics manifested, first of all, in the policy of non-alignment and peaceful co-existence. In the 21st century, India will remain a factor of peace and stability in the region.

The political leadership of India exhibits serious interest in the establishment of full-scale and close relationship with the newly independent countries of Central Asia. To quote India's former Prime Minister, Inder Kumar Gujral, "the Central Asian region has strategic importance for us. We should restore our general historical relations with the Central Asian Republics and transform our traditional relations in short term as well as long term economic and political cooperation directed towards stability and prosperity of the region."

There exists no friction and controversy in the political relations between Kazakhstan and India. Both sides actively oppose international terrorism, drug trafficking, and remain committed against fundamentalism. India supported the initiative of President Nazarbayev to hold the Conference on Interaction and Confidence-Building Measures in Asia (CICA). Its representatives have participated in all stages of convening of Asian nations summit. The former Indian Prime Minister, Atal Behari Vajpayee took part at the first meeting of the participating countries in Almaty in summer 2001. Many participants lauded the constructive role played by Kazakhstan in reducing tensions between Pakistan and India. It should be recognized that the CICA Almaty Act, signed by the heads of State and Government, laid a solid foundation to look optimistically at the future of the Eurasian space. As India insisted, no provisions regarding bilateral issues were included in the document. The main focus of the Act has been on how to tackle general international challenges.

In the bilateral or multilateral meetings and negotiations, Kazakhstan supports India's aspiration to become a permanent member of the UN Security Council. Foreign Minister of Kazakhstan, K. Tokayev confirmed this position at the UN Summit on the occasion of 60th anniversary of the establishment of the United Nations held in September 2005 in New York. The Indian side appreciates Kazakhstan's position. Kazakhstan also welcomes the emerging political unity among China, India and Russia. Significantly, it will not be directed against anyone and has no evil designs against any country. Undoubtedly, such a policy has a

viable prospect in the contemporary changing world. And in this changing world, peace and security can be developed through the joint efforts of Kazakhstan and India.

In recent years, relationship between Kazakhstan and India has acquired a new impetus as it has been continuing interstate political, economic, scientific, technical and cultural spheres. Kazakhstan expresses its satisfaction over the support by the Indian side in the establishment of the Conference on Interaction and Confidence Building Measures in Asia (CICA). Issues of further consolidation and widening of mutual relations are discussed during various meetings of the political leaders of Kazakhstan and India. Surely, it will help ensure regional cooperation and security as well. President Nazarbayev's forthcoming visit to India in January 2009 shall be another milestone in strengthening of bilateral relations.

REFERENCES

1. Address by the President of Kazakhstan Nursultan Nazarbayev, *Raising Welfare of the Citizens of Kazakhstan - the Main Objective of Public Policy*, 7 February 2008.
2. *Panorama*, 14 April 2000.
3. Nursultan Nazarbayev, *The Strategy of Eternal Friendship: Kazakhstan-Russia*, 2000, p.282.
4. M. S. Ashimbaev, "On the Problem of Forming a Regional Security System", *Analytic Review*, 2001, no. 1, p.8.
5. Speech by the Deputy Minister for Foreign Affairs of the Republic of Kazakhstan D. Kuanyshev at the Session of the Council of Ministers of Foreign Affairs of the Participant Countries of OSCE. Porto, 6 December 2002, http://www.mfa.kz/russian/art_061202.htm

KAZAKHSTAN-INDIA BILATERAL RELATIONS

Some Perspectives

BEK-ALI YERZHAN

Though bilateral relations between Kazakhstan and India have several dimensions, this paper focuses mainly on neo-realism, liberalism and constructivism as key elements of bilateral interactions between the two countries. Neo-realism explains international relations in terms of structural properties of the international system, especially the distribution of power.¹ Unlike classical realism, it does not see human nature as an important variable in war and peace. Neither does it pay much attention to domestic politics, which is central to Liberal theory's explanations of international relations.² Neo-realists take a negative view of international relations. Conflict and war are unavoidable because the international system is anarchic, i.e., having no higher authority above the state. In anarchy, states seek security through self-help, either by increasing their own military and economic capabilities, or through alliances with stronger powers. But security can only be achieved in a limited way, because of the operation of the "security dilemma", which implies that whereby attempts by any state to improve its security by acquiring the means of power provokes other states to follow suit, thereby rendering the initiating state as insecure as before.³

Neo-realists dismiss the role of international institutions in regulating state behaviour and promoting peace.⁴ Institutions are creatures of self-interested great powers. They simply reflect, rather than shape, the prevailing distribution of power. In terms of international stability, institutions matter only in the margins. What really matters is the balance of power. All self-help systems tend to be governed by a balance of power dynamism maintained by the great powers. States tend to balance their rivals domestically, by acquiring greater military and

economic power, or by building alliances with stronger powers.

Kazakhstan has set its foreign policy objectives, which originated from its domestic objectives, in line with regional and global developments. As such, Russia, China, United States and Central Asian Republics remain strategic partners of Kazakhstan, while EU, OCST, EurAsEC, SCO, NATO etc. are considered to be strategic international organizations in Kazakh foreign policy.⁵ Significantly, in its foreign policy Kazakhstan has viewed India neither as a threat nor as a strategic ally. In the early years of Kazakhstan's history, it was mainly concerned with internal challenges of nation – surviving, good neighborhood and multi-vector foreign policy. India did not play any decisive role in Kazakhstan in early 1990s. Despite Kazakhstan being regarded as a sphere of ultimate Russian influence, the fact remains that Kazakhstan has been subject of international affairs and has the ability to pursue its own national interests. Earlier, India was regarded as a country where everyone is singing, dancing and shooting movies. Only in recent years, image of India in Kazakhstan has changed due to its success in various fields apart from active foreign policy being pursued in regional affairs. Today, India is viewed as middle weight player in the Kazakh foreign affairs. In June 2007, when the new Indian ambassador presented his credentials, Kazakhstan's President told him that Kazakhstan is considering India as a potential "strategic partner" and therefore, he outlined the following three dimensions of cooperation where Kazakh diplomacy will be focusing its attention:⁶

- (a) Military and technical cooperation;
- (b) Cultural and people to people contacts; and
- (c) Information technology

So far, India has limited its role to distribution and balance of power in Kazakhstan. India can not be regarded as a possible player which can contain Russia, China and the US in the Kazakh foreign affairs. However, it does not mean that India has no room in the distribution and balance of power which can change. This will mainly depend on India itself and also the willingness of involved players to include India. Kazakhstan and India have limited their interactions by just doing trade in arms and military spare parts, repair of Soviet/Russian made weapons and officers' training in the framework of Intergovernmental Commission. There is a great scope of cooperation in the field of military education and exchange. Since the newly adopted Kazakh military doctrine puts emphasis on

peacekeeping operations by Kazakh army, India owing to its great experience in the peacekeeping operations can share it through exchanges between military institutions and officers.

Kazakhstan is distinguished by its diplomacy and multi-vector foreign policy in ensuring its security. Both Kazakhstan and India have enjoyed absolutely peaceful and smooth relations, and “security dilemma” has no place in their bilateral relations. Both countries are taking part in reconstruction projects in Afghanistan which is a common security concern. Astana and New Delhi believe that Afghanistan has to serve as a bridge of interaction and cooperation between Central Asia and South Asia.

While Neo-realists are generally skeptical of the prospects for cooperation among the players, one form of cooperation that could be consistent with their thinking is the idea of a concert of powers. A concert is a managed balance of power system through which the players undertake joint management of international order.⁷ Status of observer in SCO can be regarded as the first step taken by India in becoming a participant in the regional “concert”.

As a theory of international relations, liberalism has several strands. Interdependence is noteworthy here. Liberalism, dating back to the days of Adam Smith, John Stuart Mill and Cordell Hull, argues that economic interdependence (originally free trade) creates peace by increasing the costs of war.⁸ There is a clear understanding between Kazakhstan and India that trade and economic relations are solid foundations for bilateral relations. The volume of bilateral trade between India and Kazakhstan in 2005 was 120 million US dollars, which increased to 210 million US dollars in the year 2006.

Kazakhstan’s main exports to India consist of mineral products, leather, and raw materials. Imports from India include vegetable products, food stuffs, chemicals, plastic, machinery and equipment. At the same time, there is vast scope for cooperation in various other fields including manufacturing sectors, such as textiles, construction materials, leatherwear, plastics, pharmaceuticals, IT, oil and gas, tourism, etc. It is especially relevant, since the Kazakh government has established industrial clusters in tourism, oil and gas machinery building, food processing, textiles, transport logistics, metallurgy and construction materials. Kazakh and Indian companies can jointly work either in Kazakhstan or in India or even in a third country. For example, Kazakh national company KazMunaiGaz and Oil India are jointly working in an

oil refinery construction project in Turkey.

Following are the possible fields of economic interdependence and trade:

- Kazakhstan has huge proven and estimated hydrocarbons and natural resources. An analysis of hydrocarbon market of Kazakhstan shows that it is “closed” for late comers. It is mainly shared by national companies, the West, Russia and China. Thus it is obvious that focus has to shift from extraction and drilling of raw materials to manufacturing and value added production. Kazakhstan welcomes such initiatives and is ready to make concessions.
- India is working hard to acquire some stakes in Kazakh oil market. So far it has failed to get substantial assets. In 2005 it lost its bid to Chinese CNPC for Petrokazakhstan. However, recently Indian ONGC has begun its negotiations with Oman to acquire share in the Caspian Pipeline Consortium.
- The present pipeline routes and trade do not fully fit Kazakh national interests. Thus Kazakhstan is looking for diversified routes, access to seas and more independence. In this regard, southern directions towards Iran and South Asia seem to be lucrative choice. These directions provide for Kazakhstan shortest possible route of access to world markets and sea.
- Kazakhstan is situated at the crossroads of China, Russia, Caucasus and Europe. It can serve as transit route for Indian goods to above mentioned directions. In 2006, Kazakhstan adopted a new transport strategy. According to this strategy, the republic has launched 80 investment projects worth 30 billion US dollars. The goal of this Strategy is to make Kazakhstan Eurasian transport junction.⁹
- Kazakhstan believes that foundation of its economy should be based on medium and small sized industries. So, there is an opportunity for Indian medium and small sized industries to establish joint ventures with their Kazakh counterparts in various fields of common concern such as petrochemicals, tourism, machinery building, food processing, textiles, transport logistics, metallurgy and construction materials. The location of Kazakhstan makes it easier to export their products to Central Asian, Chinese, Russian, Caucasian and European markets.

- Head of Sustainable Development Fund of Kazakhstan, Kelimbetov acknowledged that in order to retain today's economic growth, Kazakhstan would require up to 1 million highly and medium skilled personnel.¹⁰ This provides an opportunity to Indian professionals to participate in Kazakhstan's economic development process.
- Financial cooperation between Kazakh and Indian banks is far from ideal. Kazakh banks proved to be the leading and dynamic banks of Commonwealth of Independent States. Kazakh banks, such as Kazkommertsbank, BankTuranAlem are setting up their branches in Russia, Kyrgyzstan and Georgia in order to look for opportunities to invest in lucrative projects. India as a dynamically developing financial market and economy can be the destination for Kazakh investments.
- Kazakhstan, Turkmenistan and Iran are constructing a new railway (Uzen- Kyzylkaya-Bereket-Etrek-Horgan). In October 2007, Kazakhstan, Turkmenistan and Iran signed a memorandum on this new railway project. The total length of the railway is 670 kms (Kazakhstan-120 kms, Turkmenistan-470 kms, and Iran-70 kms). The construction estimates are 620 million US dollars.¹¹ Taking into account cordial and constructive Indo-Iranian relations, India has good opportunities to benefit from this project. In this regard, more infrastructural linkage projects have to be initiated from Kazakhstan and India in order to connect the two regions. This in turn would revive Silk Road and enhance intra-regional and cross regional trade cooperation.

In today's situation, conflict chronic Afghanistan, geopolitical nervousness over Iran, Indo-Pakistan tensions and insufficient regional interdependence within Central Asia hamper enhancement of interdependence and cross-regional cooperation in all spheres of trade and economy. There are huge opportunities for mutual cooperation between Kazakhstan and India. In order to facilitate realization of these opportunities, governments have to encourage more trade, business interaction, cultural relations, and academic exchanges. Academics and people from both sides have to know more about each other. The revival of intensive relations which were at the time of Silk Road is possible only when misunderstanding and misperceptions are removed and small

and medium size ventures are established which would bring the two people closer and increase the volume of trade and interaction to a high level.

Constructivism explains the causes of war partly, if not exclusively, in terms of the conflicting identities (self-perceptions) of states.¹² Constructivism would see the relations between Kazakhstan and India in terms of a clash/cooperation of two distinct/similar identities. Because of their differing/similar identities, the two entities have different/similar understanding of the cross-regional and bilateral relationship, and different/similar ideas about how to handle and resolve existing/potential challenges.

Kazakhstan and India were part of the Great Silk Road, which was not only a trade route between Central Asia and South Asia, but also an artery of cultural interaction. This in turn created mÈlange of identities and interests among tribes along the Silk Road. However, from 18th century onwards, Kazakhstan experienced a different kind of development which has had an impact on its identity formation. The same can be said for India as well. As a result, one finds similarities as well as differences in the identities of Kazakhstan and India. One can say that these identities or identities under formation (if taken into account the fact that Kazakhstan is still experiencing nation-building) are not in conflict with their nature which provides a good foundation for enhancement of bilateral relations.

Constructivists see cooperation not in the minimalist game theoretical terms, nor as the byproduct of purely utility-maximising behaviour by states (as Neo-Liberal theory would), but rather as a process of social learning in which interaction produces shared understandings of reality, redefines interests and may even lead to the development of collective identities that could ameliorate the security dilemma. For Constructivists, state interests are not pre-given or a constant, but subject to modification and redefinition as a result of mutual constitution between agents (states) and structures (norms).¹³

Socialisation among Kazakhstan , India and other cross regional states through multilateral institutions such as the Conference of Interaction and Confidence-building measures in Asia (CICA) and the Shanghai Cooperation Organization (SCO) would gradually lead to the development of norms of peaceful/trade conduct that would reorient the regional actors from resorting to war/ conflicts as a means of problem-solving.

The CICA is a young forum where member states have opportunity to discuss and exchange views on different international issues and challenges. Thus through socialization, this forum would strengthen security and understanding in Asia. The SCO is a growing organization, consisting of six members- Kazakhstan, Russia, China, Uzbekistan, Kyrgyzstan and Tajikistan. The previous organization was called "Shanghai Five" which was a product of agreement on military confidence building in borders (1996) and agreement on mutual reduction of armed forces on borders (1997). In 2001, Uzbekistan joined the Shanghai Five and it was renamed as SCO. Whereas it was established as a security and military organization, it is now diversifying its functions. Today it has widened its scope to cooperation among members putting emphasis on trade, economy, energy and transportation. In 2005, India and Pakistan acquired observer status in the SCO.

Since international relations theory often reflects evolving trends in the world order, it provides a good snap shot of the principles that would affect the perceptions and responses of the international community with respect to challenges to international peace and stability.¹⁴ Neo-realist view may support that Kazakhstan's security concerns cover India. Afghanistan, terrorism, drug trafficking, military and technical interactions are those security issues where Kazakh and Indian interests meet. Different material and normative structures (SCO, CICA) within which leaders of Kazakhstan and India would view and interpret each other's decisions and actions may well enhance realization of existing cooperative potential. It also highlights the expectations of the international community about what would be regarded as "proper" conduct by the leaders of Astana and New Delhi in handling cross-regional issues. These expectations, rooted in Liberal and Constructivist perspectives, indicate that India perhaps should be ambitious and active in regional politics, economy and trade. Kazakhstan, in turn, does its best to create proper diversified cooperative relations with concerned actors.

REFERENCES

1. Kenneth N. Waltz, "The Stability of a Bipolar World," *Daedalus* 93, no.3, Summer 1964.
2. A. Acharya, *International Relations Theory and Cross-Strait Relations*, International Forum on Peace and Security, Taipei, Taiwan, 1999.

3. Ibid.
4. J. Mearsheimer, "The False Promise of International Institutions", *International Security*, vol.19, no.3, Winter 1994/95, pp.5-49.
5. Interview of Nursultan Nazarbayev to *Caspian Energy*, October 2005.
6. Adjective "Strategic" was used for the first time for India.
7. A. Acharya, op.cit.
8. Ernst B. Haas, "War, Interdependence and Functionalism", in Raimo Vayrynen (ed.), *The Quest for Peace: Transcending Collective Violence and War among Societies, Cultures and States*, Beverley Hills: Sage Publications, 1987.
9. Speech by Nursultan Nazarbayev, "Kazakhstan -2030 in Action: 10 Years of Success", 15 November 2007.
10. Y. Razumov, "Instituty razvitiya stali svyazuyushim mehanizmom mejdu mirovoi i kazakhstanskoi ekonomikoi," *Panorama*, 25 May 2007.
11. N. Gilt, "Iz Kazakhstana v Iran – po novoi doroge", *Izvestia*, Kazakhstan, 5 December 2007.
12. A. Wendt, "Collective Identity Formation and the International State", *American Political Science Review*, vol.88, no.2, June 1994.
13. A. Acharya, op.cit.
14. Ibid.

INDO-KAZAKH COOPERATION

Perceptions and Perspectives

YELENA I. RUDENKO

While speaking about the theory and practice of international relations, one usually pays attention to their political and economic constituents. Consequently, one evaluates, analyzes and predicts any state's success or failure on the global arena mainly on the basis of development of its political and economic relations with other states (or supranational actors). Here one interprets "politics" as overall – smooth or tense – intergovernmental relations, including the number of high-level visits and documents signed, while "economics" means goods turnover, level of interaction and mutual incorporation of economic subjects of two or more states. At the same time, ideology, or mutual perception of states, also influence the course of overall development of international relations. This factor of mutual perception -be it at official or popular level- plays a key role and predetermines failure or success in bilateral political and economic relations. This is more so because development of constructive ties between states in various spheres depends on such perceptions.

In this connection, there could be three main options:

- First option is that there is no perception at all if countries are not interested in each other. In this case, there could be nothing more than just the official mutual recognition of these states as sovereign actors of world policy, and their co-membership in the United Nations.
- Second option implies healthy mutual understanding and, therefore, mutually beneficial interaction between states.
- Third option is the case when mutual perception of states is perverted. This can be caused by lack of information on each other, by possession of incorrect information, by misinterpretation

of correct information and even by conjectures.

So, which option applies to the relationship between India and Kazakhstan? It seems to be the second option, but in practice it is still the third one. Fortunately, this situation has been improving over the years. As the two countries come closer in not just political, but in strategic as well as economic realms, both sides actively try to obtain reliable information on each other. This is evidenced through scientific, educational, popular and media publications from both sides. Now there seems to be more seriousness to know about the actual state of affairs in the two countries and the two regions.

India (as also some other countries of the West and East) perceives Kazakhstan as a part of the Central Asian comprehensive whole, which has few distinctions from its other parts. Historically speaking India used to deal with Central Asia and its people as a united entity, be it in trade or diplomatic relations. It is also true that Central Asian Republics, are close to each other in historical, civilizational, ethnic, linguistic and cultural terms. However, nowadays economically, socially and politically Central Asian countries are distinct enough to be perceived and analyzed separately. Just like South Asia cannot be considered as an economic, social and political comprehensive whole, India can not be equated economically and politically with Bhutan or Maldives. The main difference between the mutual perception of Kazakhstan and India is that Kazakhstan cannot be viewed as one integral part of Central Asia (though, as everybody knows, in Soviet times there was a special administrative and territorial expression "Kazakhstan and Middle Asia"). On the other hand, for the people of Kazakhstan India, is almost equal to South Asia.

Perception of Central Asian region as a comprehensive whole causes a number of other inaccuracies and perversions. For instance, all Central Asian states are perceived as politically and, to some extent, ethnically and religiously unstable, deeply Islamic, authoritarian and lacking in democracy, influenced by outside powers, such as Russia, USA and China, and possessing only raw material resources for their economic development.

Religion does not play any considerable role in Central Asia. In fact, any attempt to increase the importance of Islam in Kazakhstan is met with a cold and suspicious response even from the Kazakh Muslims, who do not want to be constrained by the norms of "pure religion". Mosques built by Saudi Arabians, Egyptians and Turks are not very popular in

Kazakhstan, and sometimes construction of small Muslim prayer houses receives negative reaction of the mass media as an attempt of “undesirable Islamization of secular Kazakh society.” In this regard, putting Kazakhstan on the same plane as Uzbekistan or Tajikistan (where religion indeed plays more important role) would be a mistake.

Further, if there is a threat of Islamic fundamentalism in Kazakhstan, then such threat should be perceived only as outside factor, i.e. the possibility that Islamic fundamentalists could come from outside and encroach upon Kazakhstan’s sovereign territory. But it is highly unlikely that the Kazakh Muslims would allow any Islamic fundamentalists or extremists taking control of social and economic life in Kazakhstan in order to make it an Islamic state.¹ This, of course, in no way means that Kazakhstan does not have a fear from Islamic fundamentalists or extremists. It is due to such fear that Kazakhstan actively works within the SCO to cooperate with international anti-terrorist forces.

Another opinion, which is quite popular among Indian analysts, is that stability and internal security of all Central Asian states highly depends on external factors, such as the “Great Game” of great powers. This is, of course, a real and serious concern for Central Asian states. Nevertheless, the level of economic, political and military dependence of these states on outside powers differs on various counts. In economic sphere, Kazakhstan plays a role of influencing power in respect of its neighbours without having any counter impact. The purpose of exerting such influence on the part of Kazakhstan is to prevent destabilization caused by bad economic conditions in neighbouring states (i.e., “payment for stability”), which, to a certain extent, is similar to the position of Russia in Central Asia and India in South Asia. In this regard, it could be said that India, which usually interacts with Russia on matters related to Central Asia, can now cooperate in some spheres with Kazakhstan also to deal with other Central Asian states.

Yet another perceived notion about the actual situation in Central Asia lies in the belief that there are serious territorial, ethnic, linguistic and other contradictions and even conflicts between the states of the region, which impede regional cooperation and weaken overall regional stability. It would be unfair to say that this is absolutely incorrect and that Central Asian states have best relations with each other. However, again a distinction should be drawn between the states of the region. While there actually are some territorial issues but not contradictions between southern states of Central Asia, Kazakhstan prides itself exactly for the

absence of any claims from its regional neighbours as well as for its numerous integration initiatives.

Despite all this, there exists a latent struggle between Kazakhstan and Uzbekistan as perennial rivals for regional authority. Though there has never been such a struggle in the region, some latent dislikes have actually taken place. However, in the latest political and economic circumstances, both Kazakhstan and Uzbekistan have found much more reasons for cooperation and good-neighbourly relations. The only remaining issue of "confrontation", is connected with the "distribution" of some outstanding historical personalities in Central Asia on the basis of contemporary location of places where they were born some centuries ago. Besides, the border/customs related obstacles are yet another impediment in the relations among Central Asian countries. These obstacles prevent smooth flow of goods and people both from inside and outside to Central Asia. Thus, even in case of the India-Iran-Turkmenistan transport corridor, the question as to how quickly and safely goods from India could reach Kazakhstan and vice versa, still remains. As a result, Indian goods, which in the view of relatively high Kazakhstani prices, could have considerable price competitiveness in this country, after such customs barriers would become less attractive than, for example, Chinese goods.

As regards the Central Asian states being authoritarian and devoid of true democracy, Indian scholars have offered a "school of democratic experience" for these states, including Kazakhstan. Even quite a number of Kazakhstani scholars have pointed out in their works that Kazakhstanis should learn the democratic process from countries such as India. Among the Central Asian states, Kazakhstan is fairly proud of its level of democracy and social stability, and that it is not having a wish of getting trained in democracy from its regional neighbours, particularly from outside.

However, Kazakhstan undoubtedly needs to learn from Indian experiences in such spheres as democratisation and state management, socially oriented implementation of some market reforms, optimization of state control, credit-financial regulation and mobilization of domestic savings, investments management, commodity market regulation and domestic producers support, protection of domestic market from monopolies including foreign ones, inflation control and price competitiveness etc. On the international front, Indian experience in WTO is of special importance for Kazakhstan.

The overall pattern of Indo-Kazakh trade is that Kazakhstan exports to India mainly raw materials and semi-manufactured goods, and imports finished articles. Kazakhstan is aware that the main economic and to some extent strategic-political interest of India lies in hydrocarbons. However, India has begun to recognise that Kazakhstan as well as other Central Asian Republics, possess substantial human capital - universal literacy, highly qualified workers, some scientific developments etc.²

Kazakhstan lacks full and reliable information about India from the period of its economic reform process, i.e., from the beginning of 1990s. There is a lack of information in Kazakhstan about modern progress in almost all spheres of Indian life. The popularization of Indian culture and languages, for example, by Indian Council for Cultural Relations (ICCR) is a matter, where Kazakhstan can learn from India. Though it is possible to find in Kazakhstan an expert of yoga, meditation, Hindi language or Indian classical dance, it is much more difficult to meet a person who knows and seriously thinks about India's great achievements in such fields as energy and infrastructure, specific spheres of IT³ and so on.

The people of Kazakhstan know quite well about the highly developed industries in India such as pharmaceuticals, tea, tanning, textiles, soap and some others. However, they are extremely surprised while visiting various exhibitions of heavy industry goods from India organized, for example, by EEPIC. This is more so because it is still difficult for them to believe that Indians could produce such sophisticated machinery and equipment, which are not yet produced in Kazakhstan at all. There is need to have more such exhibitions and presentations in Kazakhstan in order to know more about India's real commodity potential. But problems still remain, for example, even during such exhibitions some people, who are interested in opening business relations with Indian partners, traditionally seek usual items such as medicines, textiles and spices, as they are being not too much confident about the quality of heavy industry goods in India.

While as the people in Kazakhstan are well aware of India's progress in IT and high-tech, they don't know about the exact spheres of Indian achievements, such as geo-information systems, biotechnology, seismology, space research, desert research etc. At the same time, it is imperative for Kazakhstanis to know more about these achievements, as Kazakhstan mostly attracts Western experience in such spheres.

While speaking a lot about IT, tourism, food, cotton and pharmaceutical industries, we forget, for example, about the unique

environmental protection system of India, which could be of real value for Kazakhstan. Time has come to establish a Special Centre for Common Approach to the Environmental Issues of member countries and observers of SCO within the frameworks of Shanghai Cooperation Organization, by using their common experience in this field, including the invaluable experience of India. It can also be implemented within the CICA network as this organization is aimed at the maintenance of security, and the environmental security is an important one.

People of Kazakhstan are also poorly informed about Indian foreign policy, knowing only about its overall efforts to enter into strategic relations with Kazakhstan. One of the not too widespread but still existing comments about India in Kazakhstan, refers to its relations with Pakistan, which lies in a belief that Indo-Pak confrontation has always been of a military nature— if India and Pakistan are not at war right now, then they are preparing for the war. But it is the perception of only a few people in Kazakhstan and by no means, it reflects Kazakhstan's official position, which is unambiguous: Kashmir is an internal issue of India and Pakistan only and "there is little...enthusiasm in Central Asia for taking sides in South Asia."⁴ However, what is really negative in such perception about the situation in Kashmir is that a dread of *force-majeure* loss of goods or capital, which some Kazakhstani investors and businessmen unconsciously have even though they exactly know that there is no war or war preparation in South Asia. There are also opinions like: "There could be no end to Indo-Pakistan rivalry as otherwise the existence of these two states would be boring and meaningless"; "Let them demarcate their border as it is right now under the present Line of Control and spend defence budget for something else". Such opinions, being less dangerous than the first one are still objectionable in Indo-Kazakh mutual perception.

Not many people in Kazakhstan are aware of the fact that India has turned from regional to a global power and is now going to play much more considerable role in the world arena. Indian people "juxtapose what Central Asia means to many Indians of today with what it meant during India's freedom struggle."⁵ In Kazakhstan, people in many ways continue to perceive images of India by watching old Indian films.

Despite India being strategically important to Kazakhstan, the latter still has no clear idea about India's place and role in its economic and to some extent political priorities. As a result, Kazakhstan has no clear strategy to benefit from "strategically important India". This situation must be reconsidered both internally as well as with the participation of

India. There is also a peculiar notion among Kazakhstanis that India should come first with various beneficial proposals, as Kazakhstan “always possesses in reserve an attractive offer for India, which lies in its hydrocarbon resources”. Kazakhstan should not continue to wait for “beneficial offer” from India for a long time without taking the first step.

Both sides need to do a lot for active dissemination of correct, unbiased and comprehensive information about each other. In fact, without knowing the exact reason for gaps and errors in mutual perception, it would be difficult to fill up such gaps and rectify errors. Hence, there should be a continuous analysis of opinions of each other. The proactive and directed dissemination of proper information is an essential step in this regard.

Kazakhstan needs to come out of the credulous and uncritical reliance on foreign sources. In the absence of first-hand data, we have no other alternative but to follow the opinions of foreign, predominantly the Western ones about our countries. Though some of these opinions may be true, others can just distort our mutual perception. In this regard, both sides need to discourage the game-like mindset so much proliferated by Western media and intellectuals around these (Central Asian) states.⁶ The desirable option, therefore, should be to use first-hand information as a primary and the “third party” information as a secondary source.

Thus, even after defining the specific spheres of mutual interest, both sides should also develop adequate approaches to promote their long term cooperation. For example, businessmen of each side insufficiently know business-realities of the other side⁷ and sometimes have some fear of entrepreneurship in the other country. In these circumstances, it would be more expedient to set the examples of beneficial cooperation by taking large scale state-level projects. Exchange rate in investments could be calculated on the basis of first-rate banks, including Reserve Bank of India and National Bank of Kazakhstan. Success in such initiatives could serve as a positive example for private entrepreneurs.

Giving each other the status of the “most favoured nation” can be of considerable help. Both sides should mutually explore the prospects for their future development by studying India’s Five-year plans and Kazakhstan’s development strategies in order to find new spheres of beneficial cooperation.

In both India and Kazakhstan people-to-people contacts should not be limited only to cultural level (though Indian Cultural Centre is very

popular in Almaty), but also include all possible spheres of mutual interest as well as mutual ignorance. There should be special engagement of mass media⁸ of both countries in imparting preliminary training to journalists in respective issues.

REFERENCES

1. Rasheeduddin Khan, "Emergence of Central Asia and its Relevance to India", *Mainstream*, vol. 30, no. 24, April 1992, pp. 19-21.
2. See Dipankar Sengupta, "India's Economic Presence in Central Asia: Prospects and Constraints", in V.Nagendra Rao and Mohammad Monir Alam, *Central Asia: Present Challenges and Future Prospects*, New Delhi: Knowledge World, 2005, p. 294.
3. Ramakant Dwivedi, "Conference Report of Third India-Central Asia Regional Conference", *Strategic Analysis*, vol. 27, no. 4, October-December 2003. p. 624.
4. Meena Singh Roy, "India-Kazakhstan: Emerging Ties", *Strategic Analysis*, vol. 26, no. 1, January-March 2002, p. 49.
5. Bhupinder Brar, "Images in the Mirror: India and Central Asia in Transition", in Kuldip Singh (ed.) *South-Central Asia: Emerging Issues*, Amritsar, Guru Nanak Dev University, 2005, p. 35.
6. Ambrish Dhaka, *South Asia and Central Asia: Geopolitical Dynamics*, Jaipur, Mangal Deep Publications, 2005. p. 185.
7. Gulshan Sachdeva, "Central Asian Economic Transformation and Indian Response" in V.Nagendra Rao and Mohammad Monir Alam, op. cit, pp. 279-280.
8. P. S. Sahai, "India and Central Asia: Establishment of Diplomatic Relations and Beyond", in Kuldip Singh (ed.), op. cit, p. 51.

KAZAKHSTAN-INDIA COOPERATION

Major Trends

S.M. NURZHANOVA

The countries of the East, particularly India, remain one of the important foreign policy priorities of the Republic of Kazakhstan. India has experienced spectacular changes and the people have great expectations. The most substantial achievements include integrity and unity of the country, establishment of democratic system and improvement of the life of millions of people.¹ India's greatness lies in the combination of its rich ancient tradition with modernization in the people's daily life.

India has always played a constructive role in international affairs. Policy of non-alignment and peaceful co-existence followed by India placed her at a higher pedestal of moral authority in the world in the 20th century and this philosophy is in consonance with the new philosophy of international relations at the turn of 21st century. In recent years, India has shown keen interest in the establishment of close relations with the independent countries of Central Asia. Relations with Central Asia have strategic importance for India. And, therefore, restoration of historical ties with the Central Asian Republics and transformation of the traditional relations into close and long term economic and political cooperation have become an essential ingredient of India's external policy and political relations.

For India, the developments in Central Asia would continue to be a primary concern as the region is a part of its extended neighborhood. Among the Central Asian countries, Kazakhstan is considered to be of key importance due to its large size, abundant energy resources and a high literate population. It has high potential for emerging as a significant player in the region. Since 16 December 1991, when the Republic of Kazakhstan got its independence, significant changes have been taking

place in the country. The political and socio-economic foundations of the state have undergone transformation towards an open democratic society and a free market economy. As such, during 2005-2007, the socio-economic situation in Kazakhstan witnessed a speedy growth. There was considerable capital investment, strengthening of financial potential, decline in unemployment and an increase in the real income of the population. Along with an overall economic improvement and healthy competition, private businesses are also looking for additional resources to realize new business opportunities. Market liberalization has provided opportunities to local enterprises to make significant efforts to comply with the requirements of maintaining international standards. As a result, numerous local companies are now eager to attract foreign investors besides entering into partnership with foreign companies.

Kazakhstan has a modern banking and financial system, which is helping to develop infrastructure in the energy, transport and communication sectors. Both the European Union and the USA have accorded Kazakhstan the status of a market economy, which has encouraged foreign entrepreneurs to invest heavily in Kazakhstan. Kazakhstan has also taken viable measures to ensure the continued development of the country's economic potential and its integration into the global economic community. The economy of Kazakhstan depends much on natural resources, particularly petroleum, with mining being the second most important industry. Soon after its independence, Kazakhstan has made it a priority to attract international capital to extract and process its mineral wealth. With the help of new technology, Kazakhstan ensured growth in oil and gas condensate production, and has also managed to increase its oil and gas exports. Kazakhstan is also rich in hard-rock minerals including coal, iron, copper, zinc, lead, chromium, manganese, phosphates, titanium, aluminum, gold, silver etc.

Positive changes in the mining industry lead to an active development of other economic sectors. Kazakhstan has chosen the model of a competitive economy featuring some priority sectors and the creation of networks of innovation clusters in Kazakhstan.² The main areas of investment include machine building for oil and gas industry, agricultural machinery, petro-chemical industry, construction materials, food processing, information technology and bio-technology parks.

India has a major presence in pharmaceutical and tea markets. Kazakhstan is still heavily dependent on imports of medicines. India is

one of the main suppliers of pharmaceutical products to Kazakhstan. Almost all the major pharmaceutical companies have their operations in Kazakhstan and they are increasing their market share year by year. Ispat Karmat plant is a major Non-Resident Indian (NRI) investment in Kazakhstan. Mittal Steel Temirtau is one of the largest single-site integrated steel plants in the world. The company has one of the most modern steel plants with excellent infrastructure facilities in Kazakhstan. It also has its own captive coal, iron ore and power. While as coal reserves amount to 1.5 billion tonnes, iron ore reserves amounts to 1.7 billion tonnes. The company operates a 435 MW thermal power station. It has maintained its leadership position by continuously upgrading its technology and equipment. Mittal Steel Temirtau's integrated steel plant employs the Basic Oxygen Furnace (BOF) technology. The steel complex can broadly be divided into: coke making, iron making through blast furnaces, steel making, ingot casting, hot rolling, cold rolling and coating lines for electrolytic tinning and hot-dip galvanizing. The company exports about 96 per cent of its output to nearly 65 countries.³ Kazakhstan considers Ispat Karmat plant as a model investment venture.

The potential areas for investment in Kazakhstan include oil, setting up of refineries, pipeline construction and gas sector, besides in certain spin-off areas like industrial housing, and laying of roads and training. It is necessary to note that India covers most of all its oil demand by import. The volume of "black gold" delivered to the country comprises about 40 million tonnes costing over 60 billion US dollars per year that is 25 per cent of the total volume of imports. In the near future, there is likely to be an increase of import of energy. It is in this context that Kazakh-Indian cooperation in the oil sector has good prospects. Oil and gas industry is the basic strategic branch of the stable and dynamic development of Kazakhstan. At the same time, oil and gas for Kazakhstan is an effective external political tool as well as an operative mechanism for forging mutually beneficial international cooperation. The Indian Oil Company ONGC Videsh Ltd. has expressed its interest in exploring and investigating hydrocarbon resources in Kazakhstan. Resolution of the transportation problem is necessary for increasing the trade volume and investment cooperation between Kazakhstan and India.

In Almaty, an agreement on the transport-freight forwarding service of export-import and transit shipment between the Kazakh stock company Kazinterfraht under the Ministry of Transport and the Indian company J. M. Bahi has already been concluded. The agreement regulates

interaction of the two parties in carrying out railway and road transportation of export-import and transit cargoes. The transportation cost is determined by the tariff policy within the tariff agreement of railway carriers of respective countries - for the relevant freight year. It should be noted that on the whole, the agreement complies with international standards. Its full implementation will allow Kazakh commodity producers to enter the South and South East Asia markets, while the goods from the latter can enter Kazakhstan's market.

However, the volume and range of the India-Kazakhstan cooperation are still not consistent with the potential and possibilities of both sides. The main reasons are the lack of effectively operated transport system, mutual payment problems between partners of both sides, and also the narrow commodity structure in trade between the two countries. In order to intensify trade and economic cooperation and also to resolve the problem of mutual payments, it is necessary to conclude an agreement on Inter-Bank cooperation and another one on cooperation in oil industry between Kazakhstan and India.

It is also required to promote the interests of Kazakhstan in the effective use of Iranian transport corridor and further communication between Bander Abbas (Iran) and Bombay (India) ports. In this regard, the newly opened Eurasian transport corridor from the Caspian Sea to the Indian Ocean seems to be very promising for Kazakhstan. Several analysts have pointed out that the total profit due to the difference between the indicated new and old routes (across Suez Canal or around Africa to St. Petersburg) can be made upto 30 to 40 per cent of both time and expenses incurred in the delivery of goods. It is to be noted that only after the reconstruction of the international port Aktau and settlement of ferry transfer from Aktau to the port Anzely as well as ferry crossing from Akita to port Ensil the actual India-Iran-Kazakhstan transit and transport cooperation can be started. It will help in delivering the cargoes not only from Mumbai but also from Chennai or Colombo (Sri Lanka) and also from other ports located in the Indian Ocean. The new Silk Road has already become a reality in the new century. All these positive developments meet the long term interests of India and Kazakhstan.

Kazakhstan has keen interest in the establishment of a Software Technology Park and India as an IT Super Power with its expertise in frontier technology fields such as information technology, biotechnology, satellite imaging etc. can play a major role in the development

of IT Sector of Kazakhstan. The transfer of Kazakhstan's administrative capital from Almaty to Astana has also meant business opportunities for the construction companies. In the new capital city, there is a growing demand for all types of construction services, including construction, maintenance and renovation of industries, public utilities and residential buildings as well as designing and assembly services. Construction delegations representing major Indian construction companies such as Larsen & Toubro, Punj Lloyd etc. have visited Kazakhstan and the overall assessment is that there is plenty of scope for the construction business in Kazakhstan.⁴

Kazakhstan relatively being a large agricultural country, produces and exports livestock and grain. The industrial sector is based on extraction and processing of natural resources and also on construction of equipment, tractors and agricultural machinery. Commercial farming coupled with food processing industry could be another prospective area for cooperation, between Kazakhstan and India.

The success of India in economic reform is connected with the policy of the state support to small and medium range businesses. In doing so both economic and administrative apparatus have been used to make sure that a significant number of goods must be manufactured exclusively by small industries. Thousands of such items produced mainly by small companies are purchased by the state on fixed prices, thus providing a guarantee for their consumption. Kazakhstan must learn from India's experiences in its economic development.

Though India pays special attention to expanding trade and economic relations with the Central Asian states, economic cooperation with Kazakhstan has not developed to its full strength. Taking into account the increasing role of India in the world trade and non-realisation of the economic potential of both countries in the sphere of bilateral relations, Kazakhstan should intensify its efforts to expand economic ties with India. The two sides can do so by using new financial mechanisms, stimulating mutual investments and taking initiatives to develop small and medium range businesses. The role of medium range businesses in Kazakhstan - India trade relations is important because one third of the gross national product is provided by the private sector. At the same time, it is necessary to make efforts for developing links with the state owned enterprises and organizations

Direct links between the existing banking agencies of the two countries would contribute much to expand bilateral economic relations.

However, it should be based on close coordination between financial, bank and insurance as well as other interested units of both countries. In doing so, there is a need to have regular contacts between concerned ministries and agencies of both countries. Interaction between non-governmental organizations and commercial structures is specifically important.

In order to make bilateral trade and economic relations more stable, it is necessary for Kazakhstan to create an appropriate infrastructure so as to develop cooperation on new market principles. In this connection, the focus of bilateral relations should be on the stimulation of new forms of business cooperation, mutual participation in investment processes and privatization processes in both countries.

On other issues of bilateral cooperation, the two countries have already set up a joint working group on counter-terrorism which could be the forum for exchanging information and evolving common approaches to tackle global terrorism. The two countries also expressed their satisfaction at the progress of the Conference on Interaction and Confidence Building Measures in Asia (CICA). The CICA is a Kazakh initiative and has 20 Asian nations, including India, as its members. A significant outcome of growing cooperation between the two countries was the Kazakh support to include India in the Shanghai Cooperation Organisation (SCO).⁵ The SCO is a regional grouping consisting of Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan as its members. President Nursultan Nazarbaev stressed that considering India's geographical proximity and its active participation in matters of regional and global importance, its inclusion in the SCO would help strengthen the grouping. At the bilateral level, both countries agreed to enhance military and technical cooperation and the early formalisation of the extradition treaty. Nazarbaev also expressed Kazakhstan's support for the Indian candidature as a permanent member of a restructured United Nations Security Council. Both India and Kazakhstan are fighting cross terrorism and insurgency.

Strengthening trade and economic links, establishment of good neighbourly relations and regional stability are the main strategic goals of Kazakhstan and India. The long standing traditional ties form the basis of future development of their relations. The Two countries share many common things in their historical and cultural development. Kazakhstan, like India, has a number of problems requiring solution. Kazakhstan can learn a lot from India's experiences in dealing with political and socio-economic issues. However, it will also be fruitful for

India to get acquainted with the experience of the Republic of Kazakhstan in order to resolve common problems.

REFERENCES

1. Sh.I Namazbayev, "Kazakhstan and India: Outlook for XXI Century", *Kazakhstan and India: Through Ancient, Medieval and Modern Times*, Almaty, 2002, p.49.
2. N. Nazarbayev, "Strategy of Kazakhstan's Entry into the Ranks of the 50 Most Competitive Countries of the World", www.akorda.kz
3. "India-Kazakhstan Economic and Commercial Relations", www.indiainbusiness.nic.in/commercial-relation/kazakh.htm
4. "Economic Development of the Republic of Kazakhstan", <http://www.ficci.com/international/countries/Kazakhstan/kazakhstancommercialrelation.htm>
5. B.K. Sultanov and L.M. Muzaparova, "Kazakhstan-India Relations: Problems and Perspectives", *India-Kazakhstan Relations: Enhancing the Partnership*, Almaty, 2006

INDIA'S CENTRAL ASIA POLICY

A. DADEBAEV

India started establishing political, diplomatic, trade and economic and other bilateral and multilateral links with the newly independent states of Central Asia, including the Republic of Kazakhstan in the beginning of 1990s. From the historical point of view, India has always been closely connected with Central Asia and the close contacts continued during the Soviet period as well due to India being an ally of the former USSR.

Against the background of global geopolitical changes, which also changed the shape of international relations, India has come to occupy a key place in South Asia being the leader of the region. Having more than a billion population India is a huge country with favourable geostrategic position, essential military-political opportunities, possession of nuclear weapons, a significant economic potential and a very strong position in information technology. These objective factors form the basis for not only executing development plans but also pursuing an active foreign policy.¹

Central Asia figures prominently in India's foreign policy as Delhi attaches great importance to the development of political and economic relations with this region. From the geopolitical point of view India in itself is like a continent, though the Indian civilization is not inclined to geopolitical changes and territorial expansion. In recent times, dynamic technological development, particularly in the IT sector helped India in promoting trade and economic relations with the outside world.

Now India has a fast growing economy. According to an estimation by Indian and some international experts, in five to seven years period, the Indian economy can become fourth largest economy in the world. In the past ten years, its growth rate reached 10 per cent. It is a well known fact that 22 per cent of the world's population live in South Asia. This population desperately needs energy resources, and therefore, India's need

for oil and gas is growing.

In order to provide energy security to its population, India's option now is to cooperate in energy sector with the states of Central Asia and Iran. Now the concept of energy security not only involves the stable supply of hydrocarbon resources for basic consumer use, but also the extraction, transportation of these resources and sale in the world market.² Accordingly, not only the supplier countries, but also the transit states, consumers and transnational power corporations, have to share the responsibility together.

India has been evincing keen interest in acquiring energy resources which is to meet its fast growing national requirements. Central Asian countries, Iran, Russia and other West Asian countries are the principal sources of energy supply. According to the forecast made by Goldman Sachs, by the year 2050 India will occupy third place in the world in terms of gross national product and will also join the index of per capita gross national product of ten leading countries.

India in its foreign policy pays close attention to development of relations with Central Asian countries and also to the issue of regional security of Central Asia. India has been accorded the status of an observer at the Shanghai Cooperation Organization (SCO). India has also expressed its readiness to help Tajikistan to guard its frontiers and also in the struggle against illegal trafficking of drugs.

Maintaining stability in Central Asia is in the interest of India for strengthening its own national security. Central Asia represents a special interest for India both in terms of its trade interests and economic and foreign policy. This region is considered to be a potential commodity market for Indian products, and also a corridor for transit to other countries of CIS and Europe. Basically, Indian exports to Central Asia include pharmaceuticals, medical equipment, IT services, textiles and tea. But trade and economic cooperation with Central Asia is at a low level, i.e., about one per cent of cumulative commodity circulation of these states. For example, in the year 2004, the share of India in external commodity circulation of Uzbekistan was just 2.9 per cent and in other republics - it was even less. However, there has been a tendency towards growth.

One of the major factors for the low level of trade and economic relations between India and the Central Asian countries is the difficulties faced in natural transport and communication caused by the absence of a direct border between the two sides. Therefore, India undertakes every

possible measures on overcoming these difficulties. Firstly, India has been participating in an international project on the development of a North-South corridor, to connect the countries of South and Southeast Asia with Europe through Iran and Russia by creating a network of automobile, railway and sea routes. India has also been constructing Zaranj-Delaram-Chabahar route, through Afghanistan which will reduce the distance between India and Central Asia by 15,000 kms.

Central Asia is even more important for India as a prospective source of fuel and energy resources. India occupies sixth place in the world among the importers of energy resources and its needs are growing. For the period 1995-2003, consumption of natural gas in India increased from 17 to 34 billion cubic metres per year, and according to experts, the consumption rate is expected to further grow till 2020 by 6.5 to 7 per cent per year. As for oil, its annual requirement for India is 114 million tonnes but the country itself extracts only a quarter of its total requirements. India imports 70 per cent of oil from the countries of the Persian Gulf. However, fluctuations in the oil prices have pushed India to search alternative sources of hydrocarbon resources. Therefore, India is strengthening its investment policy in the oil and gas sector in Central Asia.

India has also implemented the Program of Technical and Economic Cooperation (ITEC) in all countries of Central Asia, which is directed towards rendering economic and technical assistance to less developed countries of Asia, Africa and Latin America.³ Within the framework of this programme, during 1993-2004 more than 600 experts from Uzbekistan were trained in India in various areas. With an assistance of 30 million Indian rupees an India-Uzbek Center of Information Technology has been set up in Tashkent.

Central Asia in many respects has now become an arena of the "Great Game" in which not only leading world powers, but also powers of an "average" level are actively participating. India is involved in the "Great Game" in Central Asia due to its geopolitical interests in the region which are determined by the following factors:

1. Partnership with Russia;
2. Chinese presence in Central Asia;
3. Rapprochement of India with the West and the USA;
4. Rivalry with Pakistan;
5. Threat of extremism and terrorism;

6. Energy and trade and economic interests of India in Central Asia and neighbouring countries.

Despite the geographical and cultural affinity of India with Central Asia, there is no direct communication between the two regions. India is keenly interested in further expansion of its economic relations with the region besides making its contribution to peace and stability. The states of Central Asia are also guided by similar concerns. The above mentioned factors provide the basis for further intensification of communication between the Central Asian countries and India. The strategic interest of India is directed not only towards the stabilization of situation in Central Asia, but also the creation of conditions conducive for India to play a more significant role in the region. It can be both economic as well as military and political cooperation that could help establish strategic partnership between India and the countries of region. Hence, growth of India's influence in Central Asia is inevitable. However, since Central Asia is located near the two largest populous states - India and China, it remains to be seen that how the prospective growth of influence of these two powers takes place in the region. But, it will depend on the response of Central Asia to the extent and pattern of influence of these two powers. Also the future of South Asia, particularly India, and its mutual relations with Central Asia will depend largely on transformation of out-of-date systems as well as the concept of rivalry into the concept of collective security.

REFERENCES

1. A. Komisina, "India: Cooperation with the Countries of Central Asia in the Sphere of Regional Safety", <http://www.pda.novopol.ru/material721.html>
2. "Power Safety: The Key Factor of Stability of International Relations", Statement of Kazakh Minister for Foreign Affairs, Marata Tazhina at the Eurasian Power Forum on 6 September 2007, Astana.
3. "India Becomes More Active in the Central Asia", http://www.cps.uz/rus/analitics/indiya_aktiviziruetsya_v_entralnoy_azii.mgr.

GROWTH OF WELFARE OF KAZAKHSTAN'S CITIZENS IS THE PRIMARY GOAL OF STATE POLICY

*Address by President Nursultan Nazarbayev of the
Republic of Kazakhstan to the people of Kazakhstan
dated 6 February 2008, Astana*

Kazakhstan entered 2008 with new economic achievements and a significantly modernized political structure. New amendments to the Constitution enhanced the role of the Parliament and political parties, the institutions of civil society. For the first time in the history of independent Kazakhstan, parliamentary elections on a proportional basis were held. *Nur Otan* won a landslide victory, which for the first time allowed the party to appoint the Government. Administrative reforms underway for some time have been enhanced by the introduction of executive secretariats at Government Ministries.

In 2007, the economy grew by 8.5 per cent. Since 2001, the economy has been growing at an average annual rate of 10 per cent, which is quite significant. We have been able to accumulate a considerable national reserve amounting to 40 billion US dollars, including assets of the National Fund. This significant sum played a special role in maintaining the stability of the nation's financial system.

The social climate is also stable and favorable. Since 2000, budgetary allocations for education, health care and social security have grown more than five fold. More than five million people are covered by the government's social security programs, twice as many as five years ago. We are continuously increasing the amount of assistance provided to our senior citizens. The total amount of pension savings is growing steadily

and has exceeded 1.1 trillion tenge. Social infrastructure is being strengthened. 76 schools and 23 medical facilities were built throughout the Republic in 2007 alone.

We have managed to reverse the negative demographic trends in the country. In three years, within the framework of the state guaranteed housing programme, we have constructed more than 18 million square meters of housing. This exceeds what we had planned by 2.2 million square meters.

All these dynamic social improvements are a bright illustration of the progress of our economy, the constructiveness of our social policy and the stability of our political system. Nowadays, given the global market slowdown, we have to engage domestic investment resources, combined with the growing role of State-owned holding companies, development institutions, and social-cum-entrepreneurial corporations.

We must focus on addressing short-term and medium-term objectives in the following priority areas.

THE EXTRACTIVE SECTOR

The key sector of the oil and gas industry involves bolstering the Government's position as an influential and responsible player in the international oil and energy markets. We have already increased Kazakhstan's share in developing the Kashagan and Kumkol oil fields, the Bogatyr open-cast coal mine, and others. We need to access international markets for finished products with high added value.

Samruk Holding Company, as well as regional SECs (Social-cum-Entrepreneurial Corporations) should undertake concrete measures for efficient development and greater competitiveness of the mining and metals sector. To that end, we must sort out the situation around the State-owned share holdings in existing mining and metal companies and transition to appropriate management of such holdings, while assuming the subsoil use rights with regard to explored iron ore and non-ferrous metal deposits, including rare metals.

PROACTIVE INFRASTRUCTURE SUPPORT

The Government must act to develop the power sector and the transportation system. Today, these sectors are clearly failing to keep up with the development of Kazakhstan's economy. Priority tasks to

provide power to the economy and the population include construction of the Balkhash Thermal Power Plant, Unit 3 of the Ekibastuz Thermal Power Plant No.2, the Moinak Hydroelectric Power Station and others. In 2009, construction of the second power transmission line for the North Kazakhstan - South Kazakhstan project, as well as the power transmission line from North Kazakhstan to the Aktyubinsk region must be completed. That will help reduce power shortages in Southern and Western Kazakhstan. In order to reliably provide for gas requirements of the Republic's southern regions, the Beineu-Shymkent main gas pipeline project must be examined, and its construction started. Specific proposals should be made on the construction of a nuclear power plant in Aktau. At the same time, the Government ought to focus on introducing power-saving and environmentally clean technologies.

We have to provide for the construction and modernization of the railway and roadway infrastructure. As early as this year, on a concessional basis, we should complete a railway from Shar to Ust-Kamenogorsk, start construction of railways from Mangyshlak to Bautino, from Yeralievo to Kuryk, and the section from Khorgos to Zhetigen, while starting the electrification of the Makat-Kandyagash railway section.

This year, in order to reduce rolling stock shortages, we have to draft a package of measures to develop the domestic transportation engineering sector and start implementing such measures. We must commence actual implementation of Kazakhstan's largest transportation project, the transcontinental corridor "Western Europe-Western China", which will pass through our Southern regions and will then go to Russia via Aktobe, creating jobs and reviving the regional economies.

In order to reduce fiscal expenditure, the construction and rebuilding of highways, such as Astana-Borovoye, Astana-Karaganda, Almaty-Kapshagai, Almaty-Horgos, as well as the Greater Almaty Ring Road will commence mostly on a concessional basis, with an eventual introduction of tolls. To give concession-based projects a boost and make them more attractive, the Government should improve the existing legislative and regulatory framework.

THE PROGRAMME OF "30 CORPORATE LEADERS"

Its implementation is helping true development of the non-commodity sectors of our economy. As of now, over 100 projects have emerged with

a claim to “breakthrough” status. Projects of vast importance to the economy are underway, such as the construction of the third gas-processing plant in Zhanazhol, mining and enrichment facilities and a copper smelter in the Aktobe region, ongoing construction of an aluminum smelter, as well as a chlorine and caustic facility in the Pavlodar region, establishment of a section rolling mill and metallurgical silicon facility in the Karaganda region, and numerous other projects.

Construction of the first integrated gas chemical complex in the city of Atyrau is to commence shortly. Next year, construction of a gas-processing plant to be supplied by the Karachaganak field, as well as a new aluminum smelter in the Kostanai region will start as well. We will continue implementing the projects that call for establishing a tyre complex in Astana, developing logistics centers in Astana and Almaty, and establishing a polycrystalline silicon manufacturing facility. However, over these years, many hundreds and thousands of new enterprises have sprung up in Kazakhstan. Kazakhstan had never had a facility to produce glass, a badly needed material in high demand. Neither has Kazakhstan had an aluminum plant. Currently, five vehicle plants are in operation, including car assembly facilities. Nowadays, radio equipment and computers are assembled in Kazakhstan. The furniture sector, construction industry, and other sectors are surging ahead.

AGRO-INDUSTRIAL COMPLEX

Over the past five years, Kazakhstan has achieved notable results in developing its agricultural sector. Gross agricultural output has almost doubled since 2002. Investment has more than tripled. This has been made possible due to massive government support to the agricultural sector. Grain crop harvests have improved dramatically. Mandatory crop insurance, introduced in 2004, has guaranteed that farmers make money even in drought years. These measures have contributed to the near-quadrupling of combined sales in our agriculture, which have exceeded 4 billion US dollars.

Improving the quality of life in our villages and rural communities will remain a government priority. Given the evolving global trends and its existing potential, the agro-industrial complex should develop into a key revenue earner for our economy. Agricultural product prices have been rising; in general, this sector is becoming highly lucrative and we should invest in it.

First, the country's food security must be assured. To that end, it is imperative to attract greater investment in agricultural and food processing. Kazakhstan meets its domestic demand for key staple foods and has export potential. Close attention must be given to providing incentives for production of essential staples that do not yet meet the nation's demand. Those include, for instance, vegetable oils, fruits, sugar, and others. Second. It is important to focus on those agricultural sectors that export their products. In particular, the channels for grain exports via Caspian and Black Sea ports, as well as exports to China must be expanded. Third. The livestock sector likewise offers a great export potential. In a further step, our veterinary system should transition to international standards.

MACROECONOMIC POLICY PRIORITIES

The Government, the National Bank, and the Financial Supervision Agency must establish effective mechanisms for systemic and prompt government responses to any threats of financial instability and must bolster the international markets' confidence in Kazakhstan's economy.

First, systemic enhancements are needed in the operations of the Financial Supervision Agency. The primary goal of the Agency, as well as the National Bank and the Ministry of Finance, should be improving the competitiveness and stability of the nation's financial system, particularly its banking sector. We must learn the lessons of the U.S. sub-prime loans crisis, which has seriously affected our banks. The Financial Supervision Agency should monitor the situation in each bank more closely and should employ preventive and effective measures, if need be. Government support can not be a one-way street, and the banks should assume their portion of risks. If bank shareholders are unwilling or unable to raise extra resources for the banks' development, the Government should be ready to take necessary action. Meanwhile, the process of regulatory intervention should be extremely transparent and predictable to the entire banking sector. We view the advent of foreign capital to the banking sector as a vote of confidence in Kazakhstan, as a source of much-needed financial support and of best international practices in the area of banking services.

Structural reforms of our financial system must continue. These involve the development of the securities market, advanced financial

instruments, improved bankruptcy legislation, and a profound reform of the judiciary. We should develop systemic risk management in private and public sectors alike. The Government, the Fiscal Supervision Agency, and the National Bank ought to construct a flexible and reliable system of risk management. Furthermore, a system of rapid response measures is to be developed for contingencies. The degree of confidence on the part of the general public and the business community, including foreign business, should become a key performance criterion for the nation's financial authorities.

Second, the taxation system must be aligned with the objectives of this new phase in Kazakhstan's development. The existing Tax Code has played a positive role in supporting economic growth. However, its potential has been largely exhausted by now. The Code includes in excess of 170 exemptions and preferences which continuously proliferate on an ad hoc basis. The Government should draft a new Tax Code designed to promote modernization and diversification of the economy while bringing business in from the shadows. The new Code should have the character of a direct action law that prevents arbitrary interpretation of its rules by tax authorities, while combining high quality tax administration with taxpayer interests. Most importantly, though, it should provide for a reduction of the total tax burden on non-commodity sectors of the economy, particularly small and medium-sized businesses. The expected shortfall in government revenue should be offset by greater economic returns from the extractive sector.

Third, the Agency for Protection of Competition is to perform a special mission of ensuring our economy's efficiency and competitiveness. The Agency's broad powers should guarantee success in fighting collusion on prices, bad faith competition, and certain market players who abuse their dominant or monopoly status, while enhancing the positions of Kazakhstani business globally. A new competition law is needed, to provide serious impetus for the growing entrepreneurial activity in this country.

Fourth, we should redouble our anti-inflation efforts. Given rising inflation, which is exacerbated by pressures from global economic developments, the Government should take well-considered and appropriate action. The Government should proactively control the situation in the context of global economic instability. All the necessary resources are in place. Therefore, the Government and the National Bank should have an operations plan of stabilization actions in case the global

economy experiences the expected slowdown and the prices of certain exports weaken.

First and foremost, until the financial sector's problems are overcome, the Government should temporarily reduce government expenditure across all areas and programs other than social ones. We shall continue on the path of improving Kazakhstan's political model and system of government by combining the generally accepted tenets of democratic development and our society's traditions.

First, over the 16 years of our independence, we have implemented our own model for securing public stability and inter-ethnic accord, moulding the Kazakhstani identity and shared Kazakhstani patriotism. This is our Kazakhstani know-how, of which we are justly proud and which we must carefully guard. Within the constitutional reform context, the status and power of Kazakhstan's People's Assembly has increased. As they represent the interests of all people across our multi-ethnic nation, deputies elected by the Assembly are called upon to play a special role in consolidating inter-ethnic peace and accord in Kazakhstan. Kazakhstan needs long-term stability, peace and accord for further strengthening of the nation and its security, for sustainable economic development and for a better standard of living for our citizens.

Second, the development of a modern political system should continue in Kazakhstan. Political parties, non-governmental organizations and other public institutions should play the lead role in such process. The strengthening of party mechanisms will promote the establishment of modern civil society and the general public's broad involvement in social processes. Presently, the model based around *Nur Otan* as the dominant party may be viewed as the optimal form of political system for Kazakhstan. Due to this model, all other political parties are able to run in elections, get elected to the Parliament, and take part in all political developments. There are no obstacles to the emergence of new parties or to expression of one's own opinion.

Third, in the context of a democratic society, the fight against crime and corruption is assuming great significance. The law-enforcement system and the judiciary must assure fair and effective protection of Kazakhstan citizens' rights, while protecting business from unlawful interference. In this area, crime preemption and prevention, rather than punitive action should be a priority. Therefore, a bill "On Prevention of Offences" must be drafted and submitted to the Parliament this year.

Fourth, the Government must promptly implement the measures

envisaged by this administrative reform for the development of Kazakhstan's government administration system in keeping with the principles of effectiveness, transparency and public accountability, and with due regard for best international practices. These new approaches should be tried and tested in 2008 within pilot government agencies such as the Ministry of Justice, the Ministry of Economy and Budget Planning, the Ministry of Finance, and the Governor's office of the South Kazakhstan region. Greater efficiency and better performance of the administrative apparatus must be the primary goal of the administrative reform, so that officials serve the people properly.

A new nation-wide human resources policy must become a key aspect of administrative reform. At the current phase of development, the human factor is becoming crucial. Modern approaches must be developed to establish a professional core of new-style managers within the public administration system. The *Nur Otan* party should play a major role in this process. The party should take an active part in developing human resources for the public administration system, acting as a "social elevator" for deserving citizens.

An important role should be assigned to the younger generation, including the *Bolashak* programme graduates. Young professionals should find their place in the developments taking place in the nation, and should take a very active part in building the future. Work with the human resource pool slated for potential promotion should be raised to a new, higher level. The Presidential Administration must lead the human resources effort.

Fifth, as of the next year, for the first time in our nation's history, the new system of government budget planning will be based on a three year budget. To that end, the Government must draft a new Budget Code this year. We must also redouble efforts to modernize and improve the planning system, boost the effectiveness of budget expenditure, and improve the management of government assets.

Sixth, the Government must conduct a targeted audit of government funds allocated under the Government's major socio-economic programs. The objective of this audit is to assess performance and dramatically improve the efficiency of managing and expending government funds.

Seventh, the Government should continue its consistent efforts at providing incentives for greater competitiveness of small and medium-sized enterprises. Operations of micro-credit institutions should be supported, including with public funds. Such institutions aid hundreds

of thousands of our citizens in establishing their own businesses. We should devise measures to make micro-credit more accessible and create new jobs for a greater number of Kazakhstanis. A well-developed entrepreneurial sector is the basis of any economy.

According to the latest World Bank report "Doing Business", it takes 89 days to perform all export-related procedures in Kazakhstan, whereas it only takes five days to do the same in Estonia. Various inspections, contemplated by more than 50 laws, have turned into a true calamity for businessmen. Certain agencies use various pretexts to "inspect" a business several times in violation of the law. This seriously distracts enterprises from their business. The number of inspections carried out by law-enforcement authorities and other inspectors should be significantly reduced, and such inspections should be streamlined.

Continued improvement of the social well-being of the Kazakhstanis, all elements and social groups of Kazakhstani society have been and will remain at the forefront of government policy. The Government's social policy can only be effective if it seeks to create jobs and bring the able-bodied population into the national economy.

The new three-year budget should provide for:

- Overall rise of average pensions by the factor of 2.5 between 2007 and 2012, including a 25% rise in 2009, a 25% rise in 2010, and a 30% rise in 2011. Meanwhile, base pension benefits should reach 50% of the subsistence level by 2011;
- A nine per cent annual average increase in government social benefits and specialized government benefits starting in 2009;
- A phased increase of the monthly child care benefit once the child reaches one year of age, to exceed the 2007 benefits by an average factor of 2.5 by 2010-2011;
- An increase of one-off benefits for the birth of the 4th child and more, in excess of 4 times the 2007 amount, starting as of 2010;
- Salary increases for government employees, to gradually double salaries by 2012, including a 25% increase in 2009, a 25% raise in 2010, and a 30% raise in 2011.
- In 2009, the annual quota for resettlement of Oralmans to their historical homeland should be raised by 5 thousand families to 20 thousand families a year.

The main challenge in our education system is to expand high-quality education services through the implementation of the State Program on

the Development of Education through 2010. This year we will complete the construction of 88 schools for 68 thousand students, and in 2009-2010 some 102 more schools for 69 thousand pupils are to be completed.

I commission the Government and national entities, in cooperation with regional governors and the governors of Almaty and Astana, to develop and implement the program on the further development of professional and technical education. This program should provide for the attraction of foreign scientists and teachers to the areas of education most useful to the national economy. The Government should speed up the implementation of the "Unity of three Languages" cultural project. I would like to draw your attention to the urgent need to increase the quality of Kazakh language teaching, as this language unites the entire society. We should develop and introduce the most advanced programs and techniques for teaching Kazakh. It is vital to develop innovative methodological and practical manuals and audio and video materials to promote the effective learning of our national language. There are only one or two publishing houses that constantly win bids to publish textbooks in Kazakh. The quality of textbooks in Kazakh does not meet the standard. The books do not entice people to learn Kazakh, on the contrary, they push them away from the language. Relevant government agencies should take all appropriate measures to resolve this issue.

A breakthrough in providing our citizens with pre-school facilities has not yet been achieved. We should pay particular attention to the pre-school education system, as this is the first element of continuous education for our youngest citizens. Effective programs for the development of their creative and intellectual abilities should be introduced at this stage. Our healthcare system today does not yet meet the requirements of Kazakh citizens. This is our main challenge in the healthcare system. We are not satisfied with the current infrastructure, quality and management of medical services.

First, the Government should re-energize its work on the refurbishment and development of healthcare facilities. This year we will build nine national level healthcare facilities and 112 local facilities. Second, we should review current programs with a view to increasing the use of the most advanced techniques in early diagnostics, detection and treatment. Third, I commission the Education and Health Ministries to launch jointly a program to improve the professional skills of medical personnel through additional training and retraining, certification and licensing. In addition, the number of grants allocated to medical

universities and the quota for medical training under the Presidential "Bolashak" scholarship should be increased. Fourth, particular attention should be paid to providing our people with medicines. The quality of imported medicines should be thoroughly scrutinized and controlled. And we need to be more active in attracting foreign investments for the construction of national pharmaceutical factories. Fifth, it is particularly important to develop the appropriate infrastructure for the "Healthy Nation" project. We should emphasize and provide every possible opportunity for physical and sports training for our citizens from an early age.

Governors should restore existing and build new stadiums, sports facilities and athletic fields for children and adults, thus providing opportunities for exercise for citizens of all ages to get in shape and live longer lives.

A package of measures must be devised for a demographic turnaround. This should be the keynote issue for the coming session of the National Council.

The nation's health is a national goal. The domestic business community should actively contribute to attaining this objective. In 2007 alone, such entities as Kazakhmys Corporation, the Eurasian Industrial Association, KazZink, Tengizchevroil, Agip, as well as the national companies KazMunaiGaz, Kazatomprom, and Kazakhstan Temir Joly, spent in excess of 30 billion tenge on the development of social facilities, including schools, medical and pre-school institutions, rehabilitation centers, disabled persons' rehabilitation centers, as well as culture and sports faculties. This is a vivid example of good corporate citizenship.

Accessible high-quality housing for our citizens, particularly for new families, is an issue that has always been and still remains among the Government's most vital priorities. It is high time to make the following amendments to the National Housing Program.

First, extension of provisional housing loans at a rate not exceeding 4% per annum to government employees through a building-savings system. Second, we should emphasize construction of rental housing, including for government employees. For the benefit of citizens wishing to build their own homes, the Government will set up a private homebuilding infrastructure. SECs should get actively involved in this process under the program. Third, we should legislate to ensure operational transparency of construction companies and greater competition in that sector. Greater protection should be provided to the

rights of the individuals who make equity contributions to housing projects. Simplified rules are needed for allocation and documentation of land plots in order to provide incentives to private home construction. Fourth, the introduction of industrial, affordable, and environmentally clean technologies of private home construction should become a priority. Fifth, further development of Astana is a highly important task.

The construction of advanced transport and utilities infrastructure, as well as power sources for the capital city must continue. The Government must redouble its efforts at creating a food belt around Astana, in order to saturate the capital's consumer market and stabilize prices. In 2008, the Government and the Astana Governor's office are to complete the establishment of a health service cluster, making sure that all facilities are commissioned as scheduled by the capital city's 10th anniversary.

Improvement in the population's well-being should remain a priority for Governors at each and every level. Focused efforts are needed in the following areas.

First, improved fiscal performance. We must cut back on all expenditures unrelated to the population's social well-being. At the central level, work is already underway to implement result-oriented budgets. This work must also be expanded to the local level. The public should feel that regional authorities truly care about them. New social facilities, such as medical institutions, schools, and sports facilities should become centers for providing the public with high quality, state-of-the-art and, most importantly, mass-scale services. Second, the Governors must ensure proactive development of infrastructure, in particular, local roads. Third, the practice whereby non-transparent arrangements are used for land allocation must be discontinued. All land must be allocated by way of public auctions. The only exception will apply to special-purpose land plots intended for SEC operations.

As seen from audits carried out by the Government, land around Astana and regional capitals have been bought in advance in the name of front companies and individuals. Nowadays, by selling those lands at market prices, certain persons, including quite a few officials, are getting rich at the Government's expense without having invested anything. They should be given the option of voluntarily returning such lands to the Government; otherwise, law-enforcement authorities should investigate whether such actions were lawful and whether such persons are liable.

In general, *Nur Otan* branches and grassroots organizations, as well as local *Maslihat* deputies should become a serious factor for regional development and economic modernization. They must take an active part in implementing this package of measures and keep a close watch over the tasks enumerated above.

Since it gained its independence, Kazakhstan has become a full-fledged member of the international community. Intergovernmental entities established at the initiative and with direct involvement of Kazakhstan have demonstrated that there was indeed a need for them. Such intergovernmental entities have laid down the foundation for an effective regional security system and include CICMA, the SCO and CSTO. We must continue to strengthen our economic and political cooperation with Russia, China, and the Central Asian countries. We must create a firm foundation for stability, an open dialogue and interaction in the region. We are also expanding our constructive interaction with the USA, EU, and NATO with a view to strengthening security in the Central Asian region.

As of now, this country has reached a qualitatively new level of international recognition as convincingly demonstrated by the decision to grant Kazakhstan the rotating chair at the Organization of Security and Cooperation in Europe in 2010. In this regard, it is necessary to devise a special program, "Path to Europe." The program would be intended to promote economic cooperation, bring in technology and management experience, improve our legislation, develop our own agenda and a strategic vision for our chairmanship of the OSCE.

On the whole, our foreign policy and security priorities remain unchanged. First, our foreign policy is built on a quest for commonality of fundamental interests, understanding the need for compromise solutions to all, including the most difficult issues. Second, Kazakhstan intends to continue strengthening, in every way, its position as an active member of the international coalition against international terrorism and religious extremism. Third, we will continue the modernization and combat preparation of the Kazakh Army. Over the past few years this nation's Armed Forces have significantly enhanced their military and technical capabilities. It is necessary to form a professional, military and command corps of the Armed Forces capable of confronting modern security challenges.

On the whole, this country's Armed Forces are being tasked to continue to raise their combat readiness and competitiveness in

DOCUMENT

accordance with the new Military Doctrine. The Government, the State as a whole must provide resolute support to our Armed Forces. Over the next few years a number of major international events of global importance will be organized in Kazakhstan such as the Third Congress of World and Traditional Religions in 2009, the Conference on Confidence and Security Measures in Asia in 2010, work in the OSCE Troika starting in 2009, and chairing the OSCE in 2010.



**Kazakhstan Institute for Strategic Studies (KazISS)
(under the President of Kazakhstan)**

Kazakhstan Institute for Strategic Studies under the President of the RK (KazISS) was established by the President's Order of June 16, 1993.

Kazakhstan Institute for Strategic Studies is a national scientific research institution providing scientific research and analyses for the President of Kazakhstan.

Ever since its establishment, KazISS has a team of professionals and specialists in political and strategic studies, historians, economists and sociologists. The Institute is recognized as the leading scientific and analytical center in Kazakhstan.

Many high-rank employees of the Kazakhstan President's administration, ministries and agencies, diplomats of Kazakhstan and faculty of higher educational institutions began their career in the KazISS.

Students of Almaty higher educational institutions have a probation and under-graduate probation on the basis of the KazISS, and some of them are later employed by the Institute or some other institutes.

Now the Institute has all necessary infrastructure and facilitates for the professional and scientific advancement of its staff and also for award of Ph.D. degree.

The Institute carries out basic researches on strategic issues, foreign and domestic policies, problems of the social-economic development of Kazakhstan, besides making prognosis and analyses for the country's leadership.

The Institute organizes Seminars, Conferences, Round Tables, International Forums particularly on the main issues covered by the KazISS.

The KazISS cooperates with foreign scientific and analytical institutions, and implements international research projects on different problems of the development of Kazakhstan and Central Asia.

MAIN DIRECTIONS OF THE KAZISS STUDIES

1. Strategic Aspects of Foreign Policy:

- monitoring of domestic political, social and economic development of the neighboring countries;
- analysis of bilateral relations of Kazakhstan with Russia, China, USA, India, Turkey, countries of EU, CIS states;
- study of integration problem on the post-Soviet space;
- study of security issues.

2. Political and Social Processes in Modern Kazakhstan:

- monitoring of social-political situation in the Republic of Kazakhstan;
- study of the processes of democratization and political institutions in the country;
- analysis of current political situation in Kazakhstan.

3. Economic Strategy of Kazakhstan:

- study of the economic security problems of the Republic of Kazakhstan ;
- study of the development tendencies of world economies and their impact on the Kazakhstan economy;
- study of the problems of globalization and their influence on Kazakhstan;
- monitoring of social-economic situation in the Republic of Kazakhstan.

4. Editorial-publishing activity:

- editing information and publication of analytical journal *Analytic*
- editing scientific journal *Kazakhstan-Spectrum*
- editing scientific and analytical journal *Kogam jane Daur* (in Kazakh)
- editing analytical journal *Central Asia's Affairs* (in English).

For cooperation and partnership you may communicate with the KazISS on the following contact details:

Kazakhstan Institute for Strategic Studies

87-B, Dostik Avenue, 050010 Almaty, Kazakhstan

Tel.: + (7-327) 264 34 04; Fax: + (7-327) 264 49 95

email: office@kisi.kz

website: www.kisi.kz

HIMALAYAN AND CENTRAL ASIAN STUDIES is a quarterly Journal published by the Himalayan Research and Cultural Foundation, which is a non-governmental, non-profit research, cultural and development facilitative organisation. The Journal is devoted to the study of various issues pertaining to the Himalayan and trans-Himalayan region in South and Central Asia or parts thereof, connected with its environment, resources, history, art and culture, language and literature, demography, social structures, communication, tourism, regional development, governance, human rights, geopolitics etc.

While the principal concern of the Journal will be on its focal area, i.e., from Afghanistan to Myanmar including the Central Asian states of Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, China, Mongolia, Nepal, Bhutan and the Indian Himalayan States of Jammu and Kashmir, Himachal Pradesh, Sikkim, Uttaranchal and North East states; papers with a broad sweep addressing environmental, social, cultural, economic, geopolitical and human rights issues are also welcomed.

The objective is to make a scientific appraisal of the issues confronting the Himalayan and adjoining region in South and Central Asia or parts thereof, and to make specific policy oriented studies and need based recommendations as the means to promote the human, educational and economic advancement of the peoples of the region besides preserving and enriching their ethno-cultural, literary and historical heritage. Promotion of human rights, social justice, peace, harmony and national integration are the other key areas in which the Himalayan Research and Cultural Foundation has been active.

**CONTRIBUTIONS FOR PUBLICATION AND ANY ENQUIRIES
SHOULD BE ADDRESSED TO :**

Prof. K. WARIKOO

Editor and Secretary General

Himalayan Research and Cultural Foundation

B-6/86, Safdarjung Enclave

New Delhi - 110029 (India)

Tel. : 0091-11-26742763, 0091-11-41651969

Fax : 0091-11-26742843

E-mail: kwarikoo@gmail.com

Books for review should be sent to the same address.

Registered with the Registrar of Newspapers R.No. 67256/97

HRCF PUBLICATIONS

Afghanistan Factor in Central and South Asian Politics

Edited by K. Warikoo (New Delhi, 1994. 73pp.)

Society and Culture in the Himalayas

Edited by K. Warikoo (New Delhi, 1995. 316pp.)

Central Asia : Emerging New Order

Edited by K. Warikoo (New Delhi, 1995. 352pp.)

Jammu, Kashmir and Ladakh : Linguistic Predicament

Edited by P. N. Pushp and K. Warikoo (New Delhi, 1996. 224pp.)

Artisan of the Paradise : A Study of Art and Artisans of Kashmir

By D.N. Dhar (New Delhi, 1999. 230pp.)

Gujjars of Jammu and Kashmir

Edited by K. Warikoo (Bhopal, 2001. 317pp.)

Bamiyan: Challenge to World Heritage

Edited by K. Warikoo (New Delhi, 2002. xviii, 313pp. 61plates)

The Afghanistan Crisis : Issues and Perspectives

Edited by K. Warikoo (New Delhi, 2002. xxvi, 523pp.)

Mongolia-India Relations

By O. Nyamdavaa (New Delhi, 2003. 228pp.)

Child Labour Rehabilitation in India

Edited by B. Zutshi and M. Dutta (New Delhi, 2003. 257pp.)

Mongolia-China Relations

By Sharad K. Soni (New Delhi, 2006. xix, 328pp.)

Afghanistan: The Challenge

Edited by K. Warikoo (New Delhi, 2007, 377pp.)

Drugs Production and Trafficking in Afghanistan

By Deepali Gaur Singh (New Delhi, 2007, 380pp.)

Afghanistan: Challenges and Opportunities (Set of 3 vols.)

Edited by K. Warikoo (New Delhi, 2007)

L. Berzenczey, Adventures in Central Asia: A Hungarian in the Great Game

Edited by P.J. Marczell (New Delhi, 2007)



HIMALAYAN RESEARCH AND CULTURAL FOUNDATION

B-6/86, Safdarjung Enclave, New Delhi-110029 (India)

Tele : 0091-11-26742763, 0091-11-41651969, Fax : 0091-11-26742843

E-mail: kwarikoo@gmail.com Website: www.himalayanresearch.org