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

Quarterly since 2003

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

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Printhouse of
IE Volkova Y. V.
Address: 212/1 Raimbek Ave., Almaty
Circulation: 300 copies

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The EU Eastern Partnership Program in the Geopolitical Context of Post-Soviet Space

MURAT LAUMULIN

The Eastern Partnership (EP) program should be viewed as another attempt to reformat the post-Soviet space along anti-Russian and anti-Eurasian lines and a response to Moscow's integration activities. This is not the first attempt of its kind: the West has already tried other geopolitical and geoeconomic tools. The final aim, however, has remained the same: Russia's domination and possible integration of post-Soviet regions irrespective of form, even economically adequate, should be prevented by all means.*

Introduction

Throughout 2013, Europe was waiting for the third EU summit of Eastern Partnership. Its specter had been haunting Eastern Europe since January 2013, when it was announced that in November 2013 six post-Soviet republics — three in Europe (Ukraine, Belarus, and Moldova) and three in Transcaucasia (Georgia, Armenia, and Azerbaijan)—would announce what was expected to become their historic decisions.

The stormy events in Ukraine, which began a week before the Vilnius Summit, went on until the end of 2013, and resumed early in 2014, left the summit no chance, but the Eastern Partnership program survived.

It was formulated by the Polish Foreign Ministry in cooperation with Sweden in 2008 when the Kaczynski brothers, confirmed anti-Russian politicians who called the tune in Poland, declared that their country would become a link between Europe and the post-Soviet countries. The program “offers a framework for deepening and strengthening relations between the EU and its partner countries, for speeding up their political association, economic integration.” Russia, which interpreted this as a confrontational formula, objected by saying that Poland was trying to spread the EU influence into the CIS (read: Russian) responsibility zone; what followed looked very much like a tug-of-war.

In fact, the program was yet another attempt to reformat the post-Soviet space along anti-Russian and anti-Eurasian lines largely prompted by President Putin's persistent and determined efforts to speed up integration that had become obvious in the mid-2000s.

The EP was not the first program of its type — it was predated by all sorts of geopolitical and geoeconomic projects — TRACECA, GU(U)AM, the New Silk Road, Greater Central Asia, the Black Sea-Caspian Region, the Baku-Tbilisi-Ceyhan oil pipeline, the Nabucco gas pipeline, etc. All of them were devised, launched, and some of them implemented to reformat the post-Soviet space to prevent Russia's domination and unification of at

* The article was written in the last days of February 2014.

least some of the formerly Soviet regions in any form, even if economically acceptable.

Eastern Partnership looked more tempting than its predecessors: the European Union posed as the most successful integration project; as distinct from the United States and NATO, it never pushed forward its geopolitical ambitions. Potential partners were invited to engage in economic integration with Europe, all the more logical because many of the post-Soviet states identified themselves as European.

They joined the project in anticipation of an association agreement with the EU, which presupposed profound and comprehensive free trade. As distinct from other free trade agreements, the European Union invited its future partners to adopt a considerable part of so-called *acquis communautaires* (laws, rules, and norms of the European Union), which meant integration into the economic and legal space of the EU and weaker trade contacts with other partners, of which Russia was one.*

In the summer of 2013, the political struggle caused by the approaching summit scheduled for November was growing more and more vehement. Ukraine was confronted by a far-from-easy and far-from-pleasant choice between an association agreement with the EU and the Customs Union. The first presupposed a free trade area with the EU, which excluded Ukraine from the free trade area of the Customs Union and Common Economic Space (CES). Kiev had been shuffling the Eurasian and European cards for several months before Moscow demonstrated that it meant business (special mention should be made of the positions of two other capitals, Astana and Minsk).

Less than a week before the Vilnius Summit, Ukraine refused to sign the already initialed association agreement, leaving the European political community baffled. The explanations that followed were incoherent and fairly contradictory: at first Kiev complained about the unacceptable conditions of the proposed agreement and then shifted the blame onto Russia and its pressure.

Eyewitnesses say that the passions that flew high in Vilnius brought to mind the Bucharest

NATO Summit of April 2008 when Ukraine and Georgia expected to be offered the NATO Membership Action Plan (MAP). To prevent this, President Putin went to Bucharest to persuade the Western leaders to avoid radical steps. Moscow managed to win some time. It is interesting to note that at that time some Ukrainian political scientists were very critical of the obviously pro-Western course of the Ukrainian regime.**

Four months later, the Russian-Georgian war buried (probably forever) Georgia's hopes of joining NATO. Two years later, Russia and Ukraine signed the so-called Kharkov agreements. It stands to reason that Moscow regards the free trade area being offered its neighbors as a threat to its own economic security (this is especially true of Ukraine, a close trade partner of the Russian Federation) no matter what the EU's real intentions are.

Even though the EP program has no military dimensions, Moscow and Brussels became locked in a struggle for geopolitical influence on the above-mentioned six Soviet-successor states.

In the latter half of 2013, when it became clear that Kiev was serious about its intention to sign the agreement and join the free trade area, their rivalry reached its highest point. Russia got down to business: it used time-tested (bans on certain Ukrainian products exported to Russia) and newly invented methods (comprehensive ban on Ukrainian export to the Russian Federation); nor did it forget about gas.

Ukraine: Between the West and the East

Geographically, economically, and geopolitically, Ukraine is the No. 1 player in Eastern Europe. In the early half of the 1990s, it preferred a multivectoral foreign policy; in the latter half of the same decade, it steered toward integration into European and Euro-Atlantic structures.

Russia is insisting on closer and stronger ties with Ukraine for several reasons.

- First, its geostrategic consequence cannot be underestimated: allied with Ukraine, Russia becomes a Black Sea power with an outlet to the

* See: S. Charap, M. Troitskiy, "Russia, the West and the Integration Dilemma," *Survival*. Global Politics and Strategy, No. 6, 2013, pp. 7-28.

** See: V.N. Smirnov, "Ukraina v svete sovremennykh vyzovov globalizatsii," *Novaia i noveyshaia istoria*, No. 4, 2008, pp. 26-40.

Balkans and much stronger positions in Central and Southeast Europe, the Black Sea Basin, and the Mediterranean.

- Second, Ukraine is home to millions of ethnic Russians whom Russia is not going to leave to the mercy of fate.

- Third, Russia moves its gas to Europe across Ukraine.

American scholar Samuel Huntington pointed to Ukraine's special geopolitical location on the "civilizational fault line."^{*}

Everyone agrees that Ukraine was and remains critically important for CIS geopolitics. Here is what Zbigniew Brzezinski, a well-known American expert in geopolitics, said in his famous *The Grand Chessboard*: "Without Ukraine, Russia ceases to be a Eurasian empire."^{**} This explains the vehemence with which all the post-Soviet republics have responded to the political crises in Ukraine fraught with a changed development vector.

Early in the 21st century, Russia and the West were locked in bitter geopolitical rivalry for control over Ukraine; the presidential elections of 2004 ended with the drama of the first Maidan and the Orange Revolution. Victor Yushchenko, a pro-Western politician who wanted to see Ukraine in the orbit of NATO and the EU, became president. The Russian expert community, on the whole, agrees that the choice between Russia and the Western zone of influence has been gaining ever-increasing political weight in Kiev.^{***}

The West, on the whole, wants to see Ukraine in its sphere of influence for several reasons: it is a tool to be used to contain Russia's geopolitical ambitions. The West expects that, after detaching Ukraine from Russia and including it in its orbit, it will prevent a neo-Russian empire in the post-Soviet space. Washington wants to use "post-Kuchma" Ukraine to neutralize Russia's political and military-political impact in the CIS.

The European Union wants to see Ukraine in its sphere of influence; Brussels keeps Ukraine at

arm's length in full accordance with the strategy the West European countries imposed on the EU. This presupposes that Ukraine's desire to join the WTO should be encouraged; the visa regime should be simplified; and duty-free trade should be accepted. Nothing is said, however, about its future EU membership. Brussels wants a zone of economic and political stability based on common (European) values to be spread across the EU and its immediate neighbors.

Gas supplies are one of the major concerns of the European Union: it receives gas from Russia via Ukraine, which means that Brussels does not want a conflict with Russia over Ukraine — energy security comes first.

Since 2004-2005, the relations between Russia and Ukraine have been going from bad to worse. Ukraine is doing everything to prevent Russia from building its influence in the CIS. Yushchenko, as a radically pro-Western politician, clearly wanted to detach Ukraine from Russia to join NATO and the EU. Early in 2008, the Ukrainian leaders tried, in vain, to speed up the process with the help of the United States, Poland, and the Baltic countries.

The main Western integration structures (the EU and NATO in particular) saw the initial conditions indispensable for Ukraine's full-scale integration as their strategy course, while trying at the same time to contain Russia and keep it at a distance. In the final analysis, much was done to reorientate the people and elites toward Western axiological values, social norms, and integration. Amid the financial crisis, Ukraine hoped that the Western financial institutions would come to its rescue to help stabilize the national currency and economy.

We all know what happened after the Vilnius Summit; a week before the summit the Ukrainian opposition poured into Maidan (the square in the center of Kiev. — Ed.) to protest against what was 2004 Orange Revolution reincarnated, erupted as soon as Yanukovich returned from Vilnius. The struggle for power became obvious and vehement.

^{*} S.Huntington, *The Clash of Civilizations and the Remaking of World Order*, A Touchstone Book, New York, 1997, p. 37; Na fone "oranzhevoi revoliutsii": Ukraina mezhdru Vostokom i Zapadom: vchera, segodnia, zavtra, ed. by K.F. Zatulin, The Institute of CIS Countries, Moscow, 2005, 240 pp.

^{**} Zb.Brzezinski, *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives*, Basic Books, New York, 1997, p. 46.

^{***} See: N. Rabotiazhev, "Ukraina mezhdru Rossiey i Zapadom: opyt geopoliticheskogo analiza," *Mirovaia ekonomika i mezhdunarodnye otnoshenia*, No. 9, 2008, pp. 75-83.

Had Ukraine signed the association agreement and joined the free trade area (which was part of the proposed arrangement), this might have become the dividing line in the history of the post-Soviet space, although no instant economic or constitutional changes would have followed. People in Ukraine would have discovered that life had not improved or that it had become much worse.

The association agreement gave Ukraine the opportunity to change its orbit (in full accordance with the zero sum game logic). Russia and the West have returned to it, which means that a different outcome of the summit would have been interpreted as Moscow's crushing strategic defeat.

Russia had to act and it acted. Throughout 2013 Ukraine was being informed, from all quarters, the Kremlin included, that if it joined the Customs Union it would gain at least \$6 to \$12 billion: Russian gas would cost three times less; there would be no export fees on oil products, while its foodstuff exports would enjoy a preferential regime. On top of this, after switching to the common customs tariff, Ukraine could have counted on compensations.

Moscow had either to return Ukraine to its geopolitical orbit or radically revise its relations with Brussels. It could have joined the EU system and integrated Ukraine into it as an equal partner. It seems that on the way to Vilnius Yanukovich, at heart, expected the latter. In Vilnius he learned that Europe would never accept this scenario.

Kiev hoped to remain in two free trade areas, of the EU and the CIS, nothing new for the rest of the world, but not for the post-Soviet space. It seems that Ukraine tried to capitalize on its special status to set up a tripartite regulating mechanism, which potentially could have served as a platform of discussion of a free trade area from Lisbon to Vladivostok.

The events went in a different direction. Moscow increased its pressure on Kiev; it warned it that if and when Ukraine joined the EU free trade area Moscow would start revising the CIS free trade conditions for Kiev. Brussels, in turn, refused to talk to Moscow in the tripartite format.

Moscow was guided by the following considerations: if the tripartite talks were limited to discussions of the free trade area, the Russian leaders would prefer to stay away. If Moscow had the op-

portunity to formulate a wider agenda, this format would move the bilateral Russia-EU relations out of stagnation. It could not be excluded that failure of the dialog idea and fiercer protectionism would force Ukraine to leave the CIS free trade area and would probably bury the CIS.

The process was launched some ten years ago by a series of color revolutions; association agreements with the EU tempted several CIS countries and forced Russia to insist on "either the CIS or the EU" with no other options. At first, Yanukovich looked at the "defrosted" dialog with Brussels as a factor that consolidated his position in the nonsense haggling with Gazprom and Putin; later, Poland's diplomatic game convinced him that he could place the stakes on an association agreement with the EU.

If Ukraine joined the European economic and political sphere, it would produce a great effect at a minimum cost for European taxpayers. The fairly capacious Ukrainian market might have helped the export-oriented European economy (German in particular) recover from the crisis. As an associated member, Kiev could not count on subsidies, a privilege limited to full EU members.

Yanukovich and the Ukrainian political elite needed association for psychological reasons; national interests were pushed aside and forgotten. The Ukrainians wanted to "become Europeans" in their own eyes, a status impossible within the Eurasian Customs Union of Russia, Belarus, and Kazakhstan. The presidential team and the Ukrainian political elite were nurturing illusions and succumbed to an obviously inadequate idealistic idea about the European Union and its intentions regarding Kiev.

It seems that the president and his advisors saw through the "rules of the game" formulated in Warsaw, Berlin, and Brussels at the eleventh hour; this left them no time for diplomatic niceties. To undiplomatically manner. In Vilnius, the Ukrainian president tried to beat a retreat to soften the blow: he promised to sign the agreement in March 2014, but the negative scenario was already underway; the EU hinted that it was not ready to start tripartite talks. The opposition called its supporters to Maidan; Victor Yanukovich not only failed to solve some of the problems in Vilnius, he swept them under the carpet and created new headaches.

The EurAsEC and the Customs Union were two important steps on the road toward closer economic integration into the post-Soviet space; without Ukraine this process becomes lightweight and shallow. Economic rivalry across the post-Soviet space might become exacerbated, while the positions of Ukraine and Russia in the rapidly unfolding geopolitical battle for the resources of Northern Eurasia will be weakened. From this it follows that the choice of trends and forms of integration of Ukraine with Russia and the EU has become critically important for the future of Europe and Northern Eurasia.*

We should bear in mind that in the near future domestic policy will not allow Ukraine to join the Customs Union.

There are three possible scenarios of future integration processes in Ukraine.

- First, it might speed up its EU and NATO membership at the cost of worsened relations with Russia.

- Second, it might remain devoted to its “bi-vectored” integration with the EU and Russia: it will be closely associated with the EU (and remain outside NATO) while remaining economically dependent on Russia.

- Third, the spilt elites and the split nation will not allow Ukraine to become fully integrated either into the EU or into the EurAsEC: it will remain a “geopolitical space” between the EU and the EurAsEC.

By the late 2000s a new player, China, had arrived in the region. Andrew Wilson has put its role in a nutshell: “China’s new role in Eastern Europe gives Ukraine more wriggle room, as does a weak and introspective EU, a distracted U.S. and a more mercantilist Russia.”**

Some think that “there have been certain signs of an emerging new political and ideological phenomenon, which could be called ‘East Ukrainian Europeanism.’ In contrast to Ukrainian ethnic

nationalism, of which Western Ukraine is the stronghold, East Ukrainian Europeanism wants to create a political nation that unites all citizens irrespective of language, religion, or ethnic affiliation on the platform of sovereignty and with the strategic goal of Ukrainian admission to the EU in combination with exclusive relations with Russia.”***

Belarus: Driven into an Impasse

In Vilnius, Belarus surprised no one: its relations with the EU and the West have a long and far from simple history.

An attentive observer of Belarusian foreign policy will conclude that its unilateral devotion to Russia is skin deep: from time to time Minsk, Moscow’s closest ally, demonstrates that it can balance out its foreign policies.

Belarus is of critical importance for Russia’s defenses, security of the CSTO members, efficient anti-missile and air defenses, and the military-political stability of the CIS countries in general. As the direct neighbor of NATO, it is the westernmost outpost of the CIS. Its military-industrial complex remains the most important component of the CSTO’s military-technical might.**** Its advantageous geographic location has made it a transportation and logistics hub of the EurAsEC and the Customs Union and the “gates” to the EU. The pipelines that cross its territory bring hydrocarbons (Russian and Central Asian) to the EU; stronger integration within the Customs Union and the CES makes the republic’s positions even stronger.*****

The economic and political closeness of Belarus and Russia has been institutionalized: no other state in the world belongs to an equally large number of alliances with Russia’s participation: the Union State, EurAsEC, CIS, Customs Union, Common Economic Space, and, in future, Eurasian Union. In the last decade, the ideas of stronger integra-

* See: V. Pantin, V. Lapkin, “Vnutri- i vneshnepoliticheskie faktory integratsii Ukrainy s Rossiei i ES,” *Mirovaia ekonomika i mezhdunarodnye otnoshenia*, No. 11, 2012, pp. 50-56.

** A. Wilson, “Between Adolescence and Adulthood. Ukraine at Twenty: What Have We Learnt?” *Russia in Global Affairs*, No. 1, 2012.

*** D. Yefremenko, “Life after Vilnius. A New Geopolitical Configuration for Ukraine,” *Russia in Global Affairs*, No. 4, 2013.

**** See: S. Astakhova, “Voenno-tekhicheskoe sotrudnichestvo Rossii i Belorussii,” *Rossia i novye gosudarstva Evrasii*, No. 3, 2009, pp. 61-69.

***** See: S. Astakhova, “K uchastiiu Belorussii v Tamozhennom Soiuzie,” *Rossia i novye gosudarstva Evrasii*, No. 1, 2010, pp. 64-71; idem, “Belorussia v poiskakh novykh ekonomicheskikh partnerov,” *Rossia i novye gosudarstva Evrasii*, No. 2, 2010, pp. 73-79.

tion (up to and accepting the Russian ruble as common currency or even forming one state) lost their former popularity, although they remain on the bilateral agenda.

The two countries have a similar set of features peculiar to them both and to no other post-Soviet state. On 1 January, 2012, Belarus joined the CES EurAsEC and thus assumed responsibility to reform its economy within the emerging common market of Belarus, Kazakhstan, and Russia. Its military strategic importance for Russia cannot be overestimated if we bear in mind the history of previous confrontation in Europe. Minsk is an active and consistent participant in military integration within the CSTO. Moscow and Minsk favor the coalition approach; in other words, this is a symbiosis of the armed forces of the two countries and an imitation of a single joined force. This cuts down military spending and optimizes the control and command system. The two countries have signed over 30 treaties in the military sphere.*

Since 2001, Russia has poured about \$50 billion into Belarus in the form of preferences for fuel and raw material supplies, which speaks of long-term strategy. To a great extent, subsidies are related to the idea of a union between Russia and Belarus.

In an effort to remain politically independent of Moscow and preserve his country's sovereignty, Alexander Lukashenko acts "on the sly"; this may compensate for possible losses if Russia revises the economic element of the two countries' bilateral relations. In this event, Minsk should be ready to face another wave of economic and energy pressure.

For a long time, the Belarusian leadership remained convinced that the European Union was not seeking a regime change, but would be satisfied with its evolution through harmonizing positions and that partnership with Brussels would not cost Belarus its sovereignty. This explains why Minsk regularly tried to find a way out of the impasse in which Minsk found itself because of the EU and Western strategy designed to minimize its foreign policy contacts. The Belarusian political estab-

lishment has no choice but to resist the pressure of Brussels, Warsaw, and Vilnius; it is watching Ukraine and Moldova (which are also the participants of the Eastern Partnership program) drift toward the EU while trying to arrive at a more acceptable form of international cooperation in the region.**

The main obstacles on the road to economic integration between Russia and Belarus are the different economic mechanisms, different models of market reforms, and the fact that these differences are too serious and the gaps too wide to be bridged any time soon. It seems that President Lukashenko will resist Moscow's efforts to "push" him into a real union state to the bitter end.

Close association with Russia sets Minsk apart from the other members of the EP program. The EU has introduced sanctions against Belarus to punish it for lack of democracy, even though on the eve of the Vilnius Summit the list was shortened and the term extended for another year. Throughout 2013, there were rumors that President Lukashenko might be invited; a miracle did not happen: Foreign Minister Vladimir Makey came to Vilnius to represent his country.

He carefully explained Minsk's official position, pointed out that in its present state the Eastern Partnership program stood no chance of being effectively implemented, and added that what had been done so far caused "mixed" feelings in his country. It is argued that the partners were pushed toward a "false choice" between the content and pace of modernization and the forms and modalities of cooperation and integration strategies. Minsk did not want new dividing lines in Europe.

In fact, the country is dissatisfied for several reasons.

- First, cooperation within the EP program was worsened by the far from good relations between Minsk and Brussels; this became especially obvious after the 2010 presidential election in Belarus. The EU returned to its methods of coercive diplomacy (limited contacts and sanctions against

* See: E. Tsedilina, "Rossiysko-belorusskie otnosheniya i interesy bezopasnosti RF," *Rossia i novye gosudarstva Evrasii*, No. 3, 2009, pp. 18-35; S. Astakhova, "Voennoe sotrudnichestvo Belorussii i Rossii," *Rossia i novye gosudarstva Evrasii*, No. 3, 2013, pp. 50-57.

** See: K. Novoy Tsentralnoy Evrope. Preodolenie krizisa Tsentralnoy Evropy cherez stroitelstvo novogo makroregiona. Proekno-analiticheskiy doklad, Project head Yu. Yu. Tsarik, Minsk, 2013, 23 pp.; M. Laumulin, "Belorusskaia politologiya v poiskakh vykhoda iz geopoliticheskogo tupika," *Kazakhstan v globalnykh protsessakh*, No. 4, 2013, pp. 27-41.

official persons, journalists, and private business). Seen from Minsk, this was an attempt to interfere in the country's internal affairs and demonstration of double standards.

- Second, Minsk was badly disappointed with the results: there was no promised macro-financial aid and support of infrastructural projects in the multilateral dimension. The European Commission did not respond to the projects devised by Belarus, Lithuania, and Ukraine; it insisted, instead, on its preliminary political conditions.

- Third, institutionally, Belarus did not become a full-fledged member of the Eastern Partnership program; it was and is discriminated against. It is kept away from the program's bilateral dimension, which means that the country is partly involved in the European Neighborhood Policy (ENP). The country is excluded from the Euronest Parliamentary Assembly because its parliament has not been recognized as legitimate. As distinct from other countries, its president is not invited to the EP summits.

This explains the skepticism that reigned in Belarus on the eve of the Vilnius Summit: The political community would have been mollified if the president had been invited to the summit and the country as a whole asked to engage in more pragmatic cooperation. It would have also been happy if the EU dropped its habit of lecturing on the human rights issues.

Štefan Füle, Commissioner for Enlargement and European Neighborhood Policy, dampened the hopes by saying that the European Union would be ready not only to consolidate bilateral relations, but also to start talking about revising the program and extending financial support to promote modernization as soon as Minsk released its political prisoners and rehabilitated them.

In March 2012, he initiated the European Dialog on Modernization of Belarus, which envisaged exchange of views and opinions between the EU and Belarusian civil society and political opposition on the needed reforms. It was expected that the sides would talk about political and judicial reforms, human contacts, economic policy, trade, and market relations.

It should be said that while moving toward Europe, Minsk will never sever its relations with Russia for the simple reason that it will never receive from the EU what it receives from Russia:

multibillion subsidies in exchange for imitated integration and political declarations of eternal friendship. Against the background of the Kremlin's annual energy grant of nearly \$10 billion, the meager 600 million euros for six EP countries look like a mere pittance.

On the other hand, Minsk has never hesitated to use its relations with the EU as a trump card in its talks with Moscow and as a possible source of loans and investments. Today, the EU can do nothing to stimulate reforms in Belarus. In the absence of direct economic advantages, Minsk has every reason to dismiss the integration project as insignificant.

The Belarusian experts are very critical of the EP program and EU policy in general, which fails to stimulate changes in the EP partners. The program fell into the gap between the two main trends in EU policy: expansion and the so far vague foreign policy.

Brussels has failed to fulfill the conditions declared by the EP program, which strongly affected the entire atmosphere. In 2012, the EU revised its EP policy to introduce the "more for more" principle: more integration with the EU for more progress in reforms. The EU, however, remains politically inconsistent for certain geopolitical and economic reasons.

In other words, the European Union remains on the side of some countries even if they fail to fulfill their obligations, while others (Belarus being one of them), which Brussels finds less important in the context of its geopolitical and economic preferences, are left out in the cold. The fact that there are political prisoners in Belarus is used to introduce sanctions against officials and enterprises, although an identical situation in Ukraine, Azerbaijan, and Russia does not limit contacts with their leaders.

There is the opinion in Minsk that the wide gap between the geopolitical rationality of European politicians and their sham democratic idealistic statements has undermined the authority of the EU as a global player (to say nothing about the EP program).

The Vilnius Summit could have allowed Minsk to restore political relations with Brussels, had the Belarusian leadership been inclined toward fine gestures, while Brussels demonstrated patience and offered attractive stimuli for cooperation. In real life, relations were driven into an impasse.

Armenia: Facing a Dilemma

Armenia established friendly or even allied relations with Russia; at the same time, it was determined to rely as much as possible on the United States and Europe to partly compensate for its orientation toward Russia in the security sphere. Yerevan has already received weapons and military equipment from Russia, money to develop its economy comes from the United States, foodstuffs and humanitarian aid are provided by the European Union (until March 1993 it reached Armenia via Turkey), and fuel for its fighting army is supplied from Iran.

Its multivectoral (albeit fairly limited) policy, “complementarism” in Armenian political parlance, is one of the country’s basic foreign policy principles. For many years it gave Armenia the opportunity to adequately respond to threats and challenges in a fairly narrow geopolitical corridor. For some time it was closely connected with the balance of power between the regional and non-regional actors that developed in the 1990s: its military-political alliance with Russia and multidimensional economic processes did not arouse any opposition from the other external actors even though Erevan maintained contacts with the United States, the EU, etc.

Armenian experts insist that Armenian complementarism is very different from the multivectoral policies of other Eurasian countries. Consistently implemented from the first days of Armenian independence, it proved to be more successful in Armenia than elsewhere; the presence of Armenian diasporas in Russia, the U.S., and European countries, as well as influential Armenian communities in Iran and elsewhere in the Middle East also helped.*

The European Union would like to see the Southern Caucasus in its sphere of economic, cultural, and political domination; it is Armenia’s important partner, although Brussels has not made much progress to date in institutionalization, which leaves much to be desired: the cooperation projects within the ENP and EP are not effective enough.

On the eve of the summit, the Armenian media discussed the possible effects of Yerevan’s lower representation (a minister instead of the president) in view of the planned visit of Russian President Putin. Armenia’s response to suspended European integration was much less vehement than in Ukraine: small and scattered rallies demanded that President Sargsian sign the association agreement.

In September, Armenia announced that it wanted to join the Customs Union and be involved in building the Eurasian Union. Russia and Kazakhstan immediately agreed, while Minsk was in two minds: Armenia looked like a rival of Belarus as far as Russia’s grants and subsidies were concerned.

Under the pressure of what can be called a blockade and the disappointment of the failed (fairly high) expectations of strategic partnership with Moscow, Armenia could have acted in a way that Russia could have interpreted as a geopolitical U-turn away from Moscow. Indeed, most of the industrial enterprises that Russia received as payment for Armenia’s debts are still idling; the repeated requests for \$2 billion to revive the Armenian economy have fallen on deaf ears. A grant intended to minimize the losses caused by the higher gas prices has not arrived. There is another, even more important, factor: Russia sells its weapons to Azerbaijan.

On the other hand, Russia is involved in building the Armenian stretch of the Iran-Armenia gas pipeline; it pays for rehabilitation of the Sevan-Hrazdan Cascade Hydropower System; in 2008, the Armenian railway was transferred to Russian business under a concession treaty.

It should be said in all justice that, at first, President Sargsian intended to initial the agreement at the Vilnius Summit. According to what he said (he probably planned to play the trump card as Ukraine had done), his decision to join the Customs Union did not mean the end of the dialog with Europe. During his previous presidential term, Sargsian worked hard to convince the voters that the country’s Russia-ensured security combined with association and wider cooperation with “democratic Europe” would create no problems at all.

* See: S. Minasian, “Vneshniaia politika postsovetskoy Armenii: 20 let odnovremnenno na neskol'kikh stuliakh,” *Mirovaia ekonomika i mezhdunarodnye otnosheniia*, No. 1, 2013, pp. 85-92; R. Melikian, “The Eurasian Union, European Union and Armenian Complementarism,” *Central Asia and the Caucasus*, No. 2, 2013, pp. 46-55.

Brussels, however, thought differently: it hinted that after deciding to join the Customs Union Yerevan had lost its opportunity to initial the association and free trade area agreement. Tactically, Armenia will profit from joining the Customs Union: it will receive cheaper gas, free access to the markets of Russia, Kazakhstan, and Belarus, and stronger regional security. Russia will gain no economic advantages, but will satisfy its political interests.

Yerevan was confronted with a dilemma: it could not retreat from its previous decision to initial the agreement without marring its international image as a reliable state. If it turned out that it was Moscow that had forced Armenia to act against its national interests, the Armenian public would change its opinion about Russia.

The Armenian elite regards its alliance with Moscow as temporary and enforced by the far from friendly geopolitical environment, having Turkey as a neighbor, and the country's de facto state of war with Azerbaijan. The Armenian top crust does not associate its future with either Russia or the CIS integration structures. The new generation associates the future of their country with the EU and NATO. Armenia could remain Russia's friend, but not ally, along the way, but Russia, in turn, should not interfere with Armenia's advance toward Europe.

From the very beginning Europe warned Armenia that it would not be able to join two formats and that, therefore, it should either accept Moscow's patronage or the economic dividends of the European Union. On the other hand, the top crust was in turmoil: at the latest presidential election, Raffi Hovannisian, the pro-Western opposition leader, reaped 37%, a highly impressive result. In Russia, little is said about Armenia and the related problems; yet as soon as it became clear that Armenia intended to initial the association agreement, President Putin hinted that no economic dividends could compete with Russia-ensured security. He was heard and understood; it was with heavy heart that the Armenian president set out for Brussels.

The Georgian Dream

In November 2003, the Rose Revolution brought to power new political leaders led by Mikhail Saakashvili; they were even more open than their predecessors about nationalism and the pro-Western political vector and more convinced that Georgia's future lay outside post-Soviet space and was associated with the EU and NATO.

Its leaders and ideologists were convinced that Georgia should detach itself from the old mentality that is dying hard in all post-Soviet republics to become a quintessence of Western liberal "soft power" or, rather, a model of its successful implementation in a given country to be reproduced across the former Soviet space. The United States and West European countries, which wanted to create transportation corridors between the Caspian/Central Asia and Europe bypassing Russia, devised the TRACECA project, in which Georgian was expected to play the key role.*

On 1 October, 2012, the parliamentary elections in Georgia changed a lot in the country's foreign and domestic policies. Brought to power by the parliamentary elections, Bidzina Ivanishvili was determined to normalize relations with Russia. Shortly before the Vilnius Summit, Mikhail Saakashvili, a vehemently pro-Western politician, left the political stage: an impressive political U-turn. Very much as expected, in Vilnius, Georgia, represented by incumbent Giorgi Margvelashvili, initialed the association agreement.

Throughout the last year of his presidency (when he lost part of his previous powers), Saakashvili held forth about the dangers of returning to the sphere of Russia's influence. Early in 2013, Stratfor, an American private analytical company, published a forecast for the year 2013, in which it warned the Georgians about the negative effects of a foreign policy volte face; this was undisguised pressure pure and simple.

The authors were obviously convinced that the coming to power of very rich Ivanishvili and his Georgian Dream Party would increase Russia's influence in the republic, mainly because

* See: Th. de Waal, *Georgia's Choices. Charting a Future in Uncertain Times*, Carnegie Endowment for International Peace, 2011; D. Fean, *Making Good Use of the EU in Georgia: The "Eastern Partnership" and Conflict Policy*, September 2009, IFRI, 22 pp.

the anti-Russian camp was weakened by the loss of Saakashvili, its leader. The report said that in 2013 Georgia might find itself in a quandary since other regional players (Azerbaijan) might be dissatisfied with the new political reality. There was a leak: it was alleged that head of the First Department of the CIS Countries of the Russian Foreign Ministry had made a statement to the effect that the Georgian authorities had started negotiations on resuming their CIS membership. Tbilisi was indignant.

Prominent Russian political scientist and Editor of Russia in Global Affairs Fyodor Lukyanov asked in his article, which appeared in *Rossiskaia gazeta* on 6 February, 2013, titled "Do we Need Georgia?": "Do we need to return the relations with Georgia to an acceptable level?" and answered: "In fact, NATO is no longer that important; there are no prospects of a closer union in the same way as there are no interests that could have justified extraordinary efforts. This is all true from the mercantilist point of view. On the other hand, no matter what, Georgia remains very close to Russia culturally and historically. In the contemporary world, where community has become skin-deep and where alienation on fundamental issues is coming to the fore, it is unwise to squander these 'assets,' to say the least."

To escape enslavement by Turkish and Azeri capital, Georgia needs the Russian market and Russian investments. Russia needs a stable, predictable and, at the very least, non-hostile neighbor on its North Caucasian border and free transit of goods to Armenia. This means that restored CIS membership, probably followed by membership in the Customs Union, etc. remains on Russia's political agenda.

The Western capitals looked unconcerned about Georgia's new Russian course, which means that the process was either initiated or, at least, approved by the West. In the spring of 2013, Georgia and the United States invigorated their military contacts. Georgia could have more effectively used its transit and transportation functions and

intensified regional and inter-regional cooperation if it decided to extend the functioning and planned transportation and energy corridors to Russian territory and to switch them to Armenia. The Georgian leaders intend to demonstrate that the anti-Russian transport and communication projects in the Caucasus have not lost their importance.

We need to remember that any attempts by Georgia to move closer to Russia are stymied, something the EU and the United States did not allow Saakashvili to forget. Today, Ivanishvili and Margvelashvili are in a similar position.*

Unique Azerbaijan

Azerbaijan, which belongs to several civilizational-historical and geopolitical entities, stands apart from all the other post-Soviet states. On the one hand, it is part of the Greater Caucasus; on the other, it is closely tied to Iran by their common history: for several centuries it was part of the Persian civilization. In view of the obvious demographic expansion of Iranian Azerbaijan, this factor has not lost its pertinence. Ethnically and linguistically (since 1991 also politically), Azerbaijan is closely connected with Turkey, as well as the Turkic Central Asian republics. It figures prominently in Caspian geopolitics and, finally, despite two decades of active de-Sovietization and de-Russification, Azerbaijan is still part of the post-Soviet space with all of its common and individual features.**

Its Russian community of 160-170 thousand is the largest in the Southern Caucasus, while Russia is the permanent or temporary home of up to 1 million (or even 2 million according to unofficial count) Azeris. Some of them have built multi-million fortunes.

The republic has preserved the largest area in the Southern Caucasus of the Russian language and culture. On the other hand, Baku and Moscow, which are developing economic and cultural ties, disagree on many political and military issues.

As distinct from Armenia, Azerbaijan, an oil-rich country, is free to pursue its own foreign policy

* See: A. Nursha, "Itogi parlamentskikh vyborov v Gruzii i evolutsia vneshnepoliticheskikh ustanovok gruzinskogo rukovodstva," *Kazakhstan v globalnykh protsessakh*, No. 1, 2013, pp. 39-57; L. Di Poppo, *Between Hesitation and Commitment: The EU and Georgia after the 2008 War*, A Joint Transatlantic Research and Policy Center, Johns Hopkins University- SAIS, Washington, D.C., 2010, 59 pp.

** See: S.E. Cornell, *Azerbaijan since Independence*, M.E. Sharpe, New York, 2011, 483 pp.

without looking back at Russia, the West, and Iran. As distinct from the Central Asian countries, Baku does not use its relations with the West and China to compensate for its excessive dependence on Moscow (and vice versa). Not infrequently, Azerbaijan tries to capitalize on the disagreements among the power centers (without siding with any of them) in its interests and draw Turkey into the game. It relies on petrodollars and its role in the energy and communication projects to play these foreign policy games.

President of Azerbaijan Ilham Aliyev attended the Vilnius Summit; he pushed aside the warnings coming from the expert community that the republic would gain nothing from its association with the EU; shortly before the summit, Brussels had been bitingly critical about the presidential election in Azerbaijan.

The Azeri delegation arrived in Vilnius firmly convinced that no documents with the EU should be signed and no promises should be given to the Customs Union. Baku concentrates on cooperation in the energy sphere to diversify energy supplies to Europe to lower its dependence on Gazprom of Russia. The Azeri leaders have correctly decided that since Europe badly needs the Transadriatic gas pipeline, it should not be worried about the elections in Azerbaijan. In the next 25 years, Azerbaijan will supply Europe with 10 billion cr m every year under the Shah Deniz-2 project.

On the eve of the summit, Azerbaijan officially disproved all allegations that it was declining associate membership under Russia's pressure. Baku announced that it needed and would insist on a document better adjusted to the level of its cooperation with the European Union; it invited Brussels to sign an agreement on partnership that presupposed mutual respect and equality of the sides. Baku pointed out that the conditions under which the associated country may aspire to become a member were unacceptable.

The relations between Azerbaijan and the EU had been going from bad to worse since early 2013. In February, Baku accused Catherine Ashton, High Representative of the Union for Foreign Affairs and Security Policy, and Štefan Füle, Commissioner for Enlargement and European Neighborhood Policy, of interfering in Azerbaijan's domestic affairs: they called on the Azeri authorities to ensure prompt,

fair, transparent, and independent investigation of the arrests of deputy head of the Musavat Party and the leader of the Republican Alternative Party.

In March, Baku invited the OSCE to readjust its mandate in Azerbaijan to limit its involvement to the role of project coordinator; interpreted as an effort to interfere in the cooperation between the OSCE and the local NGOs, this did nothing for relations between this European structure and Baku.

A big pipeline game, however, is going on. In April 2013, the Nabucco Consortium offered the Shah Deniz Consortium 50% of shares in the Nabucco-West pipeline, which seriously aggravated Baku's relations with Moscow. Azerbaijan refused to extend the lease of the Gabala Radar Station; Moscow responded by cancelling the agreement on moving Azeri oil via the Novorossiisk oil pipeline.

It is interesting to note that Baku is a past master in manipulating EU energy interests. SOCAR of Azerbaijan bought Greek gas transportation company DESFA in violation of the notorious third energy package, under which one and the same company should not be engaged in production and transportation. Baku buried the much promoted Nabucco together with the European eastern energy strategy geared toward diversification of gas supplies to the regions that so far depend on Russian gas.

In the last few years, Baku has poured a lot of money and effort into setting up its lobbies in the European Union; this means that in the future it might tie together energy supplies and the Karabakh issue.

Relations with Russia are not smooth either; Azerbaijan regularly attends the CIS summits mainly to maintain contacts with the presidents of the other post-Soviet countries. Baku deliberately stays away from the Customs Union and the CSTO (within which Russia is allied with Armenia, a sworn enemy of Azerbaijan). With huge oil and gas reserves, Baku can afford to be independent of Moscow on the foreign policy scene. In 2010-2012, Moscow and Baku signed several contracts on arms deliveries; the first, worth \$4 billion, began being implemented in 2013.

The Gabala Radar Station was closed in 2013—Russia's only military facility (or, rather, military base) in Azerbaijan. It was functioning as the Daryal information-analytical center to avoid the

constitutional ban on foreign military facilities in Azeri territory.

Today, Azerbaijan is no longer fascinated by tens or even hundreds of millions of dollars, recently seen as unbelievably huge sums. This means that the radar station was closed out of principle: Baku could not tolerate the most favored nation regime Russia had extended to Armenia in military cooperation. Moscow, however, no longer needed the station, but responded in kind.

In May 2013, it discontinued the oil transit contract. Baku is fully aware that so-called post-Soviet integration (in any form) was not initiated by Kazakhstan, Belarus, or any other post-Soviet country. The process was initiated by the leaders of Russia who seek to ensure Russia's internal interests rather than to pursue foreign policy aims.

In August 2013, President Putin came to Baku on a working visit; we do not know what the two presidents talked about, but we can guess that they discussed Iran's military activity in the Caspian, the Middle Eastern developments, and the Nagorno-Karabakh settlement. In October, Moscow officially supported Ilham Aliyev at the presidential election. The last few months before the election transformed Azerbaijan into a hub of international activity: Western politicians and heads of CIS states replaced each other in Baku with kaleidoscopic speed.

On 9 October, 2013, Aliyev was elected president for the third term running; as could be expected, the OSCE ODIHR severely criticized the election campaign; the United States and the U.K. added their share of the same. The ODIHR, however, went too far: its extremely biased report caused disagreements between it and the OSCE, European Parliament, and PACE observers.

Azerbaijan has demonstrated a lot of skill and inventiveness when adjusting its strategy to the phobias of the United States and the European Union related to Russia's "oil and gas weapon" and the ambitions of the "energy empire." It is seeking

ways to balance out Moscow and the Armenian lobby in the United States and Europe and to draw certain circles in the West to its side in order to finally resolve the Karabakh conflict in its favor.

At the same time, EU membership is not among Baku's priorities. On the eve of the Vilnius Summit, it suspended its participation in the Euronest Parliamentary Assembly, a component part of EP, to register its protest against Point 32 of the resolution of 23 October, 2013 of the European Parliament on the European Neighborhood Policy, which said in part that "the latest presidential election, held on 9 October, 2013" in Azerbaijan "once again failed to meet OSCE standards."

To sum up, the relations between Russia and Azerbaijan are highly contradictory even if both sides want to maintain them at a constructive level. Moscow, however, is not ready to abandon Armenia and side with Baku on the Nagorno-Karabakh issue. Today, Russia and the West prefer the status quo, which means that Moscow will try to preserve the precarious balance between Erevan and Baku.

Cooperation between Russia and Azerbaijan is anything but consistent; relations between the two countries might become better or much worse depending on what Baku wants.

Russia consistently supports the people in power in Azerbaijan, while Azerbaijan can hardly hail Russia's stand on Nagorno-Karabakh.

Strategic oil and gas pipelines across Georgia and Turkey could liberate Azerbaijan from dependence on Russia. Its advantageous geographic location and rich natural and financial resources make Azerbaijan important for Turkey and Russia.*

Moldova on the Road to Europe

Today, Moldova's foreign policy is a mixture of Russian, European, and Rumanian factors. Like Georgia, Moldova has a headache of its own — an unrecognized territory called Transnistria. From time to time, Washington turns its attention to Mol-

* See: G.B. Vagif, "Azerbaidzhan v orbite mirovoy diplomatii," *Rossia i musulmanskii mir*, No. 9, 2011, pp. 74-81; M. Kolesnichenko, "Azerbaidzhan v sisteme mezhdunarodnykh otnosheniy," *Rossia i musulmanskii mir*, No. 3, 2012, pp. 81-89; E. Mekhdiyev, "Geostrategicheskie interesy NATO v Azerbaidzhane," *Rossia i musulmanskii mir*, No. 10, 2009, pp. 77-89; R. Musabekov, "Where Fields of Attraction Overlap. Azerbaijan between Turkey and Russia," *Russia in Global Affairs*, No. 3, 2011; E.E. Nuriev, "Rossiisko-azerbaidzhanskii otnosheniia v sovremennykh politicheskikh realiiakh," *Problemy natsionalnoy strategii*, No. 1, 2011, pp. 95-119; P. Hanna, "Azerbaidzhan: probka v Kaspiskoy butylke," *Rossia i musulmanskii mir*, No. 7, 2011, pp. 71-78; S. Cherniavsky, "Rossia i Azerbaijan v postsovetskii period," *Rossia i musulmanskii mir*, No. 11, 2011, pp. 47-57.

dova mainly because it borders on Ukraine, which seems to be unsure of its geopolitical orientation.

The latest sociological polls in Moldova reveal that the public has shifted its interest from European integration to the Russia-initiated Eurasian Union. During his visit to Brussels in November 2010, Prime Minister of the Republic of Moldova Vlad Filat, leader of the Alliance for European Integration, officially confirmed for the first time that his republic wanted to join the EU. Later, in his address at the EU-Moldova Forum held in March 2011, he outlined the measures that would make Moldova a European country: it should acquire an efficient economy, build a law-governed state, reform its defense and security structures, and uproot corruption. The frantic efforts at Rumanization failed to uproot the idea that the country should join Europe as an independent and united state.*

The Social-Democratic Party of Moldova and the Party of the Communists of the Republic of Moldova insist on the country's membership in the Customs Union. They are counting on lower prices for Russian gas, direct access to the capacious Russian market, investments, a better status for Moldovan labor migrants in Russia, and settlement of the Transnistria question.

Today, Moldovan trade with the EU is asymmetric: within the agreed quota Moldovan products are not taxed in the EU, while duties are imposed on European products in Moldova. This, however, does not help products from Moldova gain popularity in the European Union because of their inferior quality. Local observers say that the agreements which the Moldovan leaders signed in Vilnius (association, the free trade area agreement, and liberalized visa regime) can be described as important steps. In the next few decades, however, Moldova will remain outside the EU.

Within the East European context, economic cooperation between Russia and Moldova is of great importance. In 2013, Moldova joined the CIS free trade area under a corresponding agreement; the republic is part (together with practically all the Balkan states—Albania, Bosnia and Herzegovina, Serbia, Croatia, Montenegro, and Macedonia) of

the East European free trade area. Some experts think that Moldova can become a mutually advantageous trade corridor between the CIS and Eastern Europe.

According to Dirk Schuebel, Head of the Delegation of the European Union to Moldova, Brussels would not object to Moldova's membership in the Customs Union, but would abolish the preferential trade regime.**

Seen from Brussels, Moldova looks like the next EU member; while Ukraine is lobbied by Poland, Moldova has Rumania on its side. There are suspicions that Bucharest is determined to return its lost territory. Some countries (Moldova in particular) do not hail the prospect, so Rumania started talking about reunification within the European Union. Pro-Russian experts are convinced that Rumania is in no hurry to settle the border issues precisely because of the planned Anschluss.

The republic's new leaders, who came to power four years ago, made Moldova the best possible partner for the EU within the EP program; Prime Minister Iurie Leancă confirmed the republic's course toward European integration; he added that Kiev's sudden volte face might prove useful to Chisinau: Brussels might have even better and clearer offers for Moldova: a visa free regime might be exchanged for an initialed association agreement.

In May 2013, European emissaries in Moldova finally set up the Pro-European Coalition to neutralize the communists who were trying to pull the country into the Customs Union, set up a more or less stable parliamentary majority, and put together a pro-EU cabinet. This was when Brussels arrived at the unprecedented decision to offer the republic associated membership.

The relations between the European Union and Moldova were far from easy: early in 2013, the Moldovan leftist powers were pushing the country toward a referendum on Customs Union membership; certain problems will loom on the horizon in the near future. Pro-Russian Transnistria and the Autonomous Territorial Unit of Gagauzia create certain problems: the Gagauzes insist on guarantees that Moldova will not be unified with Rumania

* See: Yu.V. Belikova, A.L. Bovdunov, "Moldavia-Rumania: perspektivy sblizhenia," *Problemy natsionalnoy strategii*, No. 2, 2011, pp. 70-86.

** See: S. Astakhova, "Moldavia v ozhidanii peremen," *Rossia i novye gosudarstva Evrazii*, No. 1, 2012, pp. 89-94.

within the European Union. In view of the republic's extreme poverty, even Russia's very limited financial support to the recalcitrant regions suffices.

On the eve of the Vilnius Summit, Chisinau was a stage of huge rallies of those who wanted to see the country in the Customs Union. Every year Moldovan guest workers in Russia transfer over \$2 billion to the republic; this sum is practically equal to Moldova's annual budget and is more than what Moldovan guest workers in the EU can manage. People want to be sure that the chosen integration course will make their lives better; the country's foreign policy course comes second.

It should be said that on the whole and at all times the people in Moldova remain leftist-minded: the Alliance for European Integration should thank the EU and the United States for its three years in power. They funded the pro-European part of the Moldovan elite and lavished all kinds of grants and loans on the republic. As the recognized leader of the Eastern Partnership program, Chisinau went to Vilnius fairly sure of the results.

Experts have already warned that even though Moldovan wines are exported to the EU countries under a special quota, associated membership (to be introduced within the next twelve months, according to EU politicians) will do nothing for wine exports: Europe produces good and high quality wines in its own territory. This means that Moldovan wine-growing and agriculture will suffer or even die.

Here is another telltale fact: every year 700-800 Moldovan families apply to the Russian Migration Service in Chisinau for an exit permit to Russia. A free trade agreement with the EU will open the gates for big business from Europe, which will bury local small businesses—shops, cafes, and even apiaries. Their owners across the country are trying to get rid of them before it is too late.

Moldova pays more for Russian gas than the other CIS countries (\$400 per 1 000 cu m on average). After it joins the Customs Union, the price will drop by half, which means cheaper gas and heating for the people. Even if the price of gas

climbs up over time, it will still be lower than what Europe pays. Moldova could become a window for investors wishing to work in the Customs Union markets; its membership will guarantee it tens of thousands of jobs in the first few years, which would begin the country's revival.*

The Moldovan expert community is convinced that Moscow wants to draw their country into the Eurasian Union using Transnistria by way of blackmail. It will capitalize on the sentiments of the communist electorate of Moldova and on the referendum initiated by the Social Democrats about unification with the Eurasian Union to make Transnistria more attractive. Moldova will be invited to form a federative state with Transnistria. This is a new model of spreading Russia's influence in the region, which perfectly fits Vladimir Putin's integration plans in the CIS. Recent and active Rumanization has split the Moldovan society into two camps.**

In August 2012, a Coordination Center for Eurasian Integration was opened in Chisinau to ensure a systemic approach to Eurasian integration and extend financial support to the republic's most promising economic branches.***

Meanwhile, the political crisis in Moldova has been worsening; political life is in chaos, even though the country continues moving toward integration with the EU. After signing the agreement in Vilnius, the country moved closer to its European destiny; observers note that Russia, albeit indirectly, is responsible for this success: Brussels demonstrates leniency toward countries that persist in European integration despite Moscow's pressure. Secretary Kerry came to Moldova a week after the Vilnius Summit; Chisinau interpreted this as a sign of support of the country's European dream, especially obvious against the Ukrainian background.

As soon as Russia pulls its peacekeepers out of Transnistria, the Rumanian and Moldovan nationalists will abandon all pretence and start using force. Rumania and Moldova will accelerate the unification process, which will raise a wave of Rumanian

* See: L. Fokina, "Moldova na pereputye mezhdru ES i TS," *Rossia i novye gosudarstva Evrazii*, No. 2, 2013, pp. 43-52.

** See: S. Astakhova, "Moldavia posle prezidentskikh vyborov: problema Pridnestrovia I otnoshenia s RF," *Rossia i novye gosudarstva Evrazii*, No. 2, 2012, pp. 43-54.

*** See: L. Fokina, op. cit.

nationalism and give rise to ethnic and territorial conflicts in East European and other countries (old and new NATO members). Moldova, Rumania, Hungary, Bulgaria, and Turkey (there are their ethnic minorities in Moldova and Rumania) will inevitably be drawn into the conflicts; if exacerbated the Transnistrian conflict will suck Russia and Ukraine into the turmoil as well.

Twenty years of independence have proven to be too short a period for Moldova to identify its priorities and development vectors because of the policies pursued by all the Moldovan presidents, M. Snegur, P. Luchinsky, and V. Voronin, the Alliance for European Integration, and Nicolae Timofti, the present president of Moldova. After twenty years of independence, the country has found itself in an impasse because the choice of development strategy was highly politicized.

Conclusion

The Vilnius Summit demonstrated that European strategy in the post-Soviet space is short-sighted: two countries out of six remained within the EP program, Belarus moved away long ago; Azerbaijan prefers to keep at a certain distance; and Armenia prefers Moscow. After many years of persistent efforts, the EU is left with Georgia and Moldova, two countries burdened with numerous

problems. As for Ukraine, it is beginning to drift again toward Russia and the Eurasian integration structures.

It is too early to say that Mr. Brzezinski's nightmarish prophesy — “without Ukraine (and Belarus.—M.L.), Russia ceases to be a Eurasian empire” and will never restore its geopolitical status — is coming to pass.

The future of the Eurasian Union is dim*; its opponents are numerous; they should not be sought for in the West or among its alternative structures, but among the corrupt bureaucrats of the post-Soviet countries.

The regional elites are growing rich on trans-border deals and on grants from the center; this is true of Russia, as well as of Belarus, Kazakhstan, and Ukraine.

The post-Soviet elites, those which are not drawn into integration and those which participate in it and have remained in power since 1991, will never part with their sovereignty. Kazakhstan and Belarus broadly hinted at this at the Minsk Summit in October 2013 and at the meeting of the Supreme Eurasian Economic Union in Moscow in December 2013.

This means that Europe and the West will succeed, more or less, to split Eurasia, since many (if not all) post-Soviet countries need to counterbalance Russia for tactical or strategic reasons.

* See: T. Bordachev, E. Ostrovskaia, A. Skriba, “The Choice and Challenge of Eurasian Integration. How to Make It Equally Beneficial and Effective,” *Russia in Global Affairs*, No. 4, 2013; M. Simon, “Revnost i somnennia. Obraz evraziyskoy integratsii v evropeyskom mediyonom prostranstve,” *Rossia v globalnoy politike*, Vol. 11, No. 5, 2013.

THE PECULIARITIES OF NEGOTIATIONS WITH THE REPRESENTATIVES OF NORTHEAST ASIAN COUNTRIES

DINA BATSUYEVA

Since today (as, however, in majority of human history) decisions and choices in the international political and commercial relations depend on cultural orientation and values of their members, it is vital to get the basics of understanding the world from different national cultures. Based on certain cultural denominators, it is possible to identify certain behavioral models of the representatives from the East and the West.

Based on a broad theoretical material, this review is a comparative analysis of some key elements of the specifics of international negotiations of the Western and Eastern participants.

Empirical studies, dedicated to the systematic analysis of cultural variations in a number of countries, were often not sufficient. The most serious work, highlighting 12 trends of negotiations was conducted by Weiss and Stripp. [1] The authors of the study set out to create for both theoreticians and practitioners a frame formed by culture of differences in logic, behavior and strategies of the participants of negotiations.

From previous studies four criteria have become canonical, namely, **the basic concept of negotiations, the most important task, the basis of trust and consent form.**

The basic concept of negotiations means that each party sees the negotiation process. Walton

and McKersie in 1965 suggested bipolar scale in orientation of negotiations: it is either distributive or integrative. [2] The first suggests that a benefit of an agreement is similar to a cake which size does not change. It makes the parties to compete for a share of the pie. Integrative orientation believes that the size of the pie is not defined, so the parties are involved in a collaborative process to enlarge them, and in the process of competing for their share.

Proponents of the first orientation, of course, try to dominate the negotiations, as they believe that the interests of the parties are opposed. The result is the admissibility of pressures, threats or false promises in order to force opponents to change their position without changing their own. The situation creates a tough atmosphere, one side has to concede.

Integrative orientation is based on the belief that during the negotiations it is possible to come to a mutually acceptable solution. As a result, the participants of negotiations openly share information in order to find an approach that will lead to mutual benefit. Sides try to understand each other better, so do not contravene the interests of the other party. They yield less important points to win the more important ones. Negotiators do not come to an agreement through compromise, but through creative solutions that will increase the size of benefit for everybody.

The second criterion, the most important task, refers to the types of issues for discussion of which negotiators are willing to spend more time. Pinkley in his work «Dimensions of Conflict Frame: Disputants' Interpretations of Conflict» offers a dilemma between the importance of solving the problem and the importance of long-term relationships. [3] Choosing the first way, a side focuses on a detailed analysis of the project and methodically discusses future contract paragraph by paragraph. In this case it is important to reach an agreement on each element of the project: resource allocation, delivery methods, force majeure, risk management, management, etc.

Negotiators, representing the country in which construction of a foundation for long-term relationship is considered more important, spend most of their time to create an atmosphere of friendship and trust between the parties, as well as a discussion of possible future projects. Solution of current problem is harmoniously woven into a discussion of broader scale issues. Establishing trust is the guarantor of conflict-free project implementation.

The third criterion is a foundation of trust. It is classified into two types: an external to the negotiators and an internal one. The first establishes the credibility to the other side on the fact that the agreement (or contract) was negotiated, agreed, signed and entered into force. [4] The legal system and government agencies are considered as providing relevant, reliable and effective basis for agreements and contracts. Partner will comply with the terms of the contract, because otherwise the legal system imposes its sanctions on him. In this context, a trustworthy partner is simply one who acts within the law.

Inner foundation of trust bases trust on correctly and safely constructed relations, which have stood the test of time. Here friendship is important. Agreement or contract is only a symbolic expression of these links. Consequently, less attention is given to details of a written document. Negotiators leave some details unprescribed in order to change them with circumstances changing.

The fourth criterion, a form of agreement, also has two options: a legally executed contract and a verbal agreement. In the first case, a document signed by both parties clearly defines all subsequent

actions of partners, as well as sanctions for non-compliance with its obligations. [5], [6].

Negotiators rely on verbal agreements because detailed document does not allow relationships to develop. It is impossible to foresee and anticipate all possible accidents and perspectives that this randomness opens. In this case, the parties prefer a verbal agreement not to shirk responsibility, but because not the current document, but relationship is the subject of paramount importance. [7]

Today the world is divided by international affairs experts into several cultural axes, circles or “clusters”. One of these “cluster” is Northeast Asia, mainly, such countries as China, Japan and South Korea. Their specific negotiating style clearly emerges in negotiations with the Western European countries and the USA. It is necessary to consider the characteristics of the negotiation process in these countries individually, and then make theoretical generalizations.

China

Fundamental characteristic of Chinese negotiators is an attempt to highlight from the other side people, sympathetic to their purposes, cultivating with them a sense of solidarity and friendship, pursue their goals through a variety of strategies based on the manipulation of feelings of mutual sympathy, obligation or guilt. Along with that the Chinese may tirelessly seek ways to take decisions favorable to them, exhausting their opponents. Negotiation for them is a continuous bargaining, which, according to experienced negotiators, seems to have no end. Fortunately, all talks are limited in time, and when they come to an end and it is necessary to take a specific decision, the Chinese representatives make concessions. It should be noted that at the beginning of negotiations the Chinese side formulates their demands in an extremely abstract form, “probing the soil.” Only towards the end their terms and agreements become specific and clear — ready to be signed in the final document. However, negotiations on this do not end for the Chinese, as they now impose on the next phase of negotiations under the auspices of the implementation of the decision taken.

The aggressive Chinese negotiating tactics reminds the Soviet tactics of former times. How-

ever, it is different from the latter, it is flexible and specific, rather than broad wording of the final decision. Soviet leaders perceived any important international negotiations within the framework of ideological confrontation of “Cold War”. Insufficiently specific wording allowed the Soviet leaders to treat them in the most convenient way.

Returning to China, it should be noted that the Chinese representatives, demonstrating traditional Asian hospitality, start their acquaintance with the opposite side with a banquet on the occasion of their arrival and a brief tour that demonstrates the greatness of the country — to the Great Wall and the Forbidden City. Pride and hospitality of this gesture allow seeing a clear strategy — to show visitors not only a long and glorious history of the country, but also to demonstrate its potential.

For the Chinese a policy is associated not with a political institution, which created it, but with a leader, who represents it. Therefore, disagreement and division in the ranks of their opponents puts them in a deadlock. And so they make every effort to show unity in their ranks. So it would be a gross mistake and a big faux pas to touch on so-called “cultural revolution”. The Chinese create an impenetrable veil that hides their political strategy from all, who wants to see. The only thing that is certain is that the more rigid and irrational China’s position, the less agreement between the factions in the government takes place.

Despite this, Chinese officials are highly disciplined when it comes to defending the interests of their country. Another of their national characteristics is the inability or unwillingness to negotiate by an impersonal pattern. If the opposite side, as often, is represented by a delegation, where it is impossible to identify the main participant, responsible for the final decision, the Chinese negotiators are trying to determine the opponents, who are sympathetic to their goals. Approaching with them, as has been mentioned above, the Chinese representatives, cultivating feelings of friendship and mutual obligations, confidently lead their opponents to taking decisions favorable to them, manipulating also with feelings of dependence and guilt. This technique of interpersonal relationship management is called «guanxi». It arose out of the centuries-old relations of interdependence of subordinate type based on collectivism and not individualism.

The Chinese prepare for the upcoming negotiations thoroughly, meticulously and painstakingly collecting information on the participants from the opposite side, starting with information about political beliefs and ending with personal preferences in music and food. Therefore, sightseeing is not just a tribute to the hospitality, not only a demonstration of the greatness of their country, but also the opportunity to collect the information, as well as a comfortable informal environment for tying “friendly relations”.

When Chinaman calls his negotiating partner “an old friend”, it is necessary to remember that this “friendship” means commitments and does not last beyond the signing of the contract (unless it will be useful during the next negotiations).

Japan

Western stereotype of Japanese culture draws an image of Japanese bowing to all sides, whose menu is only rice, and free time is filled with karaoke and video games.

Stereotype is a byproduct of the study of national culture. Looking beyond it, it is possible to see the features of the national mentality, deeply rooted in the traditions.

Japan, like any eastern country, is characterized primarily by rigid hierarchy: leaders of a company and non-management employees are worlds apart. Power is autocratic, decisions are made centrally and there is a strict control at all levels, despite the developed informal relations. Climbing the corporate ladder does not depend on personal qualities, but on seniority. This tradition excludes “cult of personality” (except for the person of the emperor, but that’s another story.) “Big Boss” takes decisions not because he is superman, but because he is the “right person”, corresponding to his place.

Individual is valued as part of the community. Individualism gives way to collectivism. Employee is part of a group and is regarded as its representative. Therefore, there is a high level of cooperation between the leaders of the companies and their staff. Hence, the importance of human relationships as well, which ideal is «*Wa*» — harmony. Mutual commitments are the main element of a Japanese corporation. The organization is considered family for its employees who work 10-12 hours a day.

Quality circles provide both control and «*Just In Time*» products.

Decision-making is not quick, not because of fear of possible risk, but the need to reach a consensus of all participants in the negotiations from the Japanese side, who must trust each other and their leader. System of involvement of all members of the group into decision-making is called «*ringi*». It allows bridging the gap between the base of the pyramid and its apex.

In Japan, the status of the individual in society is determined by his education, age, family, profession, place of birth, as well as physical qualities. Therefore, the Americans call Japanese society “feudal”. Titles are extremely important, hence the tradition of exchanging business cards during the first acquaintance, giving and taking the card should be with two hands.

Therefore, in Japanese society competition dominates and achievement is valued. The spirit of competition is cultivated even within the family.

To succeed, it is necessary to control your behavior, actions, and, if possible, the situation. Therefore, the Japanese do not like uncertainty, prefer to plan and be accurate in predicting the next event.

“Saving face” is incomparably more important to the Japanese than for the representative of Western culture, because “loss of face” here means not just a feeling of embarrassment or shame, but the situation of complete isolation when both colleagues and relatives leave the individual forever: he has lost along the way («*doh*»).

The following concept of “*amae*” reveals another face of communication. The Japanese would never feel comfortable with the person if there is no *amae* between them — a feeling of complete trust, confidence in the relationship. Japanese ignore foreigners as *amae* can grow only in the long-term relationship.

The following two characteristics grow not from the Japanese rationality, but sensitivity. These are «*Chokkan To Ronri*» and «*Koto To Shidai Ni Wa*» — “intuition instead of logic” and “truth in the circumstances”. As the situation and commitment change, the truth changes as well and realizing of it can be intuitively rather than rationally.

In the traditional Japanese society, a conversation partner should hear what he wanted to hear,

but not the truth, which was a rule of paramount importance.

Tandem concepts «*Tatemaie / Honne*» play a significant role in all aspects of Japanese life. The first means “face”, “facade” — mask that hides the real intentions. The second is translated as “honest voice” and refers to the actual intention. In all contexts (in everyday life, in business, in politics) these opposing concepts are used to hide the truth or the real situation, which may be inappropriate or embarrassing. For example, someone pretends to be happy with his old machine when he simply cannot afford a new one. Adherence to these principles is very important in the culture in which sincerity is not a more important value than tactful behavior.

Japanese negotiating style is completely different from both the Chinese and the Soviet, as every Japanese knows that negotiation is a form of social conflict and the conflicts should be avoided. Therefore, formal style is unacceptable. Personal relationships are most valued that drive the inevitable conflict in the negotiations to a minimum. Japanese negotiators do not allow any assertiveness and ideological pressure of the Soviet style, nor subtle manipulation by the Chinese. They also do not tend to bargain. Their solutions are specific and pre-defined.

At the preliminary stage, the negotiators get to know each other, talking about family, hobbies, and common interests. To make acquaintance in more relaxed atmosphere, the action can take place during lunch. The Japanese side is trying to create an image of a friend who is not inclined to bargain in order to obtain greater benefits. Nevertheless, this does not prevent future negotiator from asking lots of questions, probing the situation, starting with the general, such as: “What do you think about the current situation on the world market?”

At the end of the conversation there is «*meishi*» ritual — an exchange of business cards. It is necessary to take them with both hands, bowing slightly, and then read, determining the rank of each participant in the negotiations. According to the Japanese, this is the most important step, because it creates «*Wa*» — a harmonious atmosphere.

At the stage of negotiations the Japanese try to keep created atmosphere of harmony, therefore aggressive strategy with them is inappropriate. They use several tactics of the famous treatise by Sun

Tzu “The Art of War”. The aim is to subdue the enemy without fighting, using wisdom. The highest strategy is to subdue the enemy by a psychological advantage, not pressure. Therefore, during the discussion it is naturally for the Japanese negotiators to keep silence from time to time, before bombarding opponents with questions again.

The Japanese do not discuss future contract incrementally, but just prefer to conclude an agreement, while discussing all the details. Japan also traditionally gives a discount — «*sabitsu*» — as a sign of friendship and sincere intentions.

Knowing the importance of “saving face” for the Japanese, a focus on a verbal agreement is easily understood. Japanese can verbally enter into contracts for millions of dollars, without legal basis of a written document, because a written document for them — it is only the recognition of the existence of the partnership. They also refer to the latter quite flexible, because, if the situation changes, the terms of the contract are revised.

South Korea

Korea, as it is known, is one of the four “Asian tigers” of East Asia. The country has shown an incredible record of growth and integration into the modern world economy of high technology. Moderate inflation index, relatively low unemployment, high profits from exports and a quite fair income distribution characterize its economy. Gross domestic product per capita is equal to some member countries of the European Union, but only five decades ago, it was comparable to GDP of some poor countries of Asia and Africa. This success was achieved by the system of close relations between government and business, including government loans, the restriction on the import of goods, sponsoring individual industries and the high level of labor discipline.

Korean business is characterized by a clear vision of the goals and objectives, as well as prospects, strong commitment, quick decisions and their implementation and adherence to national interests. The main difference between Korea from Japan is the speed in decision making and execution.

To begin negotiations punctually at the appointed time is considered as an important element of

successful negotiation. Careful preparations, clear vision of goals and objectives, consent to additional measures are also their key elements.

Korean negotiators use more direct language than the Japanese, and when they consider it necessary, do not hesitate to resort to threats. They use the word “no” three times as often and interrupt their opponent more than three times as often than the Japanese. Not always, however, they are so straightforward. In other cases, Koreans express disagreement nonverbally: noisy sucking air through teeth. It also means a problem or deadlock. In such situations, they can also look not directly, but sideways, and throw back their heads. Although, if an opponent hears “yes”, it is too early to celebrate: as Japanese, Korean etiquette prescribes to say what an opponent wants to hear in order to favour him. After all, preserving the atmosphere of harmony is more important than saying truth. In such cases, “yes” can mean simply “will think”. Silence means that the position of the opponent is not clear. As soon as in this culture it is very important to save face, issues are avoided.

The first claim determines the field for negotiations. Starting positions of the Korean negotiators may seem unrealistic, but they are ready to make concessions. It also means that the Korean side is ready for an extensive and calm discussion. American rush would lead negotiations to failure. Conservative manner of discussion, based on the inviolability of business ethics is preferred to innovation and experimentation. However, the Korean side can be very assertive and fast in expressing of dissatisfaction and disappointment. Serious facial expression in any case is a norm in a culture where it is very important to keep it at any cost. If a Korean smiles or laughs, so he is embarrassed and confused, ashamed, has fear, anger or surprise. In general, it means that he feels uncomfortable. Seriousness is as natural in negotiations with the Korean representatives as pauses and silence — time for guesswork instead of direct clarifying questions.

Conclusions from a comparative analysis
of the East and the West
(by the example of the countries of Northeast
Asia and the U.S.)

Generalizing the strategy specifics of international negotiations of the Northeast Asian countries, it is necessary to enter the terminological basis. The following concepts will become a theoretical framework for future generalizations: representatives of monochronal culture, representatives of polychronal culture, high content culture, low content culture. These concepts were introduced in the second half of the 20th century and have now become part of the academic community.

Edward Hall, who proposed these concepts, defined culture as a high type in which most of the information is expressed either physically or in non-verbal form, or is hidden in a human, and only a minimal part of the information is expressed in a coded form as possible. [8] On the contrary, low content culture reveals most of the information, usually in the words to make it possibly more clear and full.

Monochronal culture of negotiation is western style, which can also be characterized as low content culture. Polychronic culture of negotiation is a type of non-Western countries, such as Asia and Latin America, which can also be characterized as a high content culture.

The principal difference between the two types of negotiation cultures is as follows. Trend of Northeast Asia is to express themselves implicitly, indirectly, ambiguous, monologue, while the tendency of Western negotiators is clarity, directness and openness of judgments and sentences in the dialogue form. In Confucian culture of the East openness is considered indecent statements and may be perceived by others as being rude. So instead of “no” opponents hear: “We will consider this question,” “We will deliver this to the relevant ministry”.

The next obvious difference is the way of communicating at the negotiating table. Representatives of Anglo-American culture use dialogue as a way of verbal interaction, while Far Eastern culture uses monologue. First clearly express their intentions (even aggressive enough) and the exchange of views and ideas, covering the other side with a dense layer of words. Usually, they ask many questions, respond quickly to changing situations and analyze their thoughts aloud. Asians, in contrast, have a strong tendency to lecture on the subject, thoroughly prepared in advance, and only then wait

for the reaction of the opponent. This is because China, Japan and Korea brought up their culture based on or strongly influenced by Confucianism, which is not characterized by openness to debate. Each paragraph of the book “Lun Yu” begins with the words: “The Master said,” which is followed by Confucius quote that is not discussed, and, moreover, is not disputed. Therefore, if someone talks to pose serious counterarguments against the proposal or opinions of the opposite side, the latter feels insulted, or even that he had “lost face”. Therefore, representatives of the Far Eastern countries are trying to understand without question. They also think that keeping peace and harmony and to give opponents time is very important. Therefore, pauses in the discussion do not confuse them.

Chinese, Japanese and Korean negotiators are sure that listening to the views of representatives of the opposite side is very important. They have the ability to listen, because it means to pay attention, and therefore respect. Westerners, on the contrary, believe that the most important thing is clearly and precisely as possible to express their reasoned proposals and demands. Therefore, until they speak out, they cannot listen. Besides, they do not tolerate silence and prolonged pause, maybe that’s why they everywhere insert words like “great”, “wonderful”, “okay”. But this in no way implies consent. Representatives of the Northeast Asia prefer to express respect not in words and compliments, but in actions: they feel that a slight bow or offering a place of honor at the table is more significant.

Thus, the following features are in nonverbal behavior at the negotiating table. Nonverbal behavior includes expression of emotions, smiles, gestures, hugs, eye contact, a long silence, and so on. Representatives of Latin America and Russia, for example, express serious intentions about negotiations by cuddles before the beginning. Representatives of Western culture are naturally open in expressing their feelings: they gesticulate, can sit back. Representatives of Northeast Asia rarely reveal their feelings, and rarely use broad gestures. Latter is considered as the rudeness, besides such revealing of information cannot play a positive role.

It is of interest that for the negotiators from Northeast Asia, especially for the Chinese, silence plays a special role in non-verbal behavior. It may

be a tactic in negotiations, to which Westerners are not used to. Typically, there are two reasons for the sudden silence: either Chinese side plunged in thoughts or a special strategy. Even experts in the negotiations feel uncomfortable when negotiating partners suddenly keep silence. The situation is compounded by their disadvantageous position. Due to feelings of anxiety Chinese partners may become talkative, just to fill unnatural verbal vacuum, thereby revealing confidential information.

On the other hand, representatives of the East side are experts in deciphering nonverbal information. If an opponent shows unusual behavior, his intentions can be “read”. For example, if an opponent smiles irrelevantly, shakes his leg or is looking at his colleague in the midst of negotiations — it means a loss of control over the situation.

Visual interpretation of various cultural contacts is also of interest. For the representative of the West it is essential, as it means a serious and honest approach to the negotiations. For the representatives of the East — “staring” at the opponent is extremely indecent. Rather, they show respect by deferential silence or a slight bow.

According to Harvard University Professors Fischer and Ury, the most important thing in the negotiations is to separate the people from the problems. [9] The representatives of the Anglo-American side of negotiations are focused on immediate results and economic impact. Therefore long and fruitful partnership does not affect the course of negotiations: relation is one, negotiation — another. In fact, Americans, for example, want to maintain friendly relations with representatives of business circles of Korea and Japan, however, coming to the table, they ignore all personal relationships and are struggling to find ways to optimal results.

Eastern mentality dictates the opposite priorities: no matter how important was the subject of negotiations, partnerships and saving face are more important. Whether there are political or business negotiations, establishing a personal relationship with even one of its participants on the opposite side benefits to all. For example, if the buyer having a long-term relationship with a Korean or Japanese company asks for a deal, which will not have any economic benefits for the company, the latter agrees. Instead, it is expected that when a representative of the company asks the above mentioned

buyer for a personal favour, “Please, this time help me to save face”, he will reply: “OK”. This culture builds relationships on a tacit agreement: “If I can help you to save face this time, you will help me the next time”.

Thus, the international negotiation with representatives of Asia is a gradual process of building the trust and good relations. Therefore, the first meeting devoted mainly to get acquainted with each other and build the trust between the partners. During the talks with Chinese or Japanese officials they always give dinner. It is important to remember that it is a part of the negotiations dedicated to the establishment of the trust or a demonstration of friendly relations. For the Western negotiator lunch means nothing more than entertainment, inefficient, unproductive waste of time. Therefore, if the dinner is given by the Western partner, it looks like sandwiches with coffee served straight to the table — without interruption, so to speak, of the production. If at the dinner they establish good relations, so for Western partners there is no connection between them and problem solving. Eastern partners are disappointed: dinner for them is as important as the negotiations themselves.

Next generally accepted distinction — “individualism vs collectivism” — is manifested not only in wording (“I think» vs «We think”), but mainly in the fact that in the case of Asian partners, it is not enough to convince the main person, but you it is necessary to convince the entire team of negotiators.

Westerners work in accordance with the established schedule, being very punctual. They have a clear idea of working hours and that they should spend them at the negotiating table. They also do not like to change the approved schedule.

People of Eastern culture are suited to the time more flexibly: planning time depends on changes in the situation. Consequently, they relatively easy change the initial date and time of the negotiations, as well as making changes and additions to the plan. Also, as mentioned above, the place of negotiation can be both an office and a restaurant, a tour that introduces the sights, and even a golf course.

This difference in emphasis often leads to confusion and misunderstanding. Western partners take eastern flexibility as frivolity and do not know how to behave.

Referring not so seriously to the time, eastern negotiators can afford to postpone them several times, which confuses their Western colleagues.

Today, in the infinite invisible cyberspace of the world economy, cultural competence is a necessary quality for commercial success and prosperity. Cultural competence means understanding the cultural dynamics of international cooperation and corporate strategies, adapted to different regions. Until the world gathers elements of different cultures in a single global cultural symbiosis, any kind of international cooperation should be considered a cultural identity of its participants.

One of the tasks of theoretical and practical research in the field of international cooperation concerning political and commercial activities is to identify points of convergence between Eastern and Western cultural paradigm, such as in the above mentioned study: American individualism and collectivism of the representatives of North-east Asia. These paradigms may seem contradictory and mutually exclusive, but they are not hopelessly incompatible. The moral basis of two paradigms is one, but expressed differently. In the Western terms: do something useful for yourself — and your company will benefit from this. In the Eastern: do something useful for society — and you will benefit from it, since you are a part of it. Since both systems “work”, that is, successfully move their societies forward to prosperity, it is quite realistic to find the optimal theoretical and practical approaches to their common prosperity.

Aristotelian and Confucian “golden mean” converge here at one point.

In light of this, it is possible to hope that the world business, carried by the East-West line can only benefit from adding in a difficult puzzle of both systems strengths, for example, such as security and stability control, risk allocation, improved productivity, classification of working tasks of Korean business system and reduction of operational costs, availability of capital, the wage system, innovative incentives of American business system.

Economic paradigm is the inevitable product of historical and cultural heritage. Since each culture has its own strengths and weaknesses, its institutions cannot be quickly and easily changed. Culture, ideology, values are formed and long changed.

Consequently, the success or failure in the economy cannot be determined even with fullness of its national culture. Build or change the economic system on the basis of the progressive elements of culture — it is the task of any society. Here, the determining factor is not culture, but people’s desire to transform their society into a prosperous. In a globalizing world, it is impossible to do not by isolation from other cultures, nor by the expense of other cultures. Therefore it is very important in international negotiations to understand partners correctly, no matter how exotic it seems. Exemption from ethnocentrism here is rewarded by the fact that the result of the negotiations will not be a compromise, impairing both sides, but consensus, enriching both sides.

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The Task of Winning Hearts and Minds Abroad: Chinese Public Diplomacy in Kazakhstan

AIZADA NURIDDENOVA

Introduction

Chinese public diplomacy cannot be detached from its rapid economic development and shifts in its international position. China has become the second largest economy in the world and is actively engaging in regional and world affairs. At the same time, this has raised various concerns about China's intentions and its growing influence in different parts of the world. Among them, Kazakhstan was not an exception, considering the alarmist and sinophobic sentiments that became increasingly apparent within its society in recent years. Therefore, China actively seeks to convince Kazakhstani public of its benign intentions and stresses that China and Kazakhstan should make efforts in promoting people-to-people friendship. Thus, the following questions arise: how is Chinese public diplomacy being practiced in Kazakhstan? What kind of tools does China use to implement it? In order to answer these questions it is necessary to look at the causes that gave rise for the practice of Chinese public diplomacy, namely the "China threat" concept.

The article begins with the discussion of the emergence of "China threat" concept and its effect in triggering the practice of Chinese public diplomacy worldwide. It analyzes the theoretical notion of public diplomacy and how it is being practiced by China nowadays. The article then turns to the analysis of how China is promoting its public diplomacy in Kazakhstan in particular.

The "China Threat" Concept and the Need for Public Diplomacy

As China continued to grow during the decades that followed after its economic reforms in late 1970s, various international relations theories offered competing views and explanations on the future behavior of China in the international arena. Among them, a concept of "China threat" had emerged in 1990s and neorealism particularly, offensive realism took a major stance in theorizing it. According to offensive realism, states operate in an anarchic world in which there is no high authority that is capable of enforcing the rules and regulating the affairs among states. In such a world, every state has an offensive intentions and their ultimate goal is to become a hegemon in its regional affairs. [1] As John Mearsheimer — the main proponent of offensive realism — argues, China's rise will not be peaceful, since China will seek to maximize the power gap between itself and neighboring countries, so that it will become powerful enough that no one state will undermine its supremacy. [2] Another theory that predicts future destabilizing effects of China's rise is the hegemonic stability theory, according to which a dominant state will be confronted with a rising challenger. It posits that this will bring disequilibrium to the international system since the rising challenger will try to change the rules of the existing international system. This, in turn, will lead to the dominant state's attempts to counter the

challenge; otherwise it will cause a hegemonic war (e.g. Sparta and Athens in Peloponnesian war, the US and the Soviet Union during the Cold War). [3] Thus, the hegemonic stability theory sees the rise of China as the rising challenger to the existing international system. Furthermore, according to Aaron Friedberg, there is a chance of a future conflict in Asia, considering the early stages of development towards democracy in Asian countries, Asian loose institutional ties, and diversity. [4] Thus, this argument also associates the growing role of China with future instabilities in the region.

If we take a look at developing China, one can draw the parallels with the above mentioned theories. China has been growing over three decades now and has been able to become the second largest economy in the world. It gave China enough confidence to be engaged in regional economic affairs as it did during the Asian Financial Crisis (AFC) by bailing out the troubled economies of South East Asian countries. Moreover, China has been actively investing in Africa, Latin America, and Central Asia in order to secure the needed resources for further economic development. After all, China is a rising one-party communist state with increasing military expenditure and ambition for modernization.

Therefore, in order to convince the world that China is a rising peace to the existing international order, the Chinese leadership had to respond by elaborating variety of concepts both in the academia and in practice. In practice, the concepts of “peaceful rise” (*heping jueqi*) and “harmonious world” (*hexie shijie*) became the major determinants of Chinese foreign policy in recent years. In April 2005 at the Asia-African Summit Meeting, Chinese President Hu Jintao delivered a speech in which he used the term “harmonious world” for the first time. [5] In September of the same year at the UN Summit, Hu Jintao again focused on the concept of harmonious world that calls for the creation of the “new security concept of mutual trust, equality, and collaboration”. [6] As Chao and Hsu argue, the concept of harmonious world was elaborated to partly downplay the “China threat” concept in international community. [7]

On the one hand, the main practical idea of the concept of harmonious world is that the purpose of creating a common security, is peace and it can be attained through a multilateral mechanism such as the United Nations. On the other hand, the main theoretical idea of harmonious world is derived from Confucianism which emphasizes the ideals of harmony within a given society based on the morality and ethics of human beings. It assumes that every human being has its particular position and duties (e.g. being a good ruler, good parents, or a good child, etc.) within a society, and as long as they act in accordance with them and Confucius rites, the harmonious society will be achieved. [8] By this, China is trying to convince the world that by becoming a responsible great power which is actively engaging in regional affairs, China does not intend to change the existing international order.

Thereby, the concept of “China threat” caused the Chinese leadership to elaborate the tools of convincing the foreign audiences of China’s benign intentions and improving China’s image. Consequently, the notion of public diplomacy has emerged as the main tool in advancing China’s image abroad and currently is being paid major attention both among Chinese scholars and practitioners.

Public Diplomacy: A Theoretical Discussion

The term public diplomacy is relatively new concept and is quite ambiguous. It was first adopted in the US in the 1970s to refer to the US government’s international information, cultural relations, and broadcasting activity. [9] J. Nye argues that “public diplomacy is an instrument that governments use to mobilize the resources [that produce soft power*] to communicate with and attract the publics of other countries rather than merely their governments”. [10] According to N. J. Cull, public diplomacy is the process by which international actors seek to accomplish the goal of their foreign policy by engaging with foreign publics and it consists of major five components: listening (responding to the shifts in international opinion), advocacy (promoting a particular policy, idea, or interests in foreign public), cultural diplomacy,

* Joseph Nye defines the concept of soft power as “the ability to affect others to obtain the outcomes one wants through attraction rather than coercion or payment”, see in Nye J.S., 2008.

exchange diplomacy and international broadcasting. [11] Furthermore, public diplomacy is also defined as “the process by which direct relations are pursued with a country’s people to advance the interests and extend the values of those being represented”. [12] Thereby, the main difference between traditional and public diplomacy is that the former is the relationship between the representatives of states, while the latter focuses on the general public abroad and specifically on non-official groups and individuals. [13]

The Chinese understanding of public diplomacy (*gonggong waijiao*) refers to advertizing Chinese achievements and boosting China’s image abroad. [14] Moreover, it attempts to change the international view of China and attempts to go beyond the traditional diplomacy. [15] Nevertheless, the Chinese public diplomacy is not a new phenomenon. According to N. Cull, contemporary Chinese public diplomacy has its roots in three basic points. First is the traditional Chinese concern with the notion of image in all relationships, as the Chinese traditionally emphasize the value of the personal image (*mianzi*, literal meaning is “face”) as a concept of social prestige. Therefore, public diplomacy can be seen as the extension of this concept to the international realm. The second one entails the history of external propaganda practiced by a communist regime, since Mao Zedong’s regime sought to spread an external propaganda (*dui wai xuan chuan*) in so-called the “third world” countries such as South East Asia, Africa, and Latin America by becoming the unofficial leader of non-aligned movement in 1950s. The third point refers to the realization of the role of public diplomacy during the post-Mao period in which its major agencies and institutions were built. [16]

Chinese Public Diplomacy in Action

Since 2007, Chinese government has been focusing on soft power and its major tool — public diplomacy — as one of the dimensions of its foreign policy. In October of 2007, at the 17th National Congress of the Communist Party of China, Hu Jintao called for enhancing the Chinese culture as

country’s “soft power”. [17] To that end, he stressed the role of public diplomacy as the major method of promoting China’s soft power. According to K. Zhan, Chinese public diplomacy pursues five main objectives: 1) publicizing the Chinese government’s statements to the outside world; 2) forming a desirable image of China; 3) issuing rebuttals to distorted overseas reports about China; 4) improving international environment surrounding China; 5) exerting influence on the policy decisions of foreign countries. [18]

In March of 2004, China established the Division of Public Diplomacy under the Information Department of the Ministry of Foreign Affairs and there are other multiple agencies which are responsible for coordinating the practices of Chinese public diplomacy abroad. These include Information Office under the State Council and Foreign Affairs Department, which is in charge of media diplomacy, Ministry of Culture which focuses on cultural diplomacy, the International Department of the Central Committee of the Communist Party of China (IDCPC) which operates in the field of party-to-party diplomacy, the Office of Chinese Language Council International (*Hanban*) which is in charge of establishing the Confucius Institutes around the world. [19]

Chinese public diplomacy practice mainly includes cultural diplomacy, exchange diplomacy, and international broadcasting. Among them, the Chinese cultural diplomacy is directed towards demonstrating to the foreign public the Chinese culture, values, history and thereby, gaining the admirers. As Hu Jintao announced in 2003 that “Chinese culture belongs not only to the Chinese but also to the whole world” thus, it clearly shows China’s ambitions.* The great example of Chinese cultural diplomacy is the establishment of Confucius Institutes around the world. In 2006 Chinese government initially aimed to set up 100 Confucius Institutes in different parts of the world within five years. Chinese government has achieved this target, since the number of Confucius Institutes in December 2007 constituted 210 institutes operating in 64 countries. The first Confucius Institute was established in Seoul in November 2004. [20]

* As quoted in J. Kurlantzick, “Charm Offensive: How China’s Soft Power is Transforming the World”, Yale University Press, 2007, p. 118.

In 2011, the number of Confucius Institutes has risen to 353 in 104 countries around the world. [21]

China is practicing the exchange diplomacy as well by taking part in mutual educational and cultural exchanges. The major Chinese institution that provides the people-to-people exchanges is the Chinese People's Association for Friendship with Foreign Countries (CPAFFC). Meanwhile, the Chinese Ministry of Education expected more than 120,000 foreign students enrolling in Chinese Universities by 2008. [21] By 2012 it was announced that a total of 328,330 international students were studying in China.*

China also has been paying attention to its international broadcasting activity by establishing radio and television channels in English. In 2000, Chinese Central Television (CCTV) set up a channel 9 in English for foreign audiences and moreover, it has expanded into other languages such as Russian, Spanish, French, Arabic. By the same token, China Radio International broadcasts programs in English and plays a significant role in promoting a favorable image of China abroad.

Next we turn our attention to how the above described components of Chinese public diplomacy are being practiced in Kazakhstan nowadays.

Chinese Public Diplomacy in Kazakhstan

Why would China be concerned about promoting its positive image and practicing public diplomacy in Kazakhstan particularly? Firstly, Kazakhstan is the largest Central Asian country and it is vital for China's interests in the region particularly, in fighting the "three evils" — extremism, separatism, and terrorism. Secondly, Kazakhstan is one of the main sources of Chinese energy consumption. And yet, Kazakhstan is the country where alarmist and sinophobic sentiments are present when it comes to the issues of migration, bilateral trade (e.g. Kazakhstan accounts for 63% of China's trade with the Central Asian countries) and also as China continues to purchase the

shares of major western companies operating in Kazakhstan.** In this regard, a Kazakhstani sinologist K.Syroezhkin argues that the Kazakhstani public lacks the knowledge about the real China and Chinese people, hence they tend to believe and develop various kinds of stereotypes, myths and even phobia regarding the growing influence and presence of China in Kazakhstan and in Central Asia as a whole. (see Diagram 1) [22] In the meantime, Chinese think tank is also aware of the situation in Kazakhstan, namely how the general Kazakhstani public perceives China, thus, it also acknowledges that there is a lack of knowledge on real China and its intentions. Therefore, nowhere else in Central Asian region China seeks to practice its public diplomacy than in Kazakhstan.

As it has been discussed above, the main components of Chinese public diplomacy — cultural diplomacy, exchange diplomacy, and international broadcasting — are being used in advancing the positive image of China in Kazakhstan as well as in different parts of the world. (see Table 1) Further we will take a closer look at them.

Cultural diplomacy. The main channel for practicing Chinese cultural diplomacy abroad is the Confucius Institutes established worldwide. It is a non-profit public organization affiliated with Chinese Ministry of Education and operates in collaboration with the local universities of a hosting country. The main mission of the Confucius Institute is "to provide Chinese language and cultural teaching resources in order to promote Chinese language internationally". [23]

Currently, there are four Confucius Institutes operating in Kazakhstan. The first of them was set up in December of 2007 in Astana jointly with the Eurasian National University.*** This was followed by the establishment of the second Confucius Institute in Almaty at the Kazakh National University named after Al-Farabi in February 2009.**** Moreover, as the Chinese noticed the increased interest in learning Chinese language and culture among students in Kazakhstan, the third Confucius

* See China Education Center, <http://www.chinaeducenter.com/en/>

** More on Chinese presence in Kazakhstan see K. Syroezhkin, "China's Presence in Kazakhstan: Myths and Reality", Central Asia's Affairs, 1 (42) 2011.

*** See, Embassy of PRC in Kazakhstan, <http://kz.china-embassy.org/rus/zhgx/t389583.htm>

**** See, Confucius Institute of Kazakhstan Al-Farabi National University, http://english.hanban.org/confuciousinstitutes/node_10803.htm See, Embassy of PRC in Kazakhstan, <http://kz.china-embassy.org/rus/zhgx/t389583.htm>

Institute has been set up in June 2011 in the western city of Aktobe. And the fourth one was established

in Karaganda at the Karaganda State Technical University in November 2012.*

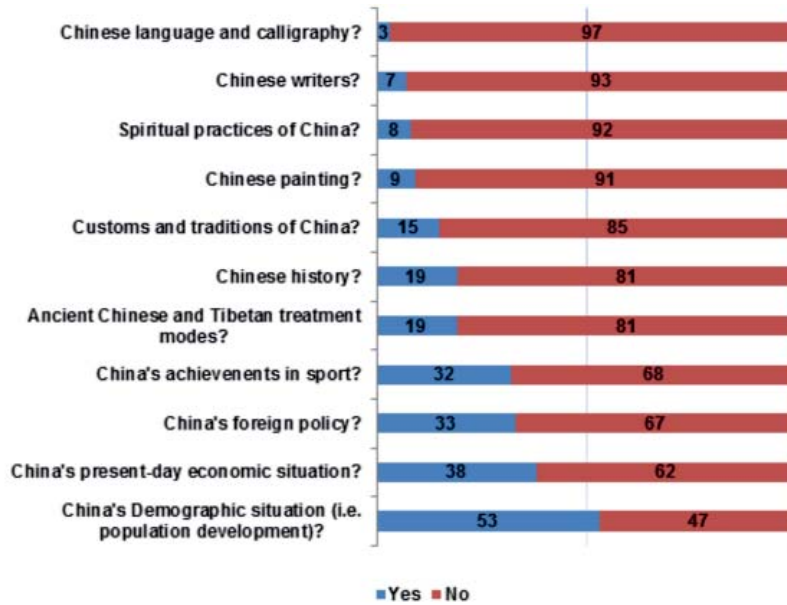


Diagram 1. Awareness of Chinese culture, traditions and present-day life in Kazakhstan
Are you familiar with...

Source: Sadovskaya E.Y., Chinese Migration to Kazakhstan: a Silk Road for Cooperation or a Thorny Road of Prejudice? China and Eurasia Forum Quarterly, Vol. 5, N 4, 2007. – P. 164.

Table 1. Key Components of Chinese Public Diplomacy in Kazakhstan

Components/Elements	Specific activities
Cultural Diplomacy	Various cultural and social activities within the Confucius Institutes and courses of Chinese language and culture
Exchange Diplomacy	Exchange of students; mostly, Kazakhstani students receive Chinese Scholarship Council (CSC) education grants annually
International Broadcasting/ Media	Few number Chinese press and news agencies (e.g. “Xinhua” news agency and “People’s Daily” (Renmin Ribao) and Guangming Daily, and China Radio International)

Confucius Institutes in Kazakhstan focus on teaching Chinese language and introducing Chinese culture and history to the Kazakhstani students. The Confucius Institute students are

mainly composed of undergraduate and graduate students, middle school students, officials, and other social members. Confucius Institutes organize various cultural activities such as Chinese

* See, Confucius Institute of Karaganda State Technical University, <http://www.kstu.kz/confucius-institute-of-kstu/?lang=en>

calligraphy contest, ancient Chinese classical poems contest, fragments of Beijing opera and Chinese painting and hold the preliminary contest for the “Chinese Bridge” (Chinese proficiency contest for foreign students). Moreover, Confucius Institutes seek to assist in the preparation of local teachers of the Chinese language and provide the consulting services for those willing to study in China. [24]

Apart from the Confucius Institutes, the Chinese Language Learning Center has been established in Astana in 2013 as the part of the Chinese department of the Eurasian National University. This center is aimed at training the specialists of Chinese language, since Kazakhstani students show an increasing interest in studying Chinese language. [25]

Although the Confucius Institutes are the main vehicle to practice Chinese cultural diplomacy abroad, China is using non-traditional actors as well in engaging with foreign public. For instance, China National Petroleum Corporation (CNPC) attempts to implement the cultural activities in Kazakhstan in order to boost the positive image of China and demonstrate the Chinese culture. To that end, CNPC and the Ministry of Education and Science of Kazakhstan are to sign the “Memorandum of Establishing Folk Dance and Ballet Academy in Astana”. [26]

Exchange diplomacy. Chinese public diplomacy also rests on the people-to-people diplomacy in its task of winning hearts and minds abroad. China-Kazakhstan exchange diplomacy has been developing vigorously and rapidly in the last decade as China increased the number of annual scholarships to Kazakhstani students starting from 2009 up to 100 students.* For the sake of comparison, in 2003-2004 academic year, only 20 Kazakhstani students obtained educational grants in China under the student exchange program. According to Chinese ambassador to Kazakhstan Le Yucheng, currently, the number of Kazakhstani students studying in China has reached 9500 while more than 1700 Chinese students are studying in

Kazakhstan. [27] For instance, in 2009-2010 academic year, China provided 76 scholarships to the students of Kazakhstan (75 — based on the bilateral agreement, 1 — according to the agreement within the Shanghai Cooperation Organization — SCO), while Kazakhstan accepted 618 students from China. [28]

It is important to note that Xi Jinping’s 10-day official tour to Central Asian countries during 3–13 September 2013 has been the major indicator of China’s increasing practice of public diplomacy particularly, exchange diplomacy, as in his speech at Nazarbayev University, the Chinese president highlighted that the two countries should further strengthen people-to-people exchanges. During his visit, Xi Jinping announced a 10-year plan to provide 30 thousand government scholarships to the member countries of SCO including Kazakhstan, to study at Chinese universities. Moreover, China is intending to invite 10 thousand teachers and students from the Confucius Institutes to visit China for study and training within the mentioned time frame. By the same token, Chinese President personally invited 200 teachers and students from the Nazarbayev University to visit China for a summer camp in 2014. [29]

International Broadcasting/Media. One of the main channels that a country can use in developing its public diplomacy is certainly the international broadcasting or media. As was mentioned above, China has been investing in developing its international broadcasting network in foreign languages. There are some Chinese media agencies that operate within the territory of Kazakhstan such as “Xinhua” news agency and the foreign issues of “People’s Daily” (Renmin Ribao) and Guangming Daily, and China Radio International. [30] However, China has not been very successful in developing its international broadcasting and media within the individual countries including Kazakhstan. According to Y. Wang, this is so largely because Chinese culture is highly developed, while its media is still not globally integrated.**

* The Ministry of Education and Science of the Republic of Kazakhstan, http://www.edu.gov.kz/ru/dejatelnost/mezhdunarodnoe_sotrudnichestvo/strany_partnery_v_oblasti_obrazovanija/ 08.03.2014

** See Wang Y., Public Diplomacy and the Rise of Chinese Soft Power // Annals of the American Academy of Political and Social Science, Vol.616, 2008. – P.259.

Conclusion

This paper was set out to explore and evaluate current Chinese public diplomacy in Kazakhstan. It argues that Kazakhstan as the largest and crucial neighboring country in Central Asia represents itself as the potential place for China to promote its public diplomacy.

It is important to note, that if we follow J. Nye's definition of public diplomacy which emphasizes that the public diplomacy is mainly practiced in order to attract the foreign public, the question of whether the Chinese public diplomacy has been successful in attracting the Kazakhstani audience

and weakening the sinophobic sentiments there, remains an open topic for future research and discussion. What we can surely conclude is that China is actively broadening its components of public diplomacy in Kazakhstan, namely by increasing the number of annual scholarships and establishing more Confucius Institutes and enhancing people-to-people exchange diplomacy. Moreover, if we follow N. J. Cull's definition of public diplomacy which, in turn, stresses that by using the public diplomacy the international actors seek to accomplish their foreign policy goals, then in the long term perspective, the Chinese public diplomacy may not be appealing to the countries where it is being practiced.

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Macroeconomic Results of SPFIID Implementation and Their Compliance with the Goals and Objectives of the Program

VYACHESLAV DODONOV

A year before the end of the state program on forced industrial-innovative development (SPFIID) it is advisable to assess its intermediate results in terms of impact on the macroeconomic situation in Kazakhstan and achieved level of target indicators.

The main aim of the Program was, as mentioned in the Presidential Decree of March 19, 2010 № 958, “to ensure diversification and increase competitiveness of the economy”, which implies the reduction of its raw material orientation, the development of advanced production, increase of labor productivity and growth of other quality indicators of functioning. These objectives are reflected in the target objectives of the Program, including aggregated macro-level indicators, which include the following:

- GDP growth of at least 7 trillion tenge, about 50% of GDP in 2008, in real terms, GDP growth will be 15%;
- The share of manufacturing industry in GDP structure to a level of not less than 12.5%;
- Share of non-oil exports to at least 40% of total exports.

At the same time the text of the Program, including the target indicators, was later amended by Presidential Decree of 01.08.2013 № 607. Separately, it can be mentioned that SPFIID presents in the previous edition of 2010 on the website of

the Government of Kazakhstan. The structure of the indicators and the values of some of them were changed in accordance with the amendments. In particular, the new version of the Program provides:

- GDP growth in real terms in 2014 — not less than 38.4% by 2008, in nominal terms — by 26 trillion tenge;
- An increase of GVA in non-oil sector in real terms by 2015 will be at least 39.5% compared to the level of 2008; manufacturing industry in real terms by 2015 will be 43.6% compared to 2008;
- An increase in the economic value of non-commodity (processed) export — not less than 30% compared to 2008.

Complete differences of the SPFIID goals in versions of 2010 and 2013 are shown in Table 1, where each of them is presented in the statements under “Passport Program”, in which target indicators are mentioned.

Thus, after three and a half years after the adoption of SPFIID and in less than half a year before its closure, a substantial adjustment of the Programs concerning the target indicators, especially those which had a relative expression (the share of manufacturing industry in GDP, the share of non-oil and gas exports, the share of exports in industrial output) was carried out. If in the first edition the target indicators were generally consistent with

its innovative and inventive industrial orientation, in the second edition the main emphasis of these indicators had shifted towards increasing of the

share of local content in the procurements (which became 5 out of 11) that is more in line with the objectives of import substitution and protectionism.

Table 1. Differences in composition and performance of the SPFIID target indicators in versions of 2010 and 2013.

The Program, approved by Decree of the President of the Republic of Kazakhstan dated March 19, 2010 № 958	The Program, as amended by Presidential Decree of 01.08.2013 № 607
<p>Increase:</p> <ol style="list-style-type: none"> 1) GDP of not less than seven trillion tenge, about 50% of GDP in 2008, in real terms, GDP growth will be 15%; 2) the share of manufacturing industry in GDP structure to a level of not less than 12.5%; 3) share of non-oil and gas exports to a level of at least 40% of total exports; 4) volume of non-oil and gas exports to a level of at least 43% of the total manufacturing industry output; 5) labor productivity in the manufacturing industry sector not less than 1.5 times; 6) labor productivity in the agricultural sector from \$3000 per person employed in agriculture, not less than 2 times; 7) share of local content in the procurement of public institutions and organizations, national holding company, national holdings and companies — goods up to 60%, and in the procurement of works and services 90% share of innovatively active enterprises to 10% of the number of existing enterprises. <p>Reduction:</p> <ol style="list-style-type: none"> 1) share of transportation costs in the cost structure of non-oil and gas sector to a level of not less than 8%; 2) GDP energy consumption by at least 10% of the level of 2008. 	<p>Increase:</p> <ol style="list-style-type: none"> 1) GDP in real terms in 2014 — not less than 38.4% by 2008, in nominal terms — by 26 trillion tenge; 2) GVA of non-oil and gas sector in real terms by 2015 will be at least 39.5% of the level of 2008; 3) manufacturing industry in real terms by 2015 will be 43.6% compared to the level of 2008; 4) the cost value of non-oil and gas (processed) export — no less than 30% compared to 2008; 5) labor productivity in manufacturing industry — not less than 1.5 times to the level of 2008 in real terms (at constant prices of 2008); 6) shares of local content in the procurement of public institutions and organizations: the goods — up to 43%, works and services — up to 87%; 7) shares of local content in the procurement of national holding company, national holdings and companies: goods — up to 49%, works and services — up to 78%; 8) shares of local content in the procurement of subsoil users (mining complex): goods — up to 12%, works and services — up to 74%; 9) shares of local content in the procurement of subsoil users (oil & gas sector), excluding indicators of NCOC, KPO and TCO: goods — up to 16.0%, works and services — up to 72.5%; 10) shares of local content in the procurement of strategic enterprises: goods — up to 15%, works and services — up to 68%; 11) shares of innovatively active enterprises — up to 10% of the number of existing enterprises. <p>Reduction of energy intensity of GDP by at least 10% of the level of 2008.</p>

Considering changing of the goals of SPFIID that occurred in 2013, should be specially noted that relative parameters have disappeared out of the number of target indicators (the share of manufacturing industry in GDP, the share of non-oil and gas exports, the share of exports in manufacturing industry products). Their place was taken by the volume growth rates, which do not provide the ability to track the qualitative changes in the economy, which the Program was originally directed to. At the same time, those target indicators from the list a year and a half before its completion have disappeared, on which three years later, the situation has not improved and it became clear that their achievement by 2014 is not possible. Table 2 lists these indicators and their

dynamics since 2008, selected in the Program as a reference point.

The key indicator from the data in Table 2 is the share of manufacturing industry in GDP, which in 2000 was 16.5%, but has since declined steadily, despite the fact that its growth consistently was mentioned in specialized programs, starting with the Strategy of Industrial-Innovative Development of Kazakhstan for 2003-2015, where this indicator also featured in the list of target ones, and was expected to reach 13% in 2015. As can be seen from Table 2, in the process of implementation of SPFIID, the share of manufacturing industry in GDP continued to decline — from 11.8 in the base 2008, to 10.5% in the first nine months of 2013.

As for the share of non-oil and gas exports at the level of 40%, this indicator was initially unrealistic, because it assumed almost twofold increase of export in manufacturing industry in terms of intensive oil development (the same Kashagan, which was supposed to launch in 2013) and a corresponding growth in the volume of exports of hydrocarbons.

Considering other indicators of macro-level (except for them, there are many sectoral indicators in the Program), it should be noted that their achievement is also problematic. To monitor the implementation of the Program by the Agency for Statistics, a system of statistical records of the majority of its target indicators (not only the macro level, but also industrial and functional) was organized, in frameworks of which a special

Statistical Bulletin “Indicators of the State Program of Forced Industrial-Innovative Development of Kazakhstan for 2010-2014” is produced. In accordance with data of this bulletin, not only relative indicators, which were excluded from the number of target ones in the 2013 edition, but also the dynamic performance of the same version of the Program is unlikely to be achieved (see Table 3).

Closest to the target level, in our opinion, may be GDP growth, although this growth is unlikely to reach the target level of 38.4%. Even if we assume that GDP growth in 2013 will coincide with government estimates and will be 6%, then, to enter the final 38.4% in 2014, GDP should grow by 6.5%, that in the current circumstances is unlikely.

Table 2. Target indicators, which were presented in the edition of STFIID in 2010 and which disappeared in a similar list of a passport of the Program in 2013.

	2008	2009	2010	2011	2012	9 months 2013	2014 (target indicator)
The share of manufacturing industry in GDP, %	11,8	10,9	11,3	11,4	11,3	10,5	12,5
The share of non-oil and gas exports, %	27,8	27,4	27,6	23	24,7	23,2	40
Labor productivity in agriculture	360,1	415,2	372,3	492,3	410,9	517	720,2

Table 3. Dynamic of the main macroeconomic indicators in comparison with the target reference of SPFIID.*

	2008	2009	2010	2011	2012	2014 (target indicator)
GDP increase in real terms	100	101,2	108,6	116,7	122,5	138,4
GVA Increase of non-oil and gas sector	100	98,1	105,4	113,9	123,4	139,5
GVA of the manufacturing industry sector, in real terms to the level of 2008	100,0	97,2	110,4	118,7	122,3	143,6
The share of innovatively active enterprises, %	4	4	4,3	5,7	7,62	10

* Source: Statistical Bulletin “Indicators of the State Program of Forced Industrial-Innovative Development of Kazakhstan for 2010-2014”. January-December, 2013. Agency for Statistics of the Republic of Kazakhstan. Astana, 2014

Even less realistic is to achieve the target indicators concerning the growth of gross added value of non-oil and gas sector to 39.5% (however, this growth can be achieved by acceleration of non-oil and gas services) and, especially GVA of manufacturing industry. Achieving its target level of 43.6% by the latter indicator is almost impossible, and in this sense the replacement of the relative rate of the share of manufacturing industry in GDP with a dynamic growth rate of GVA did not change the situation — as that and other indicators are similarly not realizable by 2014. In 2013, the growth in the manufacturing industry sector was only 1.6%*. This means that the cumulative growth of GVA of manufacturing industry in 2013 compared to 2008 was 124.3%, and to achieve the target indicator to 43.6% of cumulative growth of this indicator in 2014, the manufacturing industry is expected to grow by 15.5%, which is absolutely unrealistic.

Thus, we can establish that concerning the key macroeconomic indicators, established by a passport of SPFIID both in its original version and as amended in 2013, the achievement of target indicators will fail. If we do not consider the target indicators related to local content in the procurement of various kinds, which are not directly related to the innovation component, the only macro-level indicators that are likely to be achieved by 2014 are increasing of productivity in manufacturing industry in 1.5 times and reducing energy intensity of GDP by 10%, relatively the levels of 2008. Labor productivity in the industry, according to the bulletin “Indicators of the State Program of Forced Industrial-Innovative Development of Kazakhstan for 2010-2014”, was 37.3 thousand dollars per employee in 2008, which determines the target growth in 1.5 times, with volume of 56 thousand dollars, at its actual size of 61.8 thousand dollars by the end of 2012 and 57.5 thousand dollars for the first 9 months of 2013. Energy intensity of GDP, according to the same source, was 1.77 toe (tons of oil equivalent) in 2008, 1.53 toe in 2012, that is, there was a decrease of 13.5%.

In general, the aggregate target indicators, reflecting the progress in economic structure and its

way towards innovation and industrial progress will not be achieved in any part of the growth in the share of manufacturing industry in GDP, either in terms of the planned rates of its growth relatively to 2008, or in respect of export quality (share of non-oil and gas exports, the growth of non-oil and gas exports), or other parameters (the share of innovatively active enterprises, increase of GVA of non-oil and gas sector). It is possible to consider some of the reasons of actual non-implementation of SPFIID.

The main reason why the majority of the target macro-level indicators, which characterize the level of development of innovative industries, did not reach the planned targets, is that almost all of these indicators were tied to the rate of growth of the manufacturing industry. In addition to the target indicators that directly reflect the development of this type of activity, such indicators as the share and growth of non-oil and gas exports, GVA of non-oil and gas sector, labor productivity also directly depend on the growth of the manufacturing industry sector. Accordingly, insufficient dynamic growth of manufacturing industry has led to a failure of affiliated to the growth indicators. Despite the fact that during the actual functioning of SPFIID, that is, since 2010, manufacturing industry has grown faster than the extractive industries; there was an inverse situation in 2008 and 2009, which led to the fact that the cumulative growth relatively 2008 in the manufacturing industry sector was almost the same as in the mining industry (Fig. 1).

In its turn, insufficient dynamic growth of manufacturing industry is due to its structure in which, despite a few years of implementation of the programs of industrial-innovative development, metallurgy continues to dominate (Fig. 2). Metallurgy, as well as some other manufacturing industries (manufacture of coke and refined petroleum products, manufacture of other non-metallic mineral products), forming in total more than half of GVA in manufacturing industry, is highly dependent on world commodity markets and, as a consequence, the entire manufacturing industry in Kazakhstan is as volatile in the results of performance, as prices for metals and other commodity products produced by some of its branches.

* Source: Socio-Economic Development of the Republic of Kazakhstan (brief statistical bulletin). January-December, 2013. Agency for Statistics of the Republic of Kazakhstan, Astana, 2014, P. 15

For this reason, the dynamic of manufacturing industry output and the associated target indicators of SPFIID, as a result of taken actions in the frameworks of the Program, had changed much less than due to changes in prices for industrial metals. The same price factor of commodity markets conjuncture explains as rise of indicators in manufacturing industry in 2010, when there was a rapid rise in prices for metals, so no less sharp slowdown in its growth in 2012 and

2013, when there were slowing down growth and falling prices in the metal markets. The graph of Figure 3 shows the dynamics of the IMF index of metals, which arranges the prices of copper, aluminum, iron ore, tin, nickel, zinc and uranium, and this graph is quite clearly correlated with both the rate of growth of manufacturing industry in Kazakhstan, given in Figure 1, and the changing role of metallurgy in the manufacturing industry (Figure 4).



Figure 1. Comparative dynamics of volume indices of production compared to last year in the manufacturing and mining industries in the period of SPFIID.*

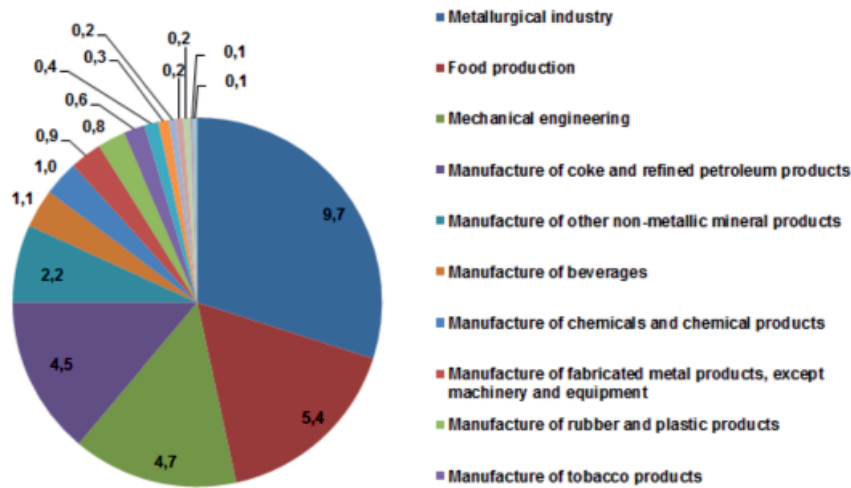


Figure 2. Sectoral structure of the manufacturing industry of Kazakhstan in 2013.**

* Source: Statistical Bulletin “Indicators of the State Program of Forced Industrial-Innovative Development of Kazakhstan for 2010-2014”. January-December, 2013. Agency for Statistics of the Republic of Kazakhstan. Astana, 2014

** Source: Key indicators of industry of the Republic of Kazakhstan for January-December 2013. Agency for Statistics of the Republic of Kazakhstan http://www.stat.gov.kz/faces/wcnav_externalId/homeNumbersIndustry?_afLoop=304200377792585&_afWindowMode=0&_afWindowId=pw50dldx2_18#%40%3F_afWindowId%3Dpw50dldx2_18%26_afLoop%3D304200377792585%26_afWindowMode%3D0%26_adf.ctrl-state%3Dpw50dldx2_42

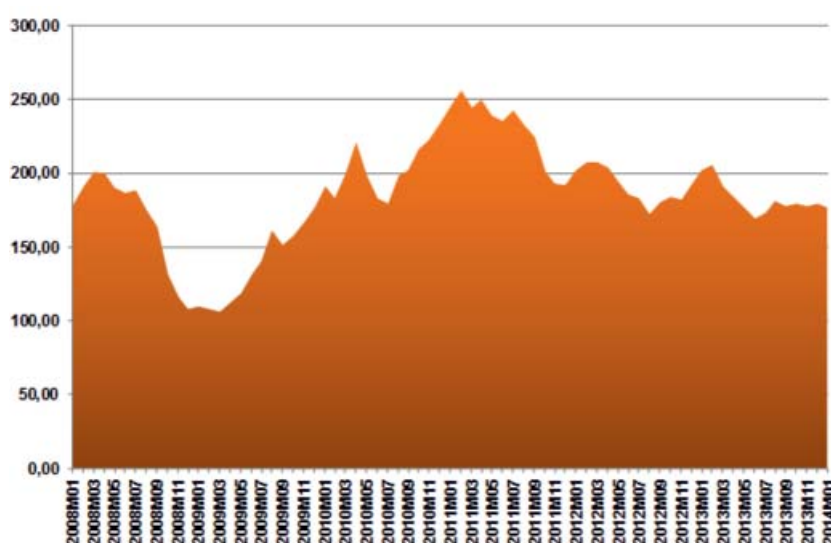


Figure 3. Price index for industrial metals (2005 = 100) in the period 2008-2014, monthly values.*

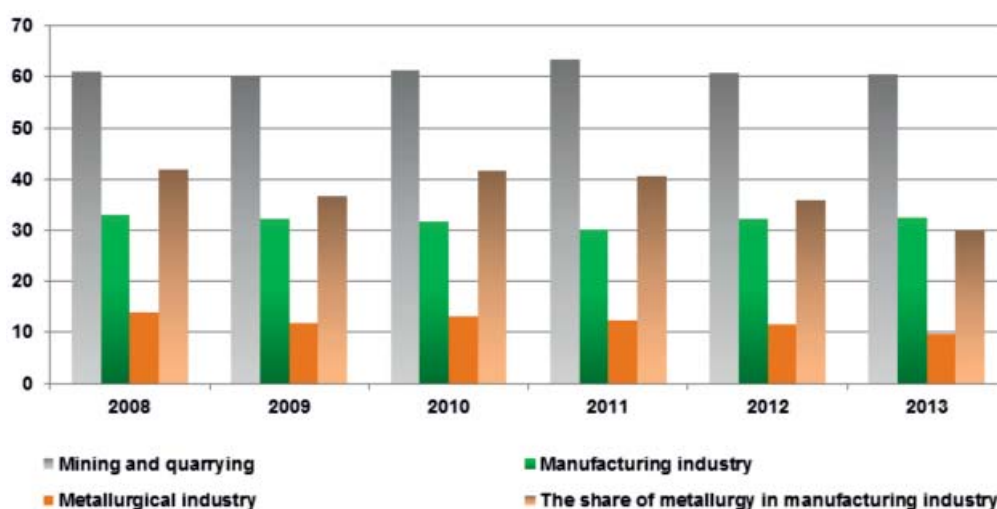


Figure 4. Changing in the structure of industrial production in Kazakhstan during the implementation of SPFIID.*

The graphs in Figure 4 clearly show a decrease in the share of metallurgy in manufacturing and industrial production as a whole, which took place exactly at SPFIID period, starting in 2010. In the

same 2010 (at the end) and in early 2011 price maximums on industrial metals were marked, after which the prices steadily declined and pulled over cost values of production of metallurgy, and

* Source: IMF Primary Commodity Prices. <http://www.imf.org/external/np/res/commod/index.aspx>.

** Sources: Statistical Bulletin "Indicators of the State Program of Forced Industrial-Innovative Development of Kazakhstan for 2010-2014". January-December 2013. Agency for Statistics of the Republic of Kazakhstan. Astana 2014; Industry in Kazakhstan and its regions / Statistical compilation / 218 pp. Agency for Statistics of the Republic Kazakhstan, Astana, 2013.

through this industry relevant indicators of manufacturing and industrial production as a whole. In many respects this external factor of unfavorable stock market led to the reduction of the share of manufacturing in GDP, as well as a small reduction in its total industrial production (from 33% in 2008 to 32.4% in 2013).

The same factor may, in the case of changes in market conditions and the growth of prices, produce the opposite effect and increase the share of manufacturing in GDP, exerting thereby a positive impact on the rest of the target indicators of SPFIID — share of non-oil and gas exports, the growth rate of GVA of non-oil and gas sector, etc. Greater impact on the structural indicators of FIID may be made by a decline in oil prices, which will proportionally reduce the share of the mining industry and, consequently, increase the share of the manufacturing industry. However, such changes are not the results of the program, which is in the current state of Kazakhstan industry (where the branches, dependent on world commodity markets continue to dominate), is not likely to have a significant impact on the qualitative change in its structure.

Considered results of SPFIID and factors influencing these results are revealing in terms of the implementation of future programs of industrialization of Kazakhstan's economy, the course to which is defined in the Address of the President to the People of Kazakhstan in 2014, and includes a number of "industrial five-year plans". In our opinion,

a clear definition of objectives is required for the greater efficiency of further efforts to improve the innovation component of Kazakhstan's industry. In particular, it is advisable to abandon the target indicators of extremely general, aggregate nature (such as growth of GDP or manufacturing industry, increase of the share of manufacturing industry and non-oil and gas exports), because, as was shown above, these indicators, under the present structure of Kazakhstan's economy, are extremely heavily dependent on external factors, first of all — the prices of commodity markets — and, as a consequence, cannot give an adequate picture of the real rate of industrialization as a result of implementation of the relevant programs.

In this regard, it is necessary to work out clear sectoral priorities of the development of innovative spheres; to scope the target indicators of development that accurately reflect the process (not just the growth rate of a particular industry, and the volume of its GVA, level of Kazakhstan's localization of high-tech industries; natural production volume, etc.); to support with the tools of the Program only really high-tech and innovative industries, without diverting efforts on many fronts, including not only unrelated to innovative industries, but generally non-industrial, as it happens in the current SPFIID; to make an emphasis on the development of large-scale industries with high export potential instead of implementing many small projects aimed at import substitution in the domestic market.

Factors Determining National Model of Management*

AIGUL TULEMBAYEVA

Management thought differed significantly across regions and countries at different times. Today, as a result of evolution and under the influence of complex of factors, different national models of management have formed in various countries. Their difference is not in implemented methods and approaches, which are objective for all types of management at all times, but in different combinations. Knowing the characteristics of different models of management is necessary to understand the causes and factors for successful management activities and it will help to deeply understand the specifics of the formation of the Kazakh model of management. Indeed, many recent economic achievements of different countries are associated with effective national models of management. Some models of management in this regard are to some extent indicative, i.e. an American, German, French, Japanese, Chinese and other models of management.

It should be noted that studies in the sphere of various management models have been started relatively recently, at the end of the last century. Researchers unanimously agree that the formation of the national management models is influenced significantly by *culture*, which is in this case a set of values and norms of the society. Scientists presume that culture as “*collective spiritual programming*” determines attitudes and behavior of people. Culture itself remains practically unchanged, and if it changes, then with great difficulty and very slowly.

A systematic approach is also used to study the influence of culture on management. It assumes that culture is based on the interaction and mutual influence of the following 8 subsystems: the kinship system, education, politics, religion, economics, public relations, health of the nation, forms and traditions of rest. Of course, this is far not a complete coverage of all aspects of culture, but sufficiently allows you to analyze its impact on the formation of a national model of management. Let us consider the reasons for this.

Kinship system. There are a variety of relationship types: from a simple family, taking place in Western countries, to a complex family that includes several generations of relatives (in Kazakhstan to the seventh generation), and even a kin that is characterized for the eastern societies.

Influence of the kinship system on the management is that business in many countries, and politics in some countries, subordinate to the interests of the family and is a family affair. Business relationships are intertwined with related, informal relations, which are even cultivated. Accordingly, the promotion of manager largely depends on position of an individual in a family and position of a family in society.

For Kazakhstan, the kinship system is highly relevant parameter, because historically established tribal relations and division by zhuzes has important meaning in taking management decisions. It has its own pros and cons. Moreover, the high level of kinship system is unique for not

* From book “*Management. Teoriya i praktika Kazakhstana*” (written and in process of edition)

only oriental representatives (Kazakhs, Uighurs, Uzbeks, Koreans), but also for representatives of other nationalities, who by virtue of long-term cohabitation in one society, adequately respond to these demonstrations.

Education. It is very relevant and important subsystem culture in the present period of development of information society. Different from each other systems of acquiring knowledge, skills and their levels are presented and developed in different countries. But everywhere there is an understanding of the necessity to increase level of education as the main factor in successful economic development.

The formation of management model is affected by the following elements of the subsystem: the level of literacy and education of the population, communication skills of people, picture of the world dominating in society, a system of generating knowledge and level of scientific cognition.

Kazakhstan has a significant advantage in terms of education enrollment of the entire population. The literacy rate is among the highest in the world. But the structure of higher education does not correspond to the set goals of industrial development, as the level and quality of technical training is poor. And this problem exists, among other things, due to dominating in the society picture of the world, which consists in worshipping the managing and supervisory bodies. That is why the most popular are the economic and legal specialties. It is important to note that every Kazakh family, including not rich one, considers it as sacred duty to give children a higher education.

Politics. The political structure of the country completely determines the level of freedom and independence of business on the one hand, and the level of protection and support on the other. Any form of statehood has its pros and cons, but there are negative elements of state intervention, which in any country have a negative impact on business, particularly corruption.

For Kazakhstan's management the role of this subsystem is in governmental development programs, which are today a component of the state planning and programming of the economy, as well as effective anti-crisis instruments. Also foreign policy of the country plays an important role, its participation in the political and economic

integration processes in international organizations and unions. As is known, Kazakhstan conducts multi-vector foreign policy. Nevertheless, in terms of economic cooperation, priority is given to a certain geographical and historically established ties. The point is about the Customs Union and its further development.

Religion. This subsystem includes much more than just religious beliefs of people. It includes a range of spiritual and moral and human values, ethics norms and values, world view, that is all what directly or indirectly is affected by religion. Modern confrontation of Western and Eastern world in many respects, and probably mainly, is determined by the religious beliefs of people, and hence value orientations.

Religion also affects the management directly, especially in Muslim countries, where Sharia laws apply to all human activity. In particular, Islam prohibits receiving interest from issued in debt sums of money, and the development of Islamic banking today is gaining momentum worldwide.

In Kazakhstan, this parameter does not have a pronounced relevance, because, firstly, religion is separated from state, and secondly, the country is multi-ethnic and multi-religious. Of course, Islam is predominant, but as historically Kazakhs largely retained their old traditions, Islam does not play such a dominant role as in other Islamic countries. There are pros and cons. The positive is that there is much less level of religious fanaticism in the society, the negative is that due to the lack of a significant effect on society religion does not perform its inherent function to turn people to universal human values, promotion of honest service to the people and God, a healthy lifestyle, etc.

Economy. Undoubtedly, an effective management of companies largely contributes to the economic development of the country as a whole. But there are economic factors that are not subject to the influence of management, and that, on the contrary, strongly influencing the formation of a national model of management. In particular, this is the prevailing type of economic management: liberal or adjustable, free or planned.

The property relations are also of great importance, they largely determine the segregation of society and its stratification.

Kazakhstan's economy for more than twenty years has fulfilled its transition from a planned to a free market economy, but retained considerable leverages of state regulation.

As for the serious social stratification, it actually began to take shape with the independence and the transition to a market economy. According to the survey of the Kazakhstan Institute of Socio-Economic Information and Prognostication (KISEIP), commissioned by the First President's Foundation, today, in our country the distribution of answers to the question: "How do you assess the financial position of your family?" showed the following results:

- A group of those who are not experiencing financial difficulties — 6.8%;
- A group of people of about the "average" wealth in terms of Kazakhstan — 40.5%;
- A group of those who are experiencing problems with the level of financial position-26%;
- A group of those who have enough money only for food — 17.6%;
- A group of those who have not got enough money even for food — 4.5%.

Public relations. This subsystem describes which adopted form and nature of associations and unions are welcomed in one culture or another. Membership in a particular public association for many people is a matter of prestige and influence of these associations on the formation of a national model of management is undeniable.

As heritage of the Soviet past of Kazakhstan there is a tradition of creation and functioning of various types of public associations that pursue as political, so cultural, patriotic, social, and other purposes.

Health of the nation. Human resources are the main factor in the development of any country. Accordingly, health is the most important indicator of the prospects of the country. Relation to the preservation of health varies in different cultures, ranging from fanatical maintaining a healthy lifestyle to completely ignoring health maintenance system.

There are significant problems in this area in Kazakhstan, taking into account the very low life expectancy — 67 years. The average Kazakh man lives 62 years, and the woman 72 years. Reducing of the quality of human capital is greatly influenced by not only the shortcomings of the

health system and the negative environmental situation, but above all the attitude of the people to preservation and maintaining of health. This indicator and the philosophy of life in Kazakhstan, peculiarly detached contemplative attitude towards the future .

Forms and traditions of recreation. This subsystem is focused on the preferred forms of leisure activities in different cultures. Some people prefer outdoor activities and sports, while others — communication with relatives, and others — going to restaurants and movie theaters, etc. For example, Americans go to sports matches, and the Spaniards — the bullfight. Studies have shown that the specific behavior of managers is correlated with forms of recreation.

Kazakhstan formed new forms of recreation during the years of independence, which are different from the Soviet period, where relaxation was regulated as well as all people's life. In Kazakhstan, there are significant differences in accordance with the social status of people, age and living in different regions.

The above mentioned approach to study the influence of culture on management was proposed by P.R.Harris and R.T.Moran. There are other approaches that differently evaluate and secrete influencing factors. We'll show another model presented by T.N. Gladwin and V.Terpstrom. It also represents 8 subsystems, including the above mentioned factors, but they are grouped differently (Figure 1.7).

A Dutch scientist G. Hofstede is the most well-known, recognized researcher of cultural dimensions influence on formation of a national model of management and economic development in general. As a result of his extensive research, he identified four cultural dimensions, which can be used to describe the model of the national management. They are as follows:

- distance of power;
- avoidance of uncertainty;
- correlation of individualism and collectivism;
- correlation of masculinity and femininity.

Let us discuss each of them.

Distance of power. This parameter indicates the level of inequality of power in the organization, which is determined by the level of centralization of power and autocratic leadership. In other words,

the greater the fear of a subordinator to his superior, the more the power distance is.

Power distance as a cultural dimension is formed by value attitudes in society, education rights in family, at school, etc. According to G. Hofstede, high value of this indicator means greater centralization of power, a large number of hierarchy levels, a significant proportion of administrative staff, greater

differentiation of wages, etc. Along with that, there is a dependence of the magnitude of power distance on people's education. The higher the level of education among employees, the lower the power distance will be. Accordingly, in societies where the power distance is large, subordinates find it convenient to be dependent, and where it is small, subordinates prefer a more consultative leadership style.

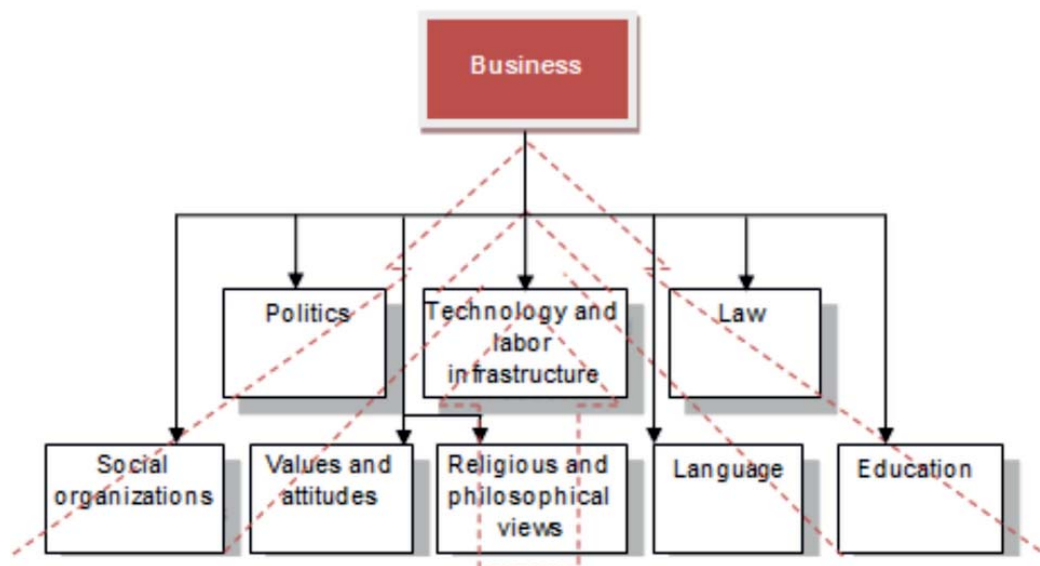


Figure 1.7 — Subcultures affecting business

At the same time, at high power distance it is always a subordinate to blame, at low — it is boss and employee to blame. Complete change of people in power is a way to change the system in the first case, in the second case the change is based on the redistribution of power. Extreme form of high power distance is slave mentality, which is, as has been repeatedly proven by history, much more dangerous for the superior, rather than subordinates, who have their own opinion.

In Kazakhstan, the power distance is large enough. Despite the fact that traditionally nomadic society had small power distance and life of bais was not very different from the lives of ordinary people (except for the size of the yurt and number of cattle nothing distinguished them), being in the Russian citizenship, and then the Soviet authorities changed this parameter upward. Of course, it varies

in different areas and even regions, but nevertheless, generally maintains a high level.

Avoidance of uncertainty. This parameter indicates the degree to which society is willing to be under threat because of the existing uncertainty. The larger the value, the greater the desire to avoid uncertainty is, due to greater stability in their professional career, creating formal rules, intolerance of dissent, belief in the existence of absolute truths, etc. In other words, it is the level of peoples' anxiety about their future. If it is high, then people try to work hard, experience constant stress, prefer open expression of emotions, suspicious and not tolerant.

The difference in the influence of uncertainty avoidance parameter to organizational behavior is presented in Table 1.2.

We can say that in Kazakhstan this parameter rests on the middle and lower middle level. Tak-

ing into account that nomads due to their way of life were in a constant state of uncertainty and complete dependence on the unpredictable forces of nature detached contemplative attitude towards the future, which manifests itself in the epic and in some traditions, is reflected in the business culture as well. For example, in Kazakhstan society a tendency to accumulate money is very weak, and a good third of the population does not make

contributions to a pension saving fund. However, the tolerance level is very high, and people avoid uncertainty which may manifest itself in the form of conflict and aggression. This is also a consequence of a contemplative attitude toward life: uncertainty posed by nature is inevitable and so there is nothing to worry about, the uncertainty emanating from people prevents contemplating entity and is alarming.

Table 1.2

An influence of “uncertainty avoidance” parameter to organizational behavior

Low parameter	High parameter
Less structuring activities	More structuring activities
Less written rules	More written instructions
Employees with more universal education, general or amateurish approach is distinctive, pluralism is allowed	An increasing number of specialists, all should be unified (standardized) as possible
Managers pay more attention to strategic questions	Managers pay more attention to detail
Managers are more focused on the intra interaction, change leadership style depending on the circumstances	Managers are more focused on the tasks and less inclined to change their leadership style
Managers are more willing to take individual and risky decisions	Managers are reluctant to take individual decisions and decisions under risk
High level of labor turnover	Low labor turnover
More ambitious employees	More ambitious employees
Lower level of satisfaction	Higher level of satisfaction
Less power due to control of uncertainty	More power due to control of uncertainty
Less ritualized behavior	More ritualized behavior

Correlation of individualism and collectivism

This dimension characterizes the degree of individualism and collectivism in society. Individualism presupposes personal care, primarily about himself and his “simple” family. Collectivism is directed to the priority value of the group to which a person identifies himself.

This parameter has distinct moral and ethical overtones. In the Western world there is a tradition of individualism, and it is considered as the basis for successful economic and social development. In Japan and China individualists are strongly condemned, at the same time collectivism in these

countries, in turn, is also considered a key to economic prosperity.

Characteristics ratio of individualism and collectivism are shown in Table 1.3.

In Kazakhstan there is the uniquely high level of collectivism, which, firstly, is the traditional for nomadic society, and secondly, it was the backbone of the Soviet way of life. But with gaining independence and national traditions reanimation, collectivism acquired exaggerated forms, manifested in a strong fear of people to get the conviction of members of the group and in need all the time to demonstrate their affiliation with the group. This

is particularly evident in the tradition of holding big celebrations for any, even insignificant, reason inviting all members of the group.

Recently, however, weak trends towards individualism appear, as the younger generation that has grown up in the global information space and being subject to Western individualism propaganda gradually affects the general background.

Correlation of masculinity and femininity. This parameter does not show the gender ratio

(ie the dominance of men or women) in management and business. It is about the values that are shared by men and women because of their nature, and not because of their membership. This so-called ratio of masculinity and femininity, that is masculine values (success, money, wealth) and women's values (caring for others, the pursuit and preservation of quality of life) in society. Table 1.4 shows the characteristics of this parameter.

Table 1.3

Characteristics of “correlation of individualism and collectivism”

Individualism	Collectivism
Every member of society must take care of himself and his family	Члены общества принадлежат сложной семье/клану, которые заботятся о них
Has the effect of individual consciousness	Has the effect of collective consciousness
Identity is based on the personal qualities of a person	Identity is based on belonging to a social group
There is no emotional dependence on organizations and institutions	There is emotional dependence on organizations and institutions
Involvement with organization is based on rational motives	Involvement with organization is based on moral
Emphasis on individual initiative and achievements, leadership is an ideal	Emphasis on affiliation; ideal is joining it
Everyone has right to privacy and their own opinion	Personal human life is controlled by organizations or clans, to which he belongs
The socio-economic system requires autonomy of the person, diversity, pleasure and individual financial security	Individual receives from the organization or clan expert knowledge, order, duties, and security
Need is felt for particular (personal) friendships	Friendly ties are defined by stable social relations, but there is need for prestige within these relations
Individual decision-making process is in the confidence	Collective decision-making process is in the confidence
Values and norms are of universal character (universalism)	Behavior inside and outside the group is governed by different values and norms (partisanship)

All countries in the harsh climate traditionally have lower levels of masculinity. This is due to the fact that the harsh climatic survival conditions

forced to adhere to the women's values that are to take care of the members of the group, and to maintain the quality of life (keeping family hearth).

In this regard, Kazakhstan, besides the fact that harsh sharply continental climate mainly dominates in our territory, has a long tradition of a small predominance of female values over male ones due to the millennia of the nomadic lifestyle. Money, wealth has never been a priority for the nomads. Steppe people admired not rich people, but strong and noble defenders of the fatherland, talented singers, wise biys, and elders. Besides, the cult of woman — mother, home hearth keeper, and a companion was always present in the no-

madic culture of Kazakhs. Not to mention the fact that prairie women equally with men overcame all the hardships endless migrations, instead of sitting at home as women in ancient civilizations, they also performed a variety of male functions if necessary, concerning both protecting auls from the raids and ensuring life. Despite the fact that this parameter is about only the values, they nevertheless to some extent are associated with the cultivation or absence of cultivation of feminine.

Table 1.4

Characteristics of “correlation of masculinity and femininity”

Femininity	Masculinity
Men don't have to be aggressive, they can also perform the educational functions	Men have to be aggressive, women have to perform educational functions
Gender roles in society are more vague	Gender roles in society are clearly itemized
Equality of the sexes is assumed	Men are dominating in society
The quality of life is important	The quality of work is paid attention primarily
Work to live	Live to work
People and environment are important	Money and material values are important
Interdependence in an ideal	Independence is an ideal
Service provides motivation	Ambitions provide promotion
Unsuccessful people arouse sympathy	Successful people draw admiration
Small and slow is beautiful	Big and fast is beautiful
Humanity is ideal	Deliberate masculinity is prized («to be macho»)

However, in recent decades, widespread consumer ideas of Western society greatly influenced this parameter of Kazakh culture. And today, masculine values, as it was traditionally in sedentary civilizations, come to the fore. So, we can say that the current trends are focused on the prevalence of male values in Kazakh society.

There are other studies concerning holistic description of a cultural phenomenon. Characteristic proposal in this regard is the division of all cultures into high and low context according to E.Hall. Here the emphasis is on communication in different cultures, which may have a high or low level context. Context — is relatively complete in the sense a passage of text or speech, within which the meaning and value of a single input of the words, phrases, and sentences together are most accurately

and specifically detected. Therefore, in different contexts, the words and sentences can acquire quite different meanings.

Differences between these two types of cultures are that in low context cultures information is perceived exactly as it is told and no concessions to the context. Anyone who passes the information must say it precisely and unambiguously, otherwise the recipient will not understand it or understand literally. Things are called by their names; the situation is described in detail and accurately. Accordingly, responsibility for the success of communication carries one who generates and transmits information. A striking example is the U.S. low context culture.

In high context cultures a message is relatively poor and uncertain for the uninitiated. But the task

force sees context and interprets the information as needed. A typical example is Japan.

Language plays an important role here. Japanese allows interlocutor timely response to the reaction of the listener, that is the situation, and immediately change the meaning of words spoken by changing context.

Kazakh culture can also be evaluated as high context, even more than Japan. First, the specific of language is that some of the words can radically change their meaning depending on the context. And it almost impossible to clearly understand what a speaker wanted to tell, because everybody interprets the context in his own way. Accordingly, in case of failure of communication the recipient of information will be guilty, who incorrectly understood the context and meaning of all information.

But, secondly, the Kazakh language allows quite flexibly to respond to the mood of the audience, since the structure of constructing complex sentences is that the most important essence can be spoken only at the end of the sentence. And you can easily flip the sense of conceived text, changing the last word, giving it a negative form vice versa positive one.

E.Holl also drew attention to such aspects, as space and time. In different cultures, individual or private space is estimated differently. Somewhere it is large, somewhere very small. This is one of

the characteristics of individualism — collectivism correlation. Once there is collectivism in Kazakhstan, it means that attitude to the presence of a small personal space is insignificant. It may be noted that since ancient Kazakhs never cut the ram only for their family, but obligatory invited the neighbors. Such relationships were economically justified because save a whole sheep carcass was not so easy, especially in the hot season. It was easier to share with your neighbour, who in turn will share with you. Thus Kazakhs almost did not have personal space.

In terms of time E.Holl offered to share all cultures into monochronic and polychronic. Representatives of monochronic cultures at one time are doing only one thing; polychronics do several things at once. Characteristics of different perception of time is shown in table 1.5.

Kazakhstan undoubtedly refers to polychronic culture. Lack of a clear perception of time is also a historically predetermined and related to the millennia- nomadic way of life. The yurtas had no windows and the information was perceived by ears. Hearing that a horseman, approaching the aul or yurta, dismounted afield and walked some distance with leisurely walk, the owners knew that a peaceful guest arrived and immediately began preparations for his welcoming meeting. Law of hospitality was saint for the Kazakhs, who never

Table 1.5

Expression of time perception

Monichronic person	Polychronic person
At one time does only one thing	Does several things simultaneously
Concentrates on job	Easily becomes confused and inclined to take breaks
Very serious about an agreement on terms (accurate planning time schedule)	Considers implementation of an agreement on terms as desired
Rather is influenced by low context culture and mostly needs a large amount of information	Rather is influenced by high context culture and mostly has a significant amount of information
Rather focuses on job and career	Rather focuses on people and private relations
Strictly adheres to plans	Often and quickly changes plans
Strictly adheres to norms of private life and trustful relations	Maintains close relations with trustees
Respects private property, and rarely borrows and lends	Borrows and lend often and simply
Mostly prefers directness	Correlates degree of directness with deepness of personal relationships
Often and simply provides short-term contacts	Pronounced trend toward a long-term (life) contacts

asked whether the traveler wanted to drink or eat, and immediately offered him a pillow, drinks and food. If the rider arrives on horseback to the threshold in a hurry, it means that he is Black messenger (messenger of war and death), or wants to offend the owners. Thus, rush was a bad sign for the Kazakhs in antiquity. Since the culture has virtually unchanged, and if it changes it does it very slowly, the low level of punctuality is the result of a centuries-old culture.

Another causing interest research is developed by R.Lewis, who identified three types of cultures:

- Monoactive cultures. Their representatives are focused on the target and its strictly planned

achievement without any distraction to other things. This group includes Americans, Germans, British, and Scandinavians;

Polyactive cultures. Their representatives are focused on the groups. They are sociable, active, can do multiple cases simultaneously and solve several problems, not always planned. These are Spaniards, Italians, Latin Americans, and Arabs.

- Reactive cultures. Their representatives attach greater importance to politeness, deference. It is about Japanese, Chinese.

Characteristics of these types of cultures are given in Table 1.6.

Table 1.6
Classification of business cultures¹⁴

Characteristics	Culture		
	monoactive	polyactive	reactive
Level of openness	Introverts	Extroverts	Introverts
Attitude to planning	Systematic planning of the future	Planning in general terms	Planning on the general principles (i.e. check with principles)
Attitude to business	Currently engaged in the same business	Perform multiple tasks simultaneously, in parallel	React in accordance with situation
Regime of working day	Work in fixed time. Distinguish work and private time	Do not distinguish private and professional time. Work in any time	Proponents of flexible schedule
Attitude to correction	Strictly adhere to the plans (which are usually long-term)	Quite actively change plans	Proponents of some adjustments, evolutions, changes
Attitude to facts	As the norm - strict adherence to the facts	Customize the facts to fit their purpose	Assertions are usually general in nature
Emotions	Adequate impassivity	High degree of emotionality	Unobtrusive care
Attitude to work	Work within their subdivision	Do not like limiting themselves with any boundaries. Activities take place throughout the whole enterprise	A characteristic feature - functional multitasking
Delegation of power	Acceptable delegation to competent people	Frequent reliance on relatives	Case is entrusted to reliable (i.e. loyal to company) people
Style of communication	Preference is given to business style. Communications are made on the merits, often impersonal, by phone	Like to talk about abstract topics, jumping from subject to subject. Can talk for hours	Skillfully summarize
Attitude to own mistakes	Do not like to «lose face»	May flare up, but also easy to make excuses	Cannot «lose face»
System of argumentation in business world	Try to rely on logic (base of beliefs is logic)	Conviction on an emotional level	Avoid confrontation
Attitude to a partner in the process of negotiations	Rarely interrupt	Seldom interrupt	Never interrupt

Kazakhstan, on the basis of the presented characteristics, refers more to the polyactive culture.

Thus, consideration of various factors affecting the formation of a national management model allows drawing some conclusions about the Kazakh model. Managers should consider these factors in their management activities to improve its efficiency. For example, we can say that financial incentives are not the main incentive for the Kazakh mentality (though, of course, it plays a very significant role).

Very few employees will commonly and permanently raise their productivity, even if they are offered huge rewards for the most intensive labor. A much stronger incentive for the Kazakhs is the fear of condemnation by the group to which he classifies himself. Conversely, the recognition of the group and its worship are often more significant achievements than wage increases.

It is also very important to understand that in a multinational Kazakhstan managers need to know the basics of cross-cultural management, studying the people's behavior from different cultures, but working in the same organizational environment.

Managers will not be able to make over or reeducate people who grew up and absorbed the national culture, based on millennia of history. And as can be seen from the above analysis, the Kazakh culture is very different from the West, respectively

methods developed with the expectation of a different culture, will not have the same success here. It is necessary to look for new ways to effectively manage staff through study and proper use of the features of the national cultural worldview.

But of course, this does not mean that we should just adapt to the existing culture parameters. As was mentioned in the first paragraph, the management transforms the world, and the effective management makes it better. Especially, it can effectively influence those parameters that are not constituent elements of a true national culture, such as corruption, immorality in the partnership, inflated power distance, etc.

Moreover, the younger generation rapidly absorbs the new trends of globalization and it certainly, in the near future, will affect the management of the national model. There are already significant contradictions between management value attitudes of the old generation and the young one, actively involved in the sphere of influence of the Western lifestyle, and some individuals of whom have received their education abroad. These contradictions are approximately summarized and presented in Table 1.7.

Nevertheless, the old and the young generation are the representatives of one country, and the process of forming an effective national integrated management model will be implemented through mutual compromises.

Table 1.7

Value systems for managers of old and new generations in Kazakhstan

Old generation	Younger generation
Aimed to collectivism	Aimed to individualism
Believe that they have more experience	Believe that they are better educated
Believe that they must help employees solve their problems	Believe that solving problems is a private matter of each employee
Think that the young are inexperienced in people managing	Surprised that the old cling to the power
Believe that ethics is important in the relationship	Focus only on business strategy
Appreciate the collective consent	Believe that each individual must realize his maximum potential
Highly appreciate the stability and sustainability	Disappointed that the elderly resist changes
Confident that it is necessary to consider the interests of employees	Require staff loyalty

Intellectual Potential of the Nation: the Strategy of Development

GULMIRA SULTANBAYEVA

Development of the world leading countries has led to the formation of a post-industrial, and then a new economy — economy of the knowledge, innovation, global information systems, and economy of intellectual labor, science and latest technology. The basis of this new economy is intellectual potential, which is a dominant of the socio-economic development of modern society. In recent years an interest in studying the processes of intellectual development of society has sharply increased. According to V.K. Levashov, “primarily, it is associated with the formation and the emergence of the knowledge society — the new socio-economic formation, the production, distribution and effective use of science and technology of which becomes the main driving force and product”. [1] It is obvious that education in modern times becomes an economic sector, and the main resource for the development of the economy is a human factor — the most valued person who can open, create something new in the industry, science, culture, etc. And that is why the most important mission of higher education in Kazakhstan is preparing intellectually developed, creatively working professionals-citizens of the Republic of Kazakhstan. The system of higher education today is facing today fundamentally new problems, the main of which is designated by the President of Kazakhstan N.A. Nazarbayev in initiated by him national project “Intellectual Nation — 2020: “Bringing up Kazakhstan’s People of New Formation, Transformation of Kazakhstan into the Country with Competitive Human Capital”. [2]

Formation of intellectual nation is recognized as one of the strategic objectives of Kazakhstan’s development, with all this the main vectors are high-quality education and support of the younger generation. According to the reviews of foreign experts in the field of education, as well as indicators of competitions, tests, etc., the Kazakhstan’s youth has a high intellectual potential. It is only necessary to be able to use it properly. Not only by just giving a good education to the future specialists, but also by helping to reveal the talent and opportunities, by creating conditions for the skillful use of the knowledge gained, by ensuring the formation of competitive employees.

The project “Intellectual Nation” must consider three potential points: the creation of new solutions, technologies and innovations; the informational revolution; spiritual education of the youth. The aim is to meet the intellectual needs of society in armed with new knowledge experts, the use of scientific advances in certain economic sectors and the formation of human values of our country. Humanitarian technologies occupy leading position in the formation of a citizen of an intellectual society, and their main task is to control socio-humanitarian systems.

Scientific debate about the definition of the concept “human technology” has been going on for half a century. Research on this topic held in many countries around the world. One of the developers of a new discipline — socionics A.V. Bukalov defines humanitarian technologies as teaching methods, the organization of the system education, psycho-informational compatibility, psychotherapy, deep psychoanalysis. [3] Humani-

tarian technologist E. Ostrovsky gives another definition: “Humanitarian technologies are a set carefully calibrated and scientifically grounded methods and special techniques of indirect impact of humanitarian technologies on society through control of social behavior.” [4]

According to Russian scientist Kurochkin, “humanitarian technologies are a set of methods to manage socio humanitarian systems that have the following characteristics: a public sphere of application, orientation to the future (strategic nature), exclusivity and optimistic”. [5] Thus, the main objective of humanitarian technologist becomes a searching of common grounds, a general principle, on the basis of which one can interpret an effect, make it understandable in the context of various institutional subsystems, while recognizing that each of them has its own specific set of principles. Humanitarian strategies focus primarily on the development of direct communication. Humanitarian technologies also have a strategic character, in other words, are aimed at solving problems in the long term and, as a rule, are exclusive, in other words, are designed for a specific problem or project. Harvard University, USA conducts research in the field of humanitarian initiatives — Harvard Humanitarian Initiatives. In Qatar comprehensive research is conducted in the humanitarian sciences. Humanities Research Base — <http://crisismappers.net/> — is the leading information resource. The project involves 191 countries around the world. In 2007, on the basis of this project the Crisis Map was developed. The aim of this project is to identify the impact of technological advances on human technology and management of crisis situations in the society. Successful research may be noted, which are conducted within the framework of the Innovation Summit for Education and Science — <http://www.wise-qatar.org/> — in Qatar.

Russia carried out studies in this area, which have been implemented in practice. For example, the applied research of humanities education, technology and expertise, conducted at the Center for Bioethics at the Institute of Fundamental and Applied Studies, Moscow Humanitarian University.

Research of HR-Lab “Humanitarian Technologies” (Human Technologies), Faculty of Psychology, Moscow State University after M.V. Lomonosov, develops intelligence tests, assess and

expertise aimed at developing of human capital. Department of Psychology of this university and Center of Tolerant and Humanitarian Technologies under scientific-practical center “Gratis” develop educational programs, psychological games, conduct empirical research among the target groups.

Laboratory “Humanitarian Technologies” in Moscow is known for its information, the expert-analytical studies on its basic trends, competitive on market humanitarian technologies. Among the several centers conducting research on this project may include the Center of Social Communication of the St. Petersburg State University, the Center for Community Development and humanitarian technologies.

In this regard, the study of humanitarian technologies aimed at developing the intellectual capital of the nation and the formation of “citizen of knowledge-based society” of Kazakhstan is represented as not just scientific, but political task. According to Kazakh scientists, “at the present stage, the formation of a “citizen of knowledge-based society” must implement a comprehensive study of humanitarian technologies affecting the public consciousness and the results of the strategic objectives. During the period of rapid development of the world’s economic, social and political processes, the definition of spiritual values and ideological principles of Kazakh society, their direction to the state of civilization is an urgent problem”. [6]

Development of new scientific technologies in Kazakhstan, including the development of a new field — the field of humanitarian technologies that are the basis for the formation of the moral values of society, can be seen as a way to answer the pressing questions of our time. In general, the idea of humanitarian technology enables to consider humanitarian sciences, their possible impact on the state of society and human life in a new way.

Among the basic modern concepts about humanitarian technologies, researchers have identified the following:

1. Humanitarian technologies are used and in demand as a projective technique for implementing a specific type of interaction aimed at maintaining social relationships. Basic value-target orientations of the representatives of interest groups and elites of one or another of the existing modern societies lay in their foundation. In this context, as a rule, one

refers to the ideological, manipulative or conventional public policy strategies and “humanitarian” potential of the latter is evaluated based on how it is institutionally and legitimately cope with the possibility of political and administrative management of the social system as a whole.

2. Humanitarian technologies are considered as a way to broadcast the information, optimal forms and qualitative grounds are produced with and through technologies, which could allow solving a very topical at the moment the problem of shortage or oversupply of the information resources, and achieving their effective use in different historical formations.

3. Humanitarian technologies are molded around the priority forms and ways of fixing behavioral stereotypes and related social roles. Former, strictly defining the spheres of social action by sanctions and regulations, totally unifies the political, cultural, etc. socialization and existing in the society forms of activity itself. The second type is called a “humanitarian”, in it is base there is the search for new opportunities for social cooperation based on the principles of dialogue, freedom of choice and mutual security in a multicultural society.

4. Purposeful collective activity of people on the basis of humanitarian knowledge is also becoming one of the most important components in the development of appropriate technologies of social modeling. The question of innovation production in the humanitarian sphere is closely related to the forms of scenario human behavior in a consumer society, their abilities on the psychological and mental level to produce and test innovative meanings in the field of their own mental activity. [7]

Speaking about the nature and content of human technologies, it should be noted that the humanitarian technologies are a system of scientific and humanitarian knowledge, the use of which allows implementing a specific humanological plan due to certain conditions, means and methods. At the present stage of research it should be noted that humanitarian technologies are technologies focused on the development of the human personality and creation of the appropriate conditions for this. In other words, it is the ways of improving the moral and ethical norms, the ways of development of intellectual capacity and physical condition.

Humanitarian technologies were designed to comprehensively develop competence of modern specialist in various branches of knowledge, who is able to constantly improve, to compete in the labor market and easily adapt to changing conditions. Professional in any industry today shows not only innovative knowledge and technology, but also a fundamentally different level of thinking, based on those socio-cultural settings in which the communication develops. This is a result of the impact of global information technology. Thus humanitarian technologies go to a higher level of the impact on the human factor.

Development of communication technologies has led to the emergence of humanitarian instruments. Humanitarian technologies, on the one hand, are the result of development, and, on the other, they stimulate progressive development. There is also a wide spectrum of interpretations for concepts. For example, the textbook issued by the Russian State Pedagogical University after A.Gertsen discusses the problem of “communication studies, in particular, about understanding and explication of the innovative concept of “humanitarian technologies” as well as in the application to various aspects of social life. [8]

Under humanitarian technologies the authors mean algorithms of communicative activities on the organization and implementation of human communication: algorithms of generation and interpretation of various texts, algorithms of design and implementation of communicative events of effective interaction of consciousnesses. Particular attention is paid to the content of the strategic positioning and methodological support of modern higher education.

Indeed, today, education is a priority value, it also has practical importance in different spheres of human life — from the assimilation of culture samples to the professional execution of various forms of labor. Successful, developing Kazakhstan’s society is in need for intelligent, business, competitive, enterprising individuals, armed with quality knowledge. In this regard the President in his Address to the Nation “Socio-economic modernization — main direction of Kazakhstan’s development” noted: “Education should give young people not only knowledge but also the ability to use them in the process of social adaptation”. [9]

Education in modern times should not be confined solely to the transfer of knowledge and retraining people. It must change a person's attitude to the surrounding social, cultural and geographical environment, to ensure the people's suitability to work in a changing labor and production conditions, to foster flexible thinking and attitudes on dialogue and cooperation.

Mindful of the fact that universities have always been supporting social and cultural points of the historical process, we need to educate the future expert regardless of the profile, who will be able to consider his activity from a common to all mankind point of view, from the perspective of the global sociocultural and technological processes, from the position of global cooperation and rapprochement between peoples and cultures.

Simultaneously spiritual space of university environment today should be saturated with national priorities: the ideas of patriotism and statehood, high spirituality, values of labor and service for the benefit of the Fatherland, traditions of ethnic and religious tolerance, and openness to other cultures.

"In this context, the role and importance of modern education system, human capital as criteria of social development increase; they constitute the basis of a new society and quality of life is an important factor and the base of economic strength and national security of the country" [10], — the Concept of Development of Education in Kazakhstan. "In its turn, changes in the system of social relations affect the education and require from him mobility and adequate response to the challenges of a new historical stage and must meet the needs of economic development as a whole". [11]

Today, no one disputes the fact that the backbone of any organization and its the main wealth are people. Man has always been a key and valuable resource, and in the last decade, especially in developed in respect of the market countries — such as Kazakhstan, there is a tendency of further increase of this value. Not by chance in modern literature, devoted to the management of large enterprises, much attention is paid to the "human factor" in the system of management training. Accordingly, the economic efficiency of such enterprises is complemented by social efficiency. In this regard, the concepts "human capital" and "intellectual capital" acquire relevant significance.

The concept of intellectual capital was introduced into the scientific use by the great economist of the twentieth century John Galbraith. T. Stewart, a member of the editorial board of Fortune magazine was the first who investigated the nature of intellectual capital. In 1991, in the article "The Power of intelligence: how intellectual capital is becoming the driving force behind America," he introduced the intellectual capital as the sum of all that workers are aware of and that gives us a competitive advantage in the market: "... patents, processes, management skills, technology, experience and information about customers and suppliers. Combined together, these knowledge form the intellectual capital." According to Spanish researchers Miguel Gonzalez and Figueroa Dorrego, despite the lack of an unambiguous definition of intellectual capital (hereafter IC), as a rule, one refers to as intangible the invisible assets or resources of knowledge that can generate the value of a firm. The European Commission has identified IC as a combination of activities and intangible resources (human, organizational and relational) organization, which enables to turn a set of material, financial and human resources to a system, capable to create value for stakeholders. In fact, IC can be considered as "... knowledge owned by the organization (explicit knowledge) or its members (tacit knowledge) that makes or produces a current value for the organization". [12]

French researcher A. Bounfour proposes to treat human capital as an effective asset of not only companies' activity, but also international, non-governmental organizations, educational institutions. In his opinion, it is necessary to develop innovative approaches, in particular, monitoring and evaluation of the prospects of development of intellectual capital. [13]

According to the Belarusian scientist V. Zhuravlev, as elements of human intellectual potential are considered reputation, innovation and social potentials. Educational and scientific potential, indices of global competitiveness and innovation are considered as the elements that characterize the intellectual potential of the country (society). The intellectual potential of the country and society also includes education, health, science, culture, demographics, and standards of living.

There are several definitions of intellectual potential, in particular:

1. Intellectual potential is the total accumulated by society intellectual resource, which has the ability to participate in the production process and generate income for the owner;

2. Intellectual and information potential is a set of possibilities of the society as a whole and its subsystems: some individuals, groups of people to the reproduction of gained knowledge and their use in the formation of new approaches to the assessment over the changes for innovation development;

3. Intellectual potential is a comprehensive assessment of the development level for intellectual, creative opportunities, the country's resources, industry, and personality. Intellectual potential is determined by the development level of society, education, science, culture, genetic foundation of society. [14]

In today's world, human capital is one of the most effective factors in the economic, social, cultural and political development. It became the main instrument of formation and development for innovative economy and the knowledge economy as a higher stage of development in the world economic system. The program "Intellectual Nation 2020" is the production of the main capital and the supreme value — human, and not just the professional specialist, but the person in its entirety of qualities and characteristics of spiritual and moral personality.

Knowledge and information are defining categories of economic development, social and public life in today's world. Example of developed countries shows that the dominant trend of their development is to focus on the knowledge as strategic base of a market economy, which stipulates the rapid development of those branches of industry and business in which the transfer of new technologies based on innovative approaches is implemented. But knowledge alone does not transform the economy. To solve this problem it is required a complex of structures and activities, not only allowing to carry out the production of knowledge and the proper training, but also innovation activity, broadly understood as placing scientific and educational potential on the market of goods and services. Great importance is paid to a stimulating these processes regulatory framework and appropriate macroeconomic situation, access to sources of knowledge, based on advanced information technologies and a number of other factors contributing to innovation. Meanwhile it signifi-

cantly increases the role of universities as institutions of society, generating knowledge and providing pre-training scientific-educational, technological, managerial and cultural elite, as well as conceptually ready to deploy structures of innovative type and information systems. It should be noted, that at the time of advancing the "Intellectual Nation 2020", principally new system of training that meets modern international practice was formed in our country.

Kazakhstan was the first on post-Soviet space, who proceeded to world-wide adopted a three-step training of bachelors, masters and doctors of philosophy (PhD) in universities. Leading universities of Kazakhstan began internationally accredited training programs, which has become an important tool for improving the quality of learning. As is known, in 1993 Kazakhstan's President announced the idea of "Bolashak", on which ten thousands of young Kazakhstan citizens were able to study in the best universities of the world. Abroad such large-scale training program became a unique phenomenon, and its success is recognized by the world education community.

Another important step towards the development of creative young generation has become Kazakhstan's accession in 2010 to the Bologna Process, which opened new perspectives of international integration. In Kazakhstan, series of reforms in the renovation of the education system were conducted. A landmark event was the adoption of the State Program of Education Development of the Republic of Kazakhstan for 2011-2020, which aims to yield a fundamentally new quality of education, according to international standards, a transition to 12-year education. First time in Kazakhstan e-learning was widely distributed, which provides a fundamentally new opportunities and prospects for increasing intelligence of the nation, the development of education throughout life, which is one of the leading trends. For highly developed, information type of society, which modern Kazakhstan strives to be, the widespread introduction of new information and high technologies, development and growth of the knowledge industry is typical. Thus, the reality of sovereign and independent Kazakhstan suggests the possibility of the formation and development of intellectual nation, which should be focused on the traditional national, universal values and cultural norms.

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QUARTERLY ANALYTICAL REVIEW
No.1, 2014

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№ 1, 2014

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