

CONTENTS



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AFGHANISTAN AND REGIONAL SECURITY IN CENTRAL ASIA

- Dubovtsev Georgii*
Afghanistan and integrated approach to regional security.....4

INTERNATIONAL AND REGIONAL RELATIONS

- Tokayev Kassym-Jomart*
OSCE Security Community: the 40th Anniversary of the Helsinki
Final Act and the 5th Anniversary of the Astana Commemorative
Declaration.....10

- Bulegenov Yergali, Laumulin Murat*
The Eurasian Security System and Belarus: Problems of Geopolitical
Interdependence.....13

- Buzurtanova Marem.*
The International Criminal Court: Crime of Terrorism vs Terrorists'
Crimes26

ECONOMY

- Syrlybayeva Bella, Kettebekov Sanzhar*
Innovation Centre "Park of Innovative Technologies" an Instrument
for the Formation of New Branches of the Economy of Kazakhstan.....35

- Abdrakhmanova Akmaral, Mukhamedzhanov Nurzhan*
Logistics in the export of grain in China:
Problems and Solutions.....40

- Mukhamedzhanova Dariya*
Kyrgyzstan and prospects of EEU expansion for Kazakhstan.....47

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Afghanistan and integrated approach to regional security

DUBOVTSEV G.F.

The current affairs in Afghanistan are quite unsteady and deeply affect the stability of the entire Central Asian region. What is the reason?

Firstly, the analysis shows the construction of democratic Afghanistan, which was carried out under the supervision of and with the active participation of the United States and other NATO countries for 14 years, has very modest results. Having spent more than 700 bln. dollars over the years, the international coalition has managed to create all the accoutrements of power in this country. Nevertheless, the power in-situ belongs to the leaders of the tribal groups, and to the Taliban and other anti-government forces in some districts. The Taliban, for example, act openly in the territory of some districts such as the provinces of Badakhshan, Kandahar, Helmand and Kunduz, and Afghan troops control only their roadblocks and do not cross them. The Taliban collects taxes from farmers and entrepreneurs, supervise the courts and schools in a number of controlled districts. Shariat judges resolve land and any other disputes between local residents. The Taliban and other anti-government groups in poorly government-controlled areas determine the learning content in local schools.

In essence, the government in Afghanistan, despite the presence of its own army and security forces, persists due to the presence of foreign military forces, led by the United States.

Secondly, the ethnic problems are still unsolved.

Afghan society has historically divided into the ethnic groups, which were in conflict with

each other for a long period. In fact, conflict is a struggle for the distribution of power and bears an ethnic nature, since the Pashto is fighting with other ethnic groups, in particular, with the Tajiks, Uzbeks and Hazaras.

Thirdly, the pervasive corruption is a major problem in Afghanistan and this dramatically suspends recovery of the country's economy. The study of the UN Office on Drugs and Crime, held in conjunction with the anti-corruption agency of Afghanistan, states that the amount of bribes has increased by 40% in comparison with 2009 [1].

In the long term, the rich natural resources could constitute the basis for the country's economic recovery. However, if corruption stays on the current level, there is no point in wagering on this.

Fourthly, there are very strong positions of drug traffickers, fused with the bureaucratic apparatus at the highest level. According to the UN Special Commission Report, the opium areas hit the record high in 2014 by extending to more than 220 thousands hectares. Meanwhile, the harvest was also a record, i.e. by 7% higher than a year earlier, and 3 times more than in the year 2002. More than 80% of world production of opium poppies grows in Afghanistan [2]. There is an increase of drug use among the country population.

According to the official reports, the United States spent nearly 3 bln. US dollars for diverse law-enforcement measures against drug production. At the same time, the report of the Defense Intelligence Agency (DIA) shows that

all US intelligence agencies are annually able to intercept and confiscate pure heroin produced from Afghan raw materials, amounting to no more than 12.7 million dollars [3].

Pursuant to the compilers of the report from SIGAR Office, more than 410,000 people are being employed in opium production in Afghanistan. Opium is the most valuable and the only commercial crop of the country in fact.

Therefore, the report of US government agency, which is responsible for the reconstruction of Afghanistan, noted that the enormous profits from the opium trade defeat the purpose of development of the legal economy and business for Afghans and threaten the future of the state.

Fifthly, Afghanistan remains one of the poorest countries in the world, and grinding poverty pushes a significant part of its population to aiding the Taliban and other anti-government groupings.

As per the experts' opinion, the international assistance amounts to *up to 90%* of the current costs of the Afghanistan government for the development. Significant reduction of such assistance could have extremely negative consequences for Afghanistan, where more than 70% of the population lives on the breadline (less than \$ 2 a day), and most of population is unemployed.

The United States together with other NATO countries are planning to allocate annually four milliard dollars to equip and train Afghan security forces. The amount is serious enough, i.e. almost a fifth part of the country's GDP. The question is the efficiency of its use. According to the experience of previous years, the huge amounts of money allocated to the Afghanistan as international aid were not always used for their intended purpose, notwithstanding the ongoing control from the United States and other countries. This problem became even more acute in the current year, as many Afghan politicians and officials have become accustomed to the big money that came into the country in the last 14 years. Some of them have already started to look for new sources of income and alterna-

tive sponsors.

Over the 2015, the Taliban and other anti-government forces have stepped up their activities against the lack of commitment of the Afghan army and police alone to perform security tasks on almost the entire territory of Afghanistan. The particular concern is their activity in the northern Afghan provinces (Takhar, Kunduz, Badakhshan, Baghlan, Samangan, Batgiz, and Faryab).

The number of militants of international terrorist groups is increased due to the low effectiveness of Afghan security forces in a number of provinces. There are immigrants from Pakistan and the Middle East, Russia, Central Asian and Chinese Xinjiang among them.

In 2015, the activity of the "Islamic state" sharply increased in the various regions of Afghanistan. According to different estimates, the number of militants of the international terrorist organization in the country could reach three thousand people, and their number is constantly growing. [4]

There was recently active recruitment of Islamic State's supporters among the non-Pashtu Sunni population on the territory bordered with Tajikistan and Turkmenistan.

Now, due to the considerable reduction of number of international military forces in Afghanistan and no need to keep fighting against an external enemy, the Islamic States militants make the supporters to fight against anti-government groups.

During the last two months the clashes between the Taliban groups and non-government troops and even the Islamic State forces have dramatically increased in most of Afghan provinces. Thus, in the first half of October, the Taliban took control of several districts of Kunduz province and captured the provincial capital - the city of Kunduz, then took it lying down. In late October, Dakar district of Takhar province bordering Tajikistan was fell under control of the Taliban. At the end of October - beginning of November this year there were clashes in the provinces of Badakhshan, Kandahar, Helmand, Paktia, Uruzgan, Paktika and Zabul. In the latter

of these provinces, battle between the Taliban militants and Islamic State's militants (Vilayat Khorasan) is being fought.

All this shows that the situation in Afghanistan is escalating, and the current top country's leadership is unable to control most of the country, despite the presence of US and other NATO countries' troops in the country.

Therefore, the problem of readiness of Afghan security forces to confront the Taliban and other anti-government forces is important.

In order the Afghan army, police and intelligence service to efficiently maintain order and fight against anti-government forces, they should not only have training. The ideological motivation of Afghan soldiers and police officers is not less important, as many of them come to the service only based on a guaranteed income. Numerous facts of transition of Afghan military and police officers with weapons to the militants show still low efficiency of ideological work in the army and police. The continuing desertion of the Afghan army is evidenced hereof.

Therefore, it is too early to talk about the willingness and ability of the country's leadership to ensure security and peace in the land of Afghanistan without the effective support of the foreign troops.

As it is known, at the end of September 2014, the leaders of the Islamic Movement of Uzbekistan (IMU) announced their joining to the militants of the "Islamic state". Since the Taliban in several regions of Afghanistan began to perceive the armed Islamic State's groups as rivals and they are often trying to destroy them, then there are serious concerns that in the event of the defeat, the latter will seek refuge in neighbouring countries, including Central Asia countries. In case of its extending beyond the Afghan territory, there will be a serious security threat to the whole region. The expansion of radical Islam against the background of economic and social problems can significantly exacerbate the existing intrastate instability and local external conflicts over territorial disputes, water distribution, transit of goods, etc.

Militants with experience of the armed struggle in Syria and Afghanistan may filter into the Fergana valley, waiting for the right moment to use the contradictions between its peoples and to provoke a large-scale inter-ethnic conflict.

All of them are well armed, have combat experience and are ideologically grounded. Some of them are now settled in the north of Afghanistan, in the province of Taloqan, the similar groups are present in Kunduz in Afghanistan's Badakhshan Province. A large group is concentrated in the province of Faryab, i.e. on the border with Turkmenistan, where there are constant clashes. Therefore, the Turkmen-Afghan border could also become one of the possible directions in the destabilization of the Central Asia situation.

It is worth mentioning the fact that a considerable number of people from Central Asian countries now receive real combat experience in Iraq and Syria under the leadership of enough qualified officers in the ranks of "Islamic State". Attempts to use combat skills to undermine the situation in Central Asia from the inside are not excluded after their return.

A reasonable question arises: are the leaders of Central Asian states aware of the danger of the invasion of armed groups and militias, and are their law enforcement agencies willing to deal with them?

Demonstrative refusal of Turkmenistan to take part in any integration projects in the post-Soviet space, as well as changing position of Uzbekistan in accordance with a certain balance of forces in the region hardly provides guaranteed protection of the independence of these countries. It rather creates a threat to independence. However, the situation will not be changed until the external factors get catastrophic character.

Meanwhile, Turkmenistan, whose border with Afghanistan is more than 740 km, has to rely on barbed wire and ditches established on the border. How much it will be a serious obstacle to Islamist armed groups, especially in the wilderness, in the desert is a rhetorical question.

Uzbekistan, whose border with Afghanistan is much smaller (137 km), also takes all mea-

asures to strengthen it. To provide practical assistance in ensuring the reliable protection of the border, the groups "Border guards" were formed to assist the frontier troops from among the local people.

Tajikistan, whose border with Afghanistan is about 1,350 km, faces the most difficult problem. In many areas, it runs in a remote mountainous area and it is extremely difficult to ensure its reliable protection. Therefore, it is extremely complicated to put a reliable barrier to illegal crossing of the state border, the transit of drugs, the penetration of armed groups and terrorist groups. Moreover, Tajikistan intelligence services have lately reported on attempts to establish cooperation of criminal groups involved in the transit of drugs, militants of armed formations on the territory of Afghanistan.

Kyrgyzstan, as well as Kazakhstan, have no common border with Afghanistan and suffer no immediate threat from its territory. However, it can also be attacked by militants over weak border protection in other Central Asian countries, as it has been in the Batken region. In addition, one of the transit routes for Afghan drugs to Russia and Kazakhstan lies through this country.

Based on all indicated above, we can conclude that a comprehensive approach to security in the region should be aimed at solving some of the problems.

Firstly, the international assistance to the Afghan leadership is needed for the establishment of a viable government at both the central and the regional and local levels. Settlement of the conflict in Afghanistan firstly depends on the solution of the power distribution between the various ethnic groups, as well as between the central government and the provinces with the appropriate decentralization of authority. The solving of these contradictions is possible through negotiations.

Many groups that support the "Taliban" are much more concerned with their local problems and are not strong supporters of global jihad. They are willing to negotiate, and they can be involved in the amicable settlement by transfer-

ring a part of the political power, giving more autonomy and having determined what economic benefits they may have. In addition, it will significantly limit the influence of extremists on the Afghan population.

Secondly, the meaningful recovery of war-ravaged Afghan economy requires the international assistance.

In order to maintain a normal life in Afghanistan, which remains one of the poorest countries in the world, the assistance in the amount of not less than 5.5 milliard dollars a year is needed. This is significantly less than the amount the US spent annually during the Afghan campaign.

Eight years ago, in the year 2006, the priority social and economic projects and perspectives of revival of the Afghan economy were formulated at the London Conference on Afghanistan [5]. These projects continue to be actual as of today.

Central Asian countries together with the Afghan side carry out a number of projects in the energy, transport and communication sectors, assist in the construction of social facilities and training.

As part of the "Istanbul process", launched in 2011, the countries of the Western coalition, considering the withdrawal of its troops and the reduction of military expenditures, could provide practical assistance in implementing a number of programmes aimed at the creation of industrial enterprises and improving the efficiency of agricultural production in the country. How soon the Afghan people begin to live a peaceful life depends largely on this fact.

Thirdly, the active international impact on the management of a number of countries is required including Saudi Arabia and Qatar, who are involved in financing and logistical support of anti-government groups in Afghanistan, including the movement "Taliban" and "Islamic State". This will greatly reduce the capacity and motivation of a large number of armed groups opposed to the official Kabul.

Fourthly, the cooperation in the fight against drug production in Afghanistan between all the countries concerned is important despite the ideological differences between them.

The measures for reducing the flow of Afghan drugs are ineffective. Production of opium and heroin is one of the main income items and financing of a number of anti-government groups in Afghanistan. It is estimated that daily production of drugs in Afghanistan is more than 400 million individual doses.

The Central Asian countries with the support of Russia are taking steps to strengthen their borders and combat drug trafficking. Nevertheless, this is passive defense measures. As the analysis shows, only a small part of the drug is withdrawn from the market, since state borders are quite easily penetrated by closely interacting drug groups operating on both sides of the border.

In recent years, our countries have repeatedly offered to international anti-drug agencies to collaborate to destroy drug plantations in Afghanistan, but Western countries did not accept such cooperation by finding the amazing excuses. One of them is: *if we destroy the majority of opium poppy cultivation, then we bereave the source of the existence of Afghan farmers.*

There is no doubt that the efforts and resources for combating drug trafficking firstly should be concentrated in the territory of Afghanistan.

Fifthly, the SCO with potential capabilities of member states and observer states is able to play an important role in stabilizing the situation in Afghanistan and the strengthening of security in the region. That entails, first of all, China and Russia, as well as India, Iran and Pakistan.

Strengthening the stability and security, combating terrorism, separatism, extremism, drug trafficking, economic cooperation and energy partnership are all these tasks of the SCO shall be relevant to Afghanistan and Central Asian countries. All these countries have their own interests in Afghanistan and Central Asia. Therefore, the Afghan problem is to get the new content in the SCO activity.

Currently, CSTO performs a major role in ensuring the security of CAR. Through membership in CSTO, Tajikistan receives assistance of the Russian Federation in the amount of 200 million dollars for rearmament. At the same time, Russia carries out military assistance of about 1.1 milliard dollars to Kyrgyzstan.

In the event of tension involving the penetration of IMU militants and other armed groups on the territory of Tajikistan and Kyrgyzstan, CSTO will perform the main role in providing security, in particular, *the Collective Rapid Deployment Forces of the Central Asian region (CRDF)* of about 4 thousand people as well as *the Collective Rapid Reaction Forces* (over 20 thousand people), which are components of permanent readiness and include highly mobile troops of the armed forces of state - members as well as the formation of special forces.

Since Uzbekistan and Turkmenistan are not members of the Collective Security Treaty Organization, they will have to rely increasingly on their own strength. The time will show how effective will be the isolationist policies of these states.

Thus, in the present circumstances, when the main part of the international coalition forces is withdrawn from Afghanistan, ensuring the stability of the country firstly depends on the support of the Western coalition, financial assistance, the participation of neighbouring countries and international organizations in the reconstruction of the country's economy and the fight against drug production.

There is no doubt that the development of the affairs in Afghanistan has a direct impact on the overall level of security in the region. All Central Asian countries can provide their own security, but with the support from the leading states of the world, international organizations and the allied states, as well as by strengthening its defense capabilities through increasing the qualitative parameters of its armed forces and other security agencies.

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SUMMARY

The article deals with the modern situation in Afghanistan, which is characterized by the activation of anti-government forces in most part of the country. Based on the above, the conclusion about the necessity of an integrated approach to the solution of the Afghan problem and regional security had been drawn. It is relied on financial assistance, the participation of countries concerned in the reconstruction of Afghanistan's economy and the fight against drug production. At the same time, the support from the leading states of the world, international organizations and the allied states, as well as strengthening its defense capabilities are urgent issues for the countries of Central Asia.

OSCE Security Community: the 40th Anniversary of the Helsinki Final Act and the 5th Anniversary of the Astana Commemorative Declaration

TOKAYEV KASSYM-JOMART

The 40th Anniversary of the Helsinki Final Act and the 5th Anniversary after the Summit in Astana are the milestone events that have become more important amid tumultuous developments around the world. At the same time, they make us deliberate over the OSCE role in ensuring security and cooperation in the Eurasian and Euro-Atlantic area. Strengthening multilateral interaction mechanisms between the OSCE participating states is one of the most urgent and complex challenges of our time.

We are living at time of changes and turmoil. Each year brings us new challenges such as wars, conflicts and economic upheavals, human and drug trafficking, refugee crises, pandemics, natural and man-made disasters, proliferation of nuclear materials, arms race.

The Ukraine crisis having developed into a national tragedy has undermined global security and revealed differences in perceptions of security system. Amid existing contradictions, fundamental norms and principles of international law embedded in the UN Charter and the Helsinki Final Act have been interpreted in different ways.

Therefore, called “dividing lines” which are frequently discussed by politicians and diplomats emerged long time before the outbreak of the Ukraine crisis. We have witnessed conflicts that turned into “frozen” ones and then - into “protracted” ones. All of them have taken place in the post-Soviet area. There are reasonable concerns that the Ukraine crisis may slide into a “frozen” conflict in case of non-compliance with Minsk agreements.

Therefore, we still pin our great hope on the Organization for Security and Co-operation in Europe. This forum comprising 57 participating states including four nuclear powers can and should help to strengthen trust among countries in the interests of comprehensive security.

It is well known, the OSCE created during the Cold War tensions have been playing a key role in preserving peace and stability on a vast area from Vancouver to Vladivostok. The OSCE served as a valuable structure to maintain optimal temperature or equilibrium in international relations at the end of the Cold War. We should praise the OSCE for preventing the conflicts from devolving into large-scale calamities and bloodsheds across its region.

40 years after the OSCE spanning huge geographical area and taking comprehensive approach to security remains crucial and relevant. It offers an indispensable platform for dialogue where its participating states coordinate their positions and take collective decisions.

In this regard, it is high time to make special emphasis on the outcomes of the OSCE Summit in Astana in 2010. It was this forum to introduce the notion of “security community” replacing the old one - “security space”. This security community comprises a geographical area stretching from Vancouver to Vladivostok “free of dividing lines, conflicts, spheres of influence and zones with different levels of security”. The Astana Declaration noted “the security of each participating State is inseparably linked to that of all others”. Indivisible security is the “spirit of Astana” which launched the common Euro-Atlantic and Eurasian security community.

The OSCE Summit in 2010 marked the culmination of the Kazakhstan successful chairmanship. This meeting took place after more than 10 years of an involuntary break and gave a strong impetus to achieving consensus on security matters.

In our view, the OSCE participating states should continue their efforts to resolve the question of its legal framework. We fully realize how difficult this task is, however it does not imply that this issue is not on the current and future OSCE agenda.

This task is becoming even more critical given that old approaches to security need to be adjusted to new geopolitical realities.

First and foremost, it is essential to strengthen first of all trust among states as it is trust that brings predictability in international affairs. Unfortunately, international system lacks this glue.

Contradictions among the world powers result in their divergent perceptions and interpretations of events that they have for centuries. Yet the highest wisdom of a statesman is to seek common ground to avoid a war for the sake of humanity. The clash of strategic interests of states should not be a dominant trend in the contemporary world. We ought to make

security and cooperation the top priority as the name of the Organization says. Therefore, the Kazakhstan’s Chairmanship made special emphasis on rebuilding and strengthening trust between states.

Proceeding from this idea the President of Kazakhstan initiated the first meeting of Russian and Ukrainian leaders in Minsk which was the starting point to stop the bloodshed and resolve the crisis.

There is no alternative to dialogue. The OSCE is unique for its potential to facilitate negotiations fostering consensus. It is very complicated, but we, as the “security community”, must make efforts to improve the international climate.

The world is changing fast. The signing of the Helsinki Final Act was a turning point of the Cold War that led to its end with the collapse of the Soviet Union. Yet a new type of confrontation that occasionally becomes chaotic succeeded the standoff between political systems and ideologies. 40 years ago, nobody could even imagine that international terrorism would emerge as a cynic and destructive force as it is today.

40 years ago, China, currently an economic giant, was a poor country that had come through a cultural revolution and was at odds with another socialist nuclear power, the USSR. The signatories of the Helsinki Final Act while taking commitments not to change the European borders most certainly did not think about the reunification of Germany, a “velvet revolution” in Czechoslovakia, the collapse of the Soviet Union and the break-up of Yugoslavia. The essence, the nature and even the scope of the OSCE have changed tremendously especially with the accession of Mongolia to the Organization, which was also difficult to imagine 40 years ago. Furthermore, it was unconceivable that later the OSCE would have to address such a difficult crisis in Ukraine. Therefore, at this time of changes the OSCE should encourage and even generate positive trends in international developments.

On the initiative of the Swiss Chairmanship, the Panel of Eminent Persons was established.

The author of this article was also invited to join the Panel. This group is working on recommendations on how European security could be re-consolidated as a common project including on how to help the OSCE work more efficiently.

I am convinced that the OSCE may play a more visible role in crisis diplomacy. Conflicts of all types and at all levels - international, local, interreligious or sectarian ones, not only jeopardize the security of millions of people, but also undermine the world economy with far-reaching consequences for the generations to come. Against this backdrop, President Nursultan Nazarbayev addressing the 70th session of the UN General Assembly called for building a zero conflict world pursuing the concept of "New future" and enhancing the rule of international law.

It should be noted that Asia plays an ever-increasing role in global affairs. It is in the interests of the OSCE to enhance its cooperation with Asian fora for security including the Conference on Interaction and Confidence-Building Measures in Asia (CICA) and the Shanghai Cooperation Organization (SCO). In many respects the OSCE and CICA are identical forums and could agree to hold joint consultations and after that to cooperate. Such steps would help enhance security across Eurasia.

The Parliament of Kazakhstan pays special attention to the activity of the OSCE Parliamentary Assembly. We must take full advantage of opportunities that this forum offers. In 2008,

Astana hosted the annual session of the Parliamentary Assembly, which would then contribute to the success of Kazakhstan's chairmanship in the OSCE. I would suggest reaping the full benefits of this forum. Thus, the parliamentary delegation of Kazakhstan takes an active part in its sessions and meetings.

While dealing with international security architecture, we should not forget about the OSCE's economic and environmental dimension, which was somehow put aside amid increasing battles in the politico-military and human baskets. This dimension is very promising since successful economic cooperation based on mutual benefits will ensure building a world free of conflicts. It is worth mentioning the words of one of the founders of the European Coal and Steel Community, a French politician and diplomat, Mr. Robert Schuman who said that this organization "will make it plain that any war between France and Germany becomes not merely unthinkable, but materially impossible". This declaration is still relevant nowadays.

The OSCE remains a valuable and indispensable forum that seeks solutions to the most acute issues of regional security. Building of a "security community" outlined in Astana is the primary goal of the OSCE for years to come. At the same time, the Organization should not only serve as a venue for discussions and negotiations on security, but also generate positive developments in European and global politics.

The Eurasian Security System and Belarus: Problems of Geopolitical Interdependence

BULEGENOV YERGALI,
LAUMULIN MURAT

Introduction

The Republic of Belarus lies on the periphery of geopolitical Eurasia and by that I mean the post Soviet area, and is fairly far removed from Central Asia. This distance, however, does not mean that Belarus is safely protected from the security threats emanating from the Central Asian region, and, on the whole, Inner Eurasia. The Belarusian expert community is not indifferent to these problems. Belarus has preserved its military and strategic importance for Russia within the categories of European confrontation of the previous period. Today, it is consistently and actively involved in military integration within the CSTO. The armed forces of Russia and Belarus are tied together by the so-called coalition approach. Civilian and military experts of the Republic of Belarus are studying the hypothetical possibility of its involvement, at the technical level, in the Collective Rapid Reaction Force of the CSTO if and when NATO pullout of Afghanistan sends waves of instability across Central Asia.

The Republic of Belarus occupies the western periphery of geopolitical Eurasia, by which

I mean the post-Soviet space, and is fairly far removed from Central Asia. This distance, however, does not mean that the Belarusian expert community, as well as military and civilian specialists, are indifferent to the problems of security of Central Asia and Inner Eurasia as a whole. Belarus is involved in all the integration structures in post-Soviet space, the Collective Security Treaty Organization (CSTO) in particular, which makes it one of the sides in any hypothetical conflict in Central Asia and the Caucasus if all the other CSTO members are involved.*

A member, along with with Russia, of the Union State, Minsk has even greater responsibilities in the collective security sphere.** Today, Belarus is concerned about the gradual movement of NATO forces closer to its territory caused by the Ukrainian crisis and the mounting confrontation between Moscow and the West.***

The Ukrainian crisis has destabilized the European part of the CIS and spread its negative impact across Eurasia. The events in Ukraine confirm the principles of indivisibility of Eurasian and Euro-Atlantic security registered in

* See: Yu. Godin, "The foreign policy of the Republic of Belarus (1991-2014)," Russia and the new states of Eurasia (IMEMO), No. 3, 2014, pp. 23-35.

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the Declaration of the Astana OSCE Summit of 2010.

Military-Strategic Cooperation between Belarus and Russia

Due to the previous confrontation, Belarus has preserved its military-strategic importance for Russia and is one of the most consistent and active members of military integration within the CSTO. Both countries support the so-called coalition approach that saves money spent on defense and optimizes the system of command and control.

Russia's military-strategic interests are served, among other things, by the Volga Radar Station (Russia rents it from Belarus, the present term ending in 2020), which allows Russia to follow troop movements in the North Atlantic, as well as in Northern and Central Europe, and the Antey hub site, which ensures communication with the Russian submarine missile carriers in the Atlantic Ocean. Russia pays Minsk nearly \$14 and 20 million every year. Overall, Russia's annual aid to Belarus in the form of armament, training of officers, and maintenance of the S-300 air-defense missile systems has reached \$360 million.*

Practically all the military equipment the republic receives from abroad is produced in Russia; in the last fifteen years over one thousand citizens of Belarus have graduated from Russia's military educational establishments.

The economic and political context of the relations between two countries leaves much to be desired, but cooperation in the military sphere is developing on the basis of over 30 treaties and agreements. As a neighbour of NATO's military infrastructure, Belarus is doubly important to Russia.

The two countries successfully cooperate in the sphere of radiation, chemical and biological defense, and topographic and geodesic sup-

port of the armed forces. Experts point out that in the past much was done to ensure external security of the Union State - it acquired united systems of radio-electronic warfare, communication, and logistics in the military sphere. As mentioned earlier, there is a Russian radar station in Belarus and a hub of long-range radio communication; joint staff and field exercises keep the battle-worthiness of troops at the required level. The Single Regional Air-Defense System is another important element of the Union State's military potential. In 2013, Russia supplied Belarus with the first upgraded Buk missile systems to improve air defences.

In April 2013, during his official visit to Minsk, Russian Defense Minister Sergey Shoygu discussed military cooperation within the Union State with President Lukashenko and Defense Minister of Belarus Zhadobin, in particular, increasing the efficiency of joint defences and the possibility of setting up a single group of armed forces within the CSTO. Russia intends to discontinue its import of elements for new types of strategic armaments, including nuclear weapons, and to rely in this field on Belarusian capacities. It is expected that the largest Belarusian enterprise, Integral Ltd., which manufactures microelectronics, will also be involved. Today, it takes up 15 to 20 percent of the Russian market of electronic components of dual and special use.

The final stage of the joint military exercises Zapad-2013 organized, for the first time, simultaneously in Russia and Belarus took place in September 2013. Russia planned to deploy, by 2015, a regiment of fighter planes at the airbase in Lida (Belarus) used by Belarusian ground attack aircraft, which also serves as a training center with the necessary and adequate infrastructure. At the first stage, it was planned to deploy the latest multi-functional SU-27SM3 fighters there, as well as strengthen the aviation group with other types of military aircraft. The

Russian side, however, demonstrated that it did not plan to set up a joint airbase.

In November 2013, the situation around the base changed; it was planned to move it from Lida to Baranovichi. When in Baranovichi, Lukashenko made several statements addressed to Moscow, in particular about his intention to remove Su-27 planes from the republican air force. Earlier, the Belarusian president had mentioned that Russia would deliver new military aircraft.

The statement in Baranovichi was meant to be a warning to the Kremlin that the republic would modernize its weapons (including aviation) on its own and that, in the future, it would pursue an independent military policy.

The haggling over the military facility is still going on; the Lida base is too close to the external borders of the Union State; therefore, four Russian SU-27B aircrafts were temporarily removed to Baranovichi.

Earlier Belarus made similar concessions in exchange for Russia's economic aid and used them as manoeuvring room in its relations with Russia and the European Union. Some observers think that the steadily decreasing military potential of Belarusian aviation will make it more and more dependent on the Russian air force to protect its borders.

Russian experts are convinced that the Russian air base in Belarus is a response to the relocation of four NATO F-16 Fighting Falcon all-weather multirole aircraft capable of carrying American B61 variable yield bombs to the military base in Siauliai (Lithuania) on the permanent tactical efficiency. The 15-minute flight time between Siauliai and Moscow makes these bombs (defined as tactical weapons) strategic weapons for Russia.

The experts of the Center for European Integration Problems in Minsk are convinced that a Russian airbase in Belarus indicates that the Kremlin is very concerned about NATO's military threat. The Russian airbase in Belarus issue

has a domestic political dimension as well; the local opposition speaks of approaching Russian occupation and accuses the president of violating the Constitution. He, in his turn, dismisses as groundless what the opposition says about the possible loss of sovereignty due to continued military cooperation with Russia.

Minsk argues that the Belarusian army forms the core of the joint group of armed forces and never fails to criticize the North Atlantic Alliance and its military activity in the region and the position of Poland on the American ABM system in Europe.

Despite the traditionally high assessments of battle-worthiness of the Belarusian Armed Forces, Russian and some Belarusian experts point to the mounting problems caused by military-technological degradation, the negative effects of demography, etc. The financial, economic, and budget problems do not allow the state to maintain its army at the previous high level.

Money shortages have negatively affected the special rapid reaction force expected to form the core of the republican armed forces after the reforms. Russia has very justified concerns about the future of the Belarusian armed forces, the battle-worthiness of the armed forces of the Union State, and the efficient involvement of the Republic of Belarus in the CSTO are caused by the noticeable outflow of contractors from the elite and special units.*

Development of the Military-Industrial Complex in the Republic of Belarus

Belarus inherited about 120 enterprises of the military industrial complex (including maintenance plants) from the Soviet Union and practically no enterprises of final assembly. The Belarusian Soviet Socialist Republic did not produce its own weapons; its production range was limited to automobiles and various equipment – communication, navigation, and com-

* Quoted from: S. Astakhova, "Military - technical cooperation between Russia and Belarus," *Russia and new states of Eurasia*, No. 3, 2013, pp. 61-69 (see also: Yu.F. Godin, Belarus is "Brest Fortress" of the modern Russia, ITRK, Moscow, 2008, 184 pp.; E. Tsedilina, "Russian-Belarusian relations and security interests of the Russian Federation," *Russia and new states of Eurasia*, No. 3, 2009, pp. 18-35).

* See: A.Sh. Zhvitiashvili, "Russia and Belarus: some aspects of the comparison," *Russia and the Modern World*, No. 2, 2011, pp. 110-121; S.V. Astakhova, "Relations between Russia and Belarus in the new political realities" "Russia and new states of Eurasia", No. 3, 2014, pp. 72-79.

mand and control systems, as well as optics of all sorts, etc.

Today, the State Military-Industrial Committee of the Republic of Belarus coordinates military-industrial production. In 1992, it supplied up to 20 percent of the total volume of materials, spare parts, and components needed by the Russian military-industrial complex; its share dropped to 8 percent in the 2000s.

The Belarusian leaders have preserved some of the former integration contacts with Russia and the Russian enterprises that produce mobile ballistic missile systems Topol, Yars, and Iskander (the Minsk Plant of Wheeled Tractors [MZKT], for example, supplies chassis for them). Belarusian targeting fire systems and navigation complexes are used in Russian planes and tanks; the republic is further deepening its specialization to develop systems of communication, navigation, reconnaissance, surveillance and command and control without which no network-centric army is possible.*

In 2012, Belarus launched production of over 35 types of high-tech products; over 20 R&D have been completed in the following five fields: battle systems of special operations and land forces; geo-information systems; drones; high-precision weapons countermeasures; and systems of fire damage.

The range of the latest achievements includes a radio-relay station Tsitrus (which can replace 10 radar complexes) and also automated guidance systems Bor, Polyana RB, Neman, Sprut, Prostor, Rif-R, and Protok that have no analogues in the world.

Belarus has moved to the frontline of drone production. In April 2014, at the 4th International Exhibition and the BMC DIMDEX-2014 conference in Qatar, Beltekhexport exhibited its latest products, including Berkut-1 tactical short-range drone intended for optoelectronic night/day reconnaissance. The hand-starting unit Berkut-1 together with a payload is able to automatically fly a distance of 15 km at an altitude of 1,000 meters. Cruising speed ma-

chine is 50-80 km/h; the unit can be flown for 1.5 hours.

In Qatar, the republic showed Shershen-D, another novelty, viz. a unique third generation anti-tank guided missile (ATGM).

Belarus has created unique devices of radio-electronic warfare; its maintenance plants have manufactured new and modernized some types of old Soviet military machines (air-defense assets in particular) very popular in developing countries. The same enterprises cover the needs of the armed forces of the republic and other countries. There is an opinion that the Belarusian military-industrial complex turned out to be more viable and, overall, more successful than the Ukrainian is.

Military-political cooperation between Russia and Belarus is unfolding within the Treaty on the Union State and the CSTO and is based on five main documents. Both countries belong to the unified air defense system of the CIS countries. The republic has a considerable number of facilities of Russian military-technical infrastructure in its territory, which helps to maintain strategic security in Europe (the early warning radar system in Baranovichi and Russian Navy's long-haul communication center in Vileyka, which provides communication between Russia's Navy headquarters and atomic submarines in the Atlantic (the above-mentioned Antey hub site). Since 1998, the budget of the Union State has been funding military education for the Belarusian military in the Russian Federation.

The Belarusian-Russian intergovernmental commission on military-technical cooperation is doing a lot, including holding regular talks between heads of organizations and industrial enterprises of the military-industrial complex, designed to arrive at the best forms of cooperation in various fields and to draw up and implement programs of the Union State in the field of security and defences.

The two countries have pooled forces to design and produce science-consuming technologies—microwave and optoelectronic products

and equipment to be used to produce nano-materials. There are several very successful programs—Komposit, Traektoria, Kosmos-NT, and Nanotekhnologi-SG.

Belarus has preserved over 50 enterprises of the defense sector involved today in production and scientific and technical cooperation with over 400 enterprises in Russia, which they supply with electronic components, spare parts, etc. The country is actively involved in bilateral projects through its participation in interstate financial and industrial groups and joint ventures; its defense industry concentrates on the latest information and telecommunication technologies.

In 2006, the country launched the State Armament Program for 2006-2015, so far the most ambitious military-technical project in its history as a sovereign state. Automated systems of troops and weapons command and control are generally regarded as the highest achievement of the Belarusian military-industrial complex. According to the military experts, a single automated control system for the air force and air-defense upgrades the fighting potential of the Belarusian army and the regional group of troops (forces) of Russia and Belarus.

It should be said that joint military industrial projects do not interfere with cooperation of Russia and Belarus with third countries. While moving their military products to foreign markets, both countries carefully avoid competition among themselves so as not to infringe on their partner's in-terests.

In the sphere of dual technologies, Belarus is present in the CIS markets and cooperates with China – they produce multi-axis wheeled chassis and tractors for special, including military, equipment and armaments of various purposes. The first Chinese-Belarusian assembly plant was opened in 1998 in Xiogan (Hubei Province). After a while, the Chinese started copying the MZKT products and pushed out the Belarusian suppliers.

China is also interested in high technical and exploitation properties and fighting qualities of the Belarusian air-defense system. According to

Russian sources, in 2000-2002, China and Belarus signed several agreements in this sphere. The Chinese military are very impressed by the Belarus achievements in radar technologies, in particular the Vostok D/E mobile 2-dimensional metric band surveillance radar carried on MZKT chassis.*

Beijing is interested in what is being done in Belarus in the field of high-precision weapons, the modernized Module-A complex designed to improve the tactical-technological description of common aerial bombs being one of them. There are signs that China and Belarus are intensifying their cooperation in design and development of means of radio electronic warfare intended for themselves and third countries. There is an opinion that Belarus and China will cooperate in R&D of mid-range surface-to-air missile systems similar to S-300.

General overhaul and, recently, modernization of SU-27 aircraft and Mi-8 helicopters is the traditional sphere of military-technical cooperation between the two countries. Recently the military-industrial complex of the Republic of Belarus has moved into a new and potentially very attractive field for the People's Army of China, namely modernization of the Smerch multiple rocket launcher and production of the means of radio electronic protection for aircraft. There is the Satellit complex of airborne equipment of individual radio electronic protection of the aircraft against high-precision radio-controlled weapons with active homing missiles of the surface-to-air or air-to-air classes.

There is any number of those who think that the recent intensification of relations between Belarus and China at different levels is largely explained by pragmatism of the Chinese—they are interested in the results of the latest Belarusian original academic and applied studies. The state base of scientific and technical cooperation among China and Belarus, Russia, Ukraine, and other CIS cities set up in Changchun, the capital of the Jilin Province, is geared at contacts in optical electronics, studies of materials, biotechnologies, etc.

* Quoted from: "Portraits of the Belarusian defense industry enterprises," Analytical project BelarusSecurityBlog, 2013, Minsk, available at [www.bsblog.info].

* Quoted from: "Military - technical cooperation between Belarus and China," Analytical project BelarusSecurityBlog, 2013.

Earlier, Belarusian State University and Harbin Polytechnics signed an agreement on cooperation. The Center for Scientific and Technical Cooperation was set up for joint studies and development of new technologies (laser and nano technologies, etc.). China is especially interested in what Belarus has done in space research and dual and military high tech.

Beijing knows that many types of military equipment and dual products developed and produced in Belarus are competitive on a world scale or even unique, with no analogues in the CIS countries. The Chinese military treat as such the automated system of troops and weapons command and control, aerial space optoelectronic devices and photogrammetric systems, armoured vehicles fire control, automated radar, laser-optical and information air-defense command and control systems.

Until recently, the Belarusian military-industrial complex closely cooperated with the Ukrainian defense industry, Shershen, Sarmat, and Skif being the results of their joint efforts. The Belarusian side produced homing systems, while the missiles were made in Ukraine; both had the right to sell them to third countries. The rule was applied not only to these missiles but also to surface-to-air missiles and the module that transformed unguided gravity bombs into guided bombs.

The recent events in Ukraine changed everything. In April 2014, during the visit to the 558 Aviation Maintenance Plant in Baranovichi, President Lukashenko pointed to two equally attractive possibilities created by the crisis – highly skilled Ukrainian specialists who could be tempted to move to Belarus and Ukrainian technologies that could be borrowed from their owners.

Late in September 2014, a delegation of the military-industrial complex of Belarus visited military enterprises in Kiev, Lvov, Dnepropetrovsk, and Chernigov on a fact-finding mission. The members were primarily interested in industrial enterprises and scientific research and development organizations connected with the design and manufacture of missiles and

their components, homing systems, engines, automated command and control systems, etc. There is a more or less generally shared conviction in Ukraine that the Belarusians will try to lure the best specialists or will even try to buy missile technologies (it should be said that Russia is very reluctant to let Belarus develop these facilities in its territory).

The seventh international military hardware expo MILEX 2014 in Minsk was a great success. The organizations within the State Committee for Military Industry of the Republic of Belarus signed 55 contracts in total for more \$350 million (on the whole, contracts amounting to \$700 million).

Alebarda, a mid-range anti-aircraft missile system made in Belarus, attracted a lot of attention; even before the expo ended, the new missile had gathered 15 orders. The market capacity is assessed as 200 or even more complexes, produced practically from beginning to end in Belarus.

Recently, the leaders of Belarus, who are seeking wider contacts with the developing countries, have been inviting their potential partners (Vietnam, Laos, Indonesia, Bangladesh, India, South Africa, and some of the Arab states) to set up joint military-technical projects.

Today, the Belarusian military-industrial complex demonstrates the following trends:

(1) Modernization of military equipment to add mobility and manageability to the troops, ensure their protection, widen the scope of reconnaissance, and increase the possibility of delivering precision strikes at long distances.

(2) Setting up a complete production cycle of promising types of weapons ranging from means of mobility to means of destruction. The country has already created prototypes of a fighting armoured vehicle and a car of all-terrain capability and completed the design stage of an unmanned aerial complex with a range of 100 km or even more. Belarus and its foreign partners have created a new anti-tank missile complex.

(3) There are plans to set up, jointly with leading world machine-tool companies, as-

sembly facilities to produce equipment and the latest machine tools as a means of import replacement and, later, set up national production facilities in the republic.

Belarus and Security in Central Asia in the CSTO Context

Normally Minsk is not much interested in the problems of Central Asian security and the threats emanating from Afghanistan. President Lukashenko last clarified his position on the issue at the fall 2013 CSTO Summit. He was convinced that the CSTO states should help Tajikistan fortify its border with Afghanistan after the Western coalition pulled out its forces.

Until recently, Belarus limited its support within the CSTO to supplies of uniforms for the Tajik border guards and was officially thanked, in February 2014, by Nikolay Bordyuzha, Secretary General of the Collective Security Treaty Organization.

Civilian and military Belarusian experts are contemplating the technical possibility of being involved (as one of the units in the Collective Rapid Reaction Force) in responding to potential threats created by destabilization in Central Asia (a low-intensity conflict) after the coalition forces of NATO have been finally removed from Afghanistan. Some experts think that destabilization might spread to Kyrgyzstan and Tajikistan.*

They also think that the country is unable to part with more than the one-third it has already pegged for participation in the Collective Rapid Reaction Force; two-thirds should remain in the republic for personnel rotation.

It is commonly believed that the country cannot spend more than 1 percent of its consolidated budget (central and local budgets), that is, about \$230 million, on training the national contingent and its funding.

The numerical strength of the Belarusian military contingent within the Collective Rapid Reaction Force depends on the nature and scope of the potential threats and might include military,

gendarme, and counterterrorist units, communication with local authorities, and support forces.

One mobile battalion of about 550 people complete with armoured vehicles and guns could represent Belarus; the organizational structure and personnel will be geared at the nature of the terrain and the degree of threats. The gendarme contingent will consist of two or three patrol companies from among the Ministry of the Interior Forces (up to 400 men) trained and equipped to suppress riots and conduct searches of transportation vehicles and people.

The counterterrorist part will be represented by a unit of up to 30 members of the Alfa and Almaz groups and riot police involved on a rotational basis. The group responsible for communication with local authorities consists of Belarusian officers serving in the staffs of the union forces, the Ministry of the Interior, the Air Force, and the state security forces of the host state.

The support group consists of a helicopter unit of up to 300 men and a medical sub-unit.

It has been calculated that up to 1,600 military from the Ministry of the Interior, the State Security Committee, and the Defense Ministry will be needed; the country cannot afford more; no more than one-third of the total amount of needed forces are deployed in the host country, while the rest is intended for rotation.

Experts believe that the technical equipment of the units of the Ministry of the Interior, the counterterrorist units, and the medical service units is adequate, although they need well-protected transportation vehicles.

Belarusian analysts are showing a lot of interest in the fighting experience of Estonian units in Afghanistan, which revealed, among other things, that Soviet armoured machines were ill-suited as mine-resistant ambush protected vehicles.

Because of limited finances and technical possibilities, the republic's national contingent will be moved to the area of possible conflict and will be supplied by land; transport aviation will be reserved for emergencies.

* Quoted from: "Estimation of readiness of Belarus to participate in coalition operations," Analytical project BelarusSecurity-Blog, December 2013.

The country's involvement in a possible mission requires a lot of technical training since the available armoured vehicles and cars cannot be used in contemporary armed conflicts.

Experts have offered the following three ways out modernization, purchase of new machines, and purchase of surplus machines from foreign states. So far, there is no idea about the exact sums involved, even though several million dollars might be required.

In Minsk, the problem of Afghanistan is discussed as part of the drug threat; the expert community looks at drug production in this country as a unique phenomenon explained not so much by the volumes of the locally raised and processed drugs as by the unpredictable geopolitical effects of their spread and consumption. Russia consumes 75 to 80 tons of Afghan heroin every year and loses, according to certain sources, over 30 thousand lives.

There is an opinion in the Belarusian expert community that “drug production in Afghanistan, unprecedented in its scope and concentration in one geographic point, can be described as a tool for undermining international security. This is a unique planetary-historical phenomenon that can be qualified, according to the U.N. Charter, as a threat to international peace and security.”

This domestic Afghan phenomenon directly affects the region and many countries outside it; it is directly connected with the armed conflicts unfolding in the territory of Afghanistan (which have already assumed international scope) and the military-political destabilization of Central Asia and pours a lot of money into extremist criminal and terrorist activities. This phenomenon is largely caused by the unprecedentedly high level of corruption in Afghanistan and the countries along the trafficking route, which excludes any possibility of realizing the ideals of democracy in the region's countries. This explains why Belarusian experts have been talking about the right of Russia and the other CSTO member states to self-defense against the drug aggression waged by Afghan non-govern-

mental groups in their territory.* Some of them think that the SCO should also pour its political and economic potential into the CSTO anti-drug efforts.

The expert community has pointed out that the Ukrainian developments might radically change the geopolitical situation in Eurasia as a whole and in Eastern Europe in particular; the security system might change to confront the CSTO with new and even more complicated problems. The military-political expert community of Belarus, however, cannot discern any prospects for CSTO expansion and prefer defense cooperation with Russia within the Union State.

At one of the meetings with the speaker of the Federation Council and the heads of the federation subjects of Russia, President Lukashenko said that in the near future the CSTO would develop into the military component of Eurasian entity. The Belarusian expert community is of a different opinion—Moscow demonstrates a lot of independence when it comes to decision-making and rarely takes the positions of its allies into account. This has been amply confirmed by previous crises.

The Crimean crisis embedded the creditability gap Moscow, Minsk, and Astana into bolder relief. Indeed, Belarus and Russia belong to the Union State and, together with Kazakhstan, to a single regional armed group and the CSTO. The Kremlin resolved the Crimean crisis and passed the decision on unification (which means joining the peninsula to the Union State and the CSTO) unilaterally. The post-factum consultations within the Union State and the CSTO were purely formal.

Belarusian experts have pointed out that the CSTO members prefer to stay away from the Russian-Ukrainian war and that Moscow has failed to rally the post-Soviet states for a military-technical blockade of Kiev.

Belarus and the Ukrainian Crisis

Throughout 2013-2014, Minsk gradually re-adjusted its attitude to Ukraine, which has been

living through a far from easy period of political transformations. The Belarusian media and public opinion limited their comments on the wave of opposition later tagged as Euromaidan to whether or not Ukraine would be involved in Eurasian integration. As the situation on Maidan moved toward violence, Minsk paid more and more attention to the Ukrainian developments; the removal of Viktor Yanukovich and the political U-turn performed by those who came to power in Kiev shocked the Belarusian president.

In March 2014, Lukashenko began regularly commenting on the Ukrainian developments; put in a nutshell, he says the following:

- (1) the Belarusian authorities will not allow a second edition of Maidan in their country;
- (2) the Ukrainian riots were caused by “the huge scope of corruption and economic collapse” in Ukraine;
- (3) Minsk will adequately respond to all attempts of NATO members to step up military activities in close proximity to Belarus.

This means that from the very beginning, the events in Ukraine were used to scare the local people.

This was when Minsk formulated its foreign policy interests:

- Prompt stabilization of Ukraine;
- Resistance (if necessary) to Russia's pressure, which might insist on worsening Minsk's relations with the Ukrainian regime;
- Capitalization on the Ukrainian developments and the worsened relations between the West and Russia.

The Belarusian leaders primarily had to find a balanced political course: they did not know how far they could go with their support of Moscow because of its rapidly worsening relations with the West, lest to betray the country national interests, undermine its international position, and dent its security.

On the whole, Lukashenko was not always consistent; he sided with Moscow when the U.N. GA voted on the annexation of Crimea; later, on 7 June, the President of Belarus attended the inauguration of President Poroshenko

and clearly indicated that he was on the side of Ukraine.

There is another aspect of the same issue – Lukashenko tried to wring dry the Ukrainian conflict and extract the maximum political dividends by posing himself as a broker between Kiev and Moscow. In late July 2014, he began insistently offering Minsk as a venue for the tripartite talks of the so-called contact group that was trying to settle the situation in the east of Ukraine.

Late in August 2014, Minsk welcomed a summit of the Customs Union, Ukraine, and the high representatives of the European Union; during this meeting, Lukashenko skilfully used his diplomatic talents to gain a personal audience with Catherine Ashton, an indirect sign that Brussels had softened its position in relation to the Lukashenko regime. The president used the Minsk summit to obtain diplomatic bonuses and upgrade the country's international status.

Minsk extracted all possible economic and political dividends from the Western anti-Russian sanctions and Russia's reciprocal sanctions. While formally remaining on Russia's side, Lukashenko clearly indicated that Minsk would not join the reciprocal sanctions and promised to close possible holes in foodstuff supplies with Belarusian products. Later Moscow repeatedly accused Minsk of cheating by re-exporting products of EU countries.

In view of the crisis, Belarus adopted additional measures to tighten internal security, in particular, in connection with the world hockey championship. In August 2014, the president signed decrees on the mechanism for introducing a state of emergency; early in 2015, the law on martial law was amended.

In many respects, the Ukrainian market remains the biggest consumer of Belarusian export, oil products and potassium fertilizers in particular (which brought \$6 to 7 billion every year). On 19 August 2014, Ukraine and Belarus abolished all the limiting measures previously introduced in trade and mutual licensing, which meant restoration of the free-trade regime. In

* See: Yu. Tsarik, Afghan drug production as a threat to international peace and security, TsCVI, Minsk, 2014, 88 pp.

2014, the trade turnover between the two countries decreased mainly because of the devalued “grivna”.

Minsk strengthened its border guards, especially those stationed along the borders with Ukraine, and deployed a new air group of the Russian Federation at the Baranovichi airbase. On the whole, Lukashenko and Putin agreed that they should jointly and adequately respond to the current build-up of NATO troops.

In August 2014, the KGB of Belarus officially refuted information that Belarusian citizens had joined the volunteers in the east of Ukraine. According to the official information, by August 2014, there were about 26 thousand Ukrainian refugees in Belarus; 1.5 thousand applied for a refugee status and nearly 1.5 thousand received residence permits; over 3 thousand intend to apply for temporary residence.

The country’s external and internal policy remains under the pressure of the Ukrainian crisis and the related international events. President Lukashenko believes that the Ukrainian regions should become more independent and that the Constitution should be amended accordingly. Early in September, he signed a decree, which simplified many procedures for Ukrainian citizens in Belarus, including application for state grants, education, and employment.

The country’s international situation and its relations with Germany and the United States are likewise strongly affected by the Ukrainian crisis. Early in September 2014, an American delegation headed by one of the top officials of the U.S. State Department came to Minsk to confirm that Washington was pleased with Minsk’s decision not to recognize unification of Crimea with Russia and that its efforts to encourage and organize talks on the settlement of the Ukrainian crisis were appreciated. The American diplomats paid particular attention to the Minsk’s recognition of the new people in power in Ukraine and expressed their readiness to change the format of relations with Minsk in light of the Russian-Ukrainian conflict.

Late in September, during his visit to Moldova and in the interview he gave on 1 October,

the Belarusian president expressed his opinion about the Ukrainian crisis. He said that the contact group that had worked in Minsk did a lot and halted the hostilities. He described the possible repercussions of the crisis as catastrophic and pointed out that what had happened on Maidan was wrong and unconstitutional. He said that his country had offered a peace plan for Ukraine, but “the West rejected it because somebody profited from this rejection.”

On 21 December 2014, when in Kiev on a working visit, President Lukashenko made an official statement to the effect that his country would spare no effort to help restore peace in Ukraine.

The Ukrainian president reciprocated by praising Minsk’s clear position on his state’s sovereignty and independence and thanked Lukashenko for the opportunity to use Minsk for the meeting of the tripartite contact group, which arrived at a document intended as the first step toward peaceful settlement.

Experts paid particular attention to what the Ukrainian leader said about the “Minsk format” as the only model of de-escalation of the situation in some of the districts of the Donetsk and Lugansk regions; they associated this with certain shifts in Kiev’s approaches and explained Lukashenko’s Ukrainian visit by the recently worsened relations between Moscow and Minsk in trade and the economy and, allegedly, the common strategy Moscow, Minsk, and Astana are pursuing in their relations with Kiev.

It should be said that the talks between Minsk and Kiev produced an unexpected decision on setting up a joint TV channel in Minsk (which will probably be safely forgotten).

Most of the expert community agrees that Minsk and Kiev have many common interests: Belarus wants Ukraine as one of the largest markets for its products, while Ukraine wants maximum security along its northern border, steady supply of oil products, and neutralization of Russia’s attempts to limit Ukraine’s trade and to the standards of the Eurasian integration project.

What is even more important is the fact that Minsk indirectly refused to support the “feder-

alization scenario” Moscow was imposing on Ukraine. It also guaranteed that it would not allow third countries to use Belarusian territory for military aggression against Ukraine.

On the whole, however, Minsk’s Ukrainian policy cannot be called consistent. Throughout 2014, Lukashenko changed his opinion about the Ukrainian events several times. His seemingly contradictory position prompted by his desire to preserve the sovereignty of his country and by his latent fear of Moscow’s imperial ambitions does not interfere with his pro-Russian position caused, among other things, by the growing dependence (economic dependence in particular) on the Russian Federation.

In any case, Alexander Lukashenko is using every opportunity for political manoeuvring to create the impression of his complete independence.

What Minsk Thinks about the Security Threats to Central Asia?

The latest assessments of new security threats to Central Asia and the region’s geopolitical future offered by the Belarusian expert community are very interesting. The report published by the Center for Strategic and Foreign Policy Studies (TsSVI),* described the following two supra-national strategies of counteraction: the Chinese, represented by the SCO and the emerging Silk Road Economic Belt, and the Russian, represented by the CSTO and the emerging EEU.

There is a more or less common opinion that Central Asia has come close to fundamental changes largely connected with the developments unfolding in other regions, the Middle East in particular. The following can be described as the key factors responsible for the Central Asian strategic context:

- (1) The pullout of American troops from Afghanistan in 2014-1016;
- (2) The establishment of the EEU and its possible enlargement;

(3) The dramatic activation of China’s regional policies;

(4) The emergence of India as a new regional power;

(5) The continued strategic rapprochement of the U.S. and Iran;

(6) The shift of the zone of U.S. primary interests to the Far East and Washington rising concern about the growing Chinese factor in Eurasia.

(7) The changed structures and patterns of activity of international extremist and terrorist organizations and continued struggle between ISIS and al’ Qaeda;

(8) The rising level of violence, the rising drug production, and the persistent political crisis in Afghanistan.

The United States, China, India, Iran, Pakistan, and, of course, Russia are the states with the potentially greatest impact on Central Asia. Washington wants to preserve the stability level, which will allow it to shift its geopolitical priorities, safely and completely, from Central Asia to the APR and the Middle East. The White House is concentrating on containing China by counterbalancing it to the states involved in Central Asia (Russia, Iran, and India in particular). The Americans expect that Russia will try to push China out of the post-Soviet space and that Iran will help to stabilize Afghanistan and prevent the greater role of Pakistan and the Taliban, while India, locked in competition with China, will add geopolitical and economic weight to the structure.

Experts and analysts believe that China is attracted by Central Asia’s mineral resources and consumer markets, its interests in the region being inspired by Beijing’s desire to avoid instability in the XUAR.

Meanwhile, China, which has already formulated the Silk Road Economic Belt initiative, occupies a much more active or even expansionist position: the economic belt will require infrastructure, which will require protection. The Chinese elite, or its greater part, is

* See: “The Central Asian Chessboard at the End of 2014,” in: Destabilization Scenarios in Central Asia and Strategic Counteraction, TsSVI (Minsk), 4 September 2014 (in Russian).

regarding the Economic Belt as a free trade area between China and the Central Asian countries. After losing interest in the Mes Aynak copper mines, China developed an interest in protecting the oil fields in the north of Afghanistan.

Containment of India is one of China's strategic concerns; Beijing wants to limit Delhi's influence in the region and intercept its share of the resources.

India, according to the expert community, is primarily concerned about receiving a steady supply of resources mainly through TAPI and IPI (Iran-Pakistan-India) gas transportation systems.

Tehran needs stability in Afghanistan, a solution to the drug trafficking problem, and suppression of the still growing influence of extremist groups oriented toward Pakistan and Saudi Arabia. Iran needs larger markets for its hydrocarbons (hence the IPI project) and a wider area of economic cooperation. The Port of Chabahar project, the only Iranian port with direct access to the ocean, is one of Tehran's strategic priorities. The country is determined to pursue an active policy in Afghanistan and post-Soviet Central Asia (Tajikistan being the main aim). A decrease in the U.S. military presence in Afghanistan and Central Asia is another point on the Iranian agenda.

In general, analysts agree that Pakistan has found itself in a quandary. In recent years, the traditional contacts between the Pakistani special services and the Taliban (and its branches) have been causing increasing trouble. Like many of its neighbours, Pakistan is interested in the resource-rich Central Asian states; it wants to keep India and Iran outside Central Asia and relies on China as its main ally.

Russia's strategy in the region is vague; the Ukrainian crisis distracted its attention from Central Asia, the key to Eurasian security. Russia, which is establishing the EEU together with its allies, expects that Kyrgyzstan and, somewhat later, Tajikistan will also join it. According to the certain sources, it is interested in the TAPI gas pipeline, while some Russian companies are ready to join the construction project.

The Belarusian expert community has concluded that the terrorist international is being torn apart by the dramatic rivalry between ISIS and al Qaeda. In the West, experts are very sceptical about the prospects for the Islamic Movement of Uzbekistan, which needs money and fresh forces; its ethnic composition, Uzbeks being in the minority, has moved far from its title. The Ismailites of Afghan and Tajik Badakhshan may temporarily come to the fore, as well as pan-Turkic and ethnically diverse groups in the north of Afghanistan and more moderate Islamist organizations of the Hizb ut-Tahrir type.

The expert community in Belarus points to the Islamist threat as the main one in the present conditions; the new actors, ISIS being one of them, on the regional scene may aggravate it even more.

Today, the Central Asian states are doing more than the other players to oppose the region's destabilization. They are keeping the political field under control, applying pressure, within legal limits, on the Islamist and other opposition structures, and offering the easily tempted, as well as vulnerable groups, social benefits.

The Central Asian countries have geared their opposition strategies to nationalism, a combination of the following two key values: national history and sovereign statehood. This particularly applies to Kazakhstan and Uzbekistan. According to the expert community, these two countries, rather than the CSTO, will play the main role in strengthening the region's security, at least because Russia remains bogged down in the Ukrainian crisis.

Conclusion

Today, the foreign policy course of the Republic of Belarus is largely determined by the following factors:

- wide-scale, diverse, and, at the same time, "uneven" cooperation with the Russian Federation;
- involvement in Eurasian integration and the EEU Treaty signed in May 2014;
- cautious drawing closer to the West;

- its higher international status of a broker between the sides in the Ukrainian conflict and consolidation of its military-political cooperation with Moscow;

- continued cooperation with its traditional partners – China, Venezuela, some of the CIS countries, and Kazakhstan in particular.

Beyond its borders, the country is looking for new and widening the already existing markets for its products; it is using Eurasian integration to strengthen its position when dealing with Russia and has returned to its old policy of balancing between Russia and the EU; and it has raised its peace-keeping and broker status and strengthened the security of the Union State against the background of the growing crisis between Russia and the West.

It is more or less obvious that in the near future the Belarusian leaders and the president will have to address a set of complicated po-

litical and economic tasks, the following being especially urgent:

- (1) preserving as wide a leeway as possible when dealing with Russia in the conditions of steadily growing economic dependence on Russia and enactment of the EEU treaty;

- (2) keeping away from the conflict between Russia and Ukraine supported by the West;

- (3) using the accumulated potential to move closer to the EU and the West as a whole;

- (4) taking advantage of all the opportunities created by the EEU;

- (5) remaining in power after the presidential election despite the mounting social and economic problems.

The International Criminal Court: Crime of Terrorism vs Terrorists' Crimes

BUZURTANOVA MAREM

Introduction
Today, the international criminal justice operates in the world that is changing; non-state actors and transnational factors are increasingly powerful. Therefore, it is essential that international system and international criminal justice, as its key part, would be adequate to the contemporary realities. This article considers the issue of terrorism as one of those transnational factors. It discusses whether the International Criminal Court has the capacities to contribute into the international and national efforts to confront terrorism. To this end, it looks specifically at the issue of the ICC jurisdiction to prosecute terrorist crimes.

The major argument is that, although the crime of terrorism is not included into subject-matter jurisdiction of the ICC, it appears that the Rome Statute provides legal tools to prosecute individuals who commit terrorist acts for the other core international crimes, however, despite of a number of advantages, due to limitations both of legal and political nature, the chances for these tools to be fully applied are minimum.

Law Applicable under Rome Statute and Subject-matter Jurisdiction of the ICC

As a part of public international law, international criminal law relies on the same sources stipulated in Article 38(1) of the ICJ Statute

(1946). The ICC is not an exception. The treaty that establishes the ICC is the Rome Statute (1998). Under its Article 21, apart from the Statute itself, the law applicable to the ICC shall be the Elements of Crimes and its Rules of Procedure and Evidence (ICC, 2011) based on the jurisprudence by the previously established *ad hoc* tribunals. Article 21 of the Statute also stipulates that the ICC shall apply “where appropriate” the treaties (in this case these are Geneva Conventions and Protocols as well as Genocide Convention) and principles of international law, particularly those of armed conflict. The Court may also derive general principles of law by from national laws provided they exercise jurisdiction over the crimes and are consistent with the Statute itself and international law in general. The Statute also maintains that the Court shall interpret and apply law in line with the internationally recognized human rights (Rome Statute, Article 21).

The Rome Statute states the ICC goal as to end the impunity for the most serious international crimes and to help their prevention through integrating sovereign states (signatories to the Statute) and the ICC in one legal system (Sang-Hyun Son, 2010). Under its Statute, the International Criminal Court is a permanent tribunal having the right to exercise its *ratione temporis* jurisdiction to prosecute individuals for *genocide*, *crimes against humanity*, *war crimes* (and subsequently, *crime of aggression*)

(Rome Statute, 1998, Article 11). The Statute contains the detailed definitions of such crimes incorporating the content of the Genocide Convention (1949) and the Geneva Conventions (1949) and Protocols (ICRC, 1977) into a single document.

Unlike the situation, where the states signatories to a particular treaty assume the obligation to prosecute or extradite individuals (therefore individual responsibility for the international crimes is under domestic law) and the failure to do so arises state responsibility, the ICC is aimed at prosecution of individuals internationally for the international crimes (Broomhall, 2003, Bianchi, 2009). It has the jurisdiction to do so when the accused person is a national of a state party, the alleged crime accrued in a state party, or, under Article 13, following the reference made by a state party or the United Nations Security Council.

To sum up, under its Statute, the crime of terrorism is not included into the subject-matter jurisdiction of the ICC. Therefore, the ICC cannot prosecute individuals for the terrorist crimes per se. The question is what about terrorists' crimes? Is there possibility to bring individuals who committed acts of terrorism to international justice for the other core crimes in the Rome Statute? As has been suggested (Much, 2006; Cassese, 2001) it would allow avoiding endless highly politicized discussions about who must and must not considered “terrorist” and will help to enhance the ICC capacities to achieve its goals of ending the impunity for the most serious crimes. This matter is considered in the following sections.

Crimes against Humanity

Under Article 7 of the Rome Statute of the ICC, crimes against humanity are the following acts committed with knowledge of such as part of a widespread or systematic attack directed against civilian population by means of murder; extermination; enslavement; deportation; imprisonment or other severe deprivation of physical liberty; torture and other intentional inhumane acts causing great suffering, bodily and mental injury; sexual violence of

serious gravity; persecution against identifiable groups.

Terrorists often use the means of murder, torture, persecution, and deprivation of liberty for their purposes, therefore to find these elements of crime shall not be difficult. As the ICC is a tribunal for the most serious cases, the argument in favor of investigating and prosecuting only those terrorist acts that meet the standard of widespread or systematic attack seems reasonable because the gravity of these offences explain, why these crimes are of international concern and why those who perpetrate them shall be brought to international justice if states fail to do so under their national jurisdictions. However, the jurisdiction over the isolated terrorist acts or those of lesser impact is not that obvious because sporadic terrorist acts or those of smaller scale may or may not be a part of a larger campaign.

The other reason why legal scholars support the idea to charge terrorists for the crimes against humanity is that Article 7 of the Rome Statute does not require that such acts shall accrue during warfare (Cassese, 2001; Cohen, 2011; Proulx, 2004). There is jurisprudence endorsing this argument. For example STL Appeal Chamber stated that the “extent of the customary rule of an international crime of terrorism extends only to terrorist acts committed in times of peace” (SLTL, 2011).

Indeed, attacks committed in peace time are, arguably, one of those features that distinguish “terrorists” from “freedom fighters”. This means, provided the suggested practice is incorporated into the ICC functions, that those individuals who commit atrocities in peace time cannot escape justice. Yet, the history of how the crimes against humanity have been conceptualized in law, dating back to the Nuremberg Charter (1945), reveals that the notion developed on the background of crimes against peace and war crimes. In this regard the question is whether understanding them otherwise would be a breach of Article 22(2) of the Rome Statute.

To conclude, the ICC has the right to exercise its jurisdiction over the action perpetrated

by terrorists if these actions possess the elements of the crime against humanity as defined in the Rome Statute. The lack of any references to war or any armed conflict in the Article 7 as specific requirement of the elements of such a crime provides the possibility to investigate and prosecute, however stipulation of the Article 22 and general principles of the criminal law may pose a number of obstacles.

War Crimes

Terrorists often operate under the conditions of armed conflicts and justify their actions by the logic of war. However, international custom says that even warfare shall be according to law the breach of which must be regarded as unlawful. Law of war or IHL is one of the oldest bodies of law and contains well-established custom, numerous endorsed by treaty law and other sources.

Often terrorists deliberately target civilians and civilian objects, the death and injuries they cause are intently indiscriminate, taking hostages and particular cruelty of their treatment is often a part of their campaign to spread terror. These practices may be a part of the larger armed resistance to the state forces. Any armed resistance to a legitimate government is and will be unlawful under national legislation. Under international law, however, fighters are criminals only if they violate international law of armed conflict. The ICTY Trial Chamber in the Gali case resolved that “prohibition against terror is a specific prohibition within the general prohibition of attack on civilians” (ICTY, 2006).

War crimes, as unlawful acts committed during an international and non-international armed conflict, are defined in Article 8 of the Rome Statute. Hence, terrorist acts may be regarded as war crimes when an armed conflict accrues if the elements of crime exist. Under the Rome Statute, war crimes are grave breaches of the Geneva Conventions, namely, willful killing or causing great suffering; torture, inhuman treatment; humiliating and degrading treatment

and other outrages upon personal dignity, in particular rape, sexual slavery and forced pregnancy; extensive destruction and appropriation of property without military necessity; depriving persons of the rights of fair and regular trial; hostages taking. All these may be and have been used by terrorists while committing their actions.

Additionally, applying Common Article 3 of the Geneva Conventions as Protocol I, the Statute stipulates that in the case of international armed conflict serious violations of the international laws and customs such as direct attacks against the civilian population and objects, especially when it is known that it will cause incidental loss of life or injury to civilians; attacking towns and villages which are not military objectives including buildings of religion, education and other civil purposes as well as historic monuments. In the case of a non-international armed conflict “serious violations of the laws and customs applicable in armed conflicts not of an international character, within the established framework of international law” defined in Article 3(e) of the Statute and are similar to those enumerated in Article 3(b)*.

To conclude, the Statute of the ICC does not preclude the Court from exercising its jurisdiction over the atrocities perpetrated by terrorists as the war crimes during armed conflict provided the elements of crime are present. However, the possibilities to do so are impeded for a number of reasons. The most problematic of them is classification of conflict. It has been recognized by legal scholars (Marler, 1999; Morris, 2003; Cohen, 2011) and in the jurisprudence; for example by the International Criminal Tribunal for Yugoslavia’s Appeals Chamber in the Tadic case (ICTY, 1995). The contemporary “war on terror” complicates the issue even further as it is very questionable whether international law regards those who perpetrate terror and those who confront them as the lawful participants of an armed conflict. Moreover, this “war” does not have definite geographic location.

* Internal disturbances and tensions, such as riots as well as isolated and sporadic acts of violence of a similar nature, as in Article 2 of Additional Protocol II of 1977, shall not be considered as non-international armed conflicts (Article 3(d)).

Genocide

The definition “genocide” in Article 6 of the Rome Statute is based on the Convention on the Prevention and Punishment of the Crime of Genocide (UNGA, 1948). Among other elements of crime, genocide is defined as the actions committed with intent to destroy in whole or in part a group of people that can be distinguished by nationality, race, ethnicity, and religion, by the means killing of or causing serious bodily or mental harm to its members or inflicting the conditions of life to bring about its physical destruction.

Although the victims of terrorists’ acts are often members of a certain group, the matter of specific intent is still questionable. Do they aim at destroying a protected group as such either in a whole or in a part? The answer to that question is rather ambiguous. Very often “terrorists use the deaths and injuries they cause as leverage to achieve another goal, and those deaths and injuries are not an end in itself” (Cohen, 2011).

In some cases, however, it is possible to argue that perpetrators of terrorism have genocidal intent. Thus, the 9/11 attacks may be deemed genocidal as the perpetrators thought them to be a part of a large-scale Al-Qaeda’s campaign to defeat the West, meaning eliminating the Westerners as a distinguished group possessing certain values, mentality, way of life, social and political institutions. Breivik, who was charged and found guilty for terrorism and premeditated murder of 77, explicitly stated that he specifically targeted Muslims. It is important to remember, however, that, being the crime of all crimes, genocide has the highest threshold and is very difficult to prove. Therefore, the jurists within the ICC may opt not to do so even when the elements of crime exist to a certain extent.

The Crime of Aggression

The Review Conference (2010) adopted a definition of the crime of aggression that is now included into the Rome Statute of the ICC and will be in force to those states that have ratified it in compliance with the amendment procedure of the Statute. Article 8 contains the following definition of the crime of aggression: “planning,

preparation, initiation or execution, by a person in a position effectively to exercise control over or to direct the political or military action of a State, of an act of aggression which, by its character, gravity and scale, constitutes a manifest violation of the Charter of the United Nations”.

Thus, *under the ICC Statute, only states are able to commit act of aggression*. Although there have been debate on the matter of “state terrorism”, the notion itself is far too controversial and unlikely to become an international legal norm in the foreseeable future. Therefore, there are minimum grounds to suggest that the ICC will exercise its jurisdiction over the terrorists’ crime as having the elements of crime of aggression.

Interpretation of the Rome Statute and Basic Principles of Criminal Law

The sections above dealt with the possibilities for the ICC to investigate and prosecute terrorists if their actions contain the elements of the four core international crime within its jurisdiction, namely crimes against humanity, war crimes, genocide and aggression. The analysis showed that the ICC has the right to exercise its jurisdiction over the crimes perpetrated by terrorist if there are the elements of genocide, crimes against humanity, war crimes, but not the crimes of aggression. Yet, this endeavor faces a number of legal constraints that are discussed in this section.

Firstly, it requires application of the Statute in the manner it has never seen earlier. Thus, the issue of interpretation arises. Articles 31 and 32 of the Vienna Convention on the Law of Treaties (1969), reflecting customary international law, maintains that the preference shall be given to the text of the treaty itself but allows expanding the interpretation to the travaux préparatoires as well. The existence of the Vienna Convention, however, has not eased the tension between the two approaches to interpretation of international treaties; literal reading of the text as understood at the time it was written; the goals of the treaty under changing circumstances and realities.

For the purposes of prosecution of the individuals who committed terrorist crimes by the

ICC the second approach seems to be preferable, but the ICC faces serious legal constraints to do so. *Nullum crimen sine lege*, the basic principle of criminal law, which is reflected in Article 22 of the Rome Statute, maintains that a person cannot be punished for an action if it was not criminalized at the time of its commission. Moreover, the Rome Statute specifically calls for the strictest interpretation; expanded interpretation by analogy is, therefore, precluded and mandatory reference to the Elements of Crimes and its Rules of Procedure and Evidence is stipulated.

Secondly, as a basic element of criminal justice is the matter of intent, there might be some reservation from the jurists, as they will have to ignore “terrorist intent”. This specific intent to achieve a cause - be it political, ideological or religious - is characteristic for all terrorist activities. Moreover, there is often said that terrorist intent shall be considered as aggravating circumstances but prosecuting terrorism as a part of the crimes existing in the Rome Statute of the ICC does not allow bringing the matter of these aggravating circumstances into the courtroom. This is one of the reasons why a number of experts call for including the crime of terrorism into the Rome Statute. This matter will be discussed further.

Further limitation for the ICC is that, unless the case is referred to the Court by the UN Security Council, its jurisdiction is based on the principle of nationality or territoriality. Therefore, as it has been noted above, the ICC has jurisdiction only over the crimes committed on the territory of a state party or by a national of a state party.* This means that those crimes committed by a national of non-party state (or non-consenting state) or in the territory of a non-party state (or non-consenting state) are out of the reach of the ICC jurisdiction. This is a significant factor to be taken into account when an act, which contains the elements of crimes, has been committed by a group of individuals who are nationals of non-

party states. As Morris (2004, p.481), rightly argued none of the 9/11 hijackers would have been brought to justice had they survived and had the ICC been already established. It is important to note that this particularity of the ICC jurisdiction has not precluded it from exercising it over the crimes under its Statute but limits the scope of its geographical reach.

The issue of jurisdiction, in turn, is counterbalanced by Article 1 of the Rome Statute stating that the ICC has “the power to exercise its jurisdiction over persons for the most serious crimes of international concern ... and shall be complementary to national criminal jurisdictions”. According to the principle of complementarity (Article 1, Articles 17 -19), the ICC is meant to be a court of last resort when states parties are either unwilling or unable to investigate and prosecute. If a state is not willing to accept the jurisdiction of the ICC it would be logical to suggest that it either solely assume responsibility to deal with the genocide, war crimes, crimes against humanity committed in its territory or by its nationals or does not recognize the gravity of these crimes as those of international concern and, therefore, put itself beyond international legal system*.

The other problematic issue is that under Article 18 the prosecutor is obliged to communicate the intent to open an investigation. In this case, a state that, for its own political reasons, is not interested in genuine prosecution may initiate the investigation making the case inadmissible to the ICC and try the perpetrators itself and, then the charges may be dropped altogether or the sentence may be considerably less severe. A “terrorism- sponsor” state may even take measures to prevent the ICC investigation. In this case, however, according to Article 17, the ICC has the right to declare such a state officially “unwilling and unable” and ultimately proceed with investigation and prosecution. The other possibility is to obtain the UN Security Council referral to open the case.

* A state that is not a party to the Rome Statute may, on ad hoc basis, consent to the ICC jurisdiction (Article 4 (2), Article 12).

** For example, interrogation techniques used by certain states to the terrorist suspects are aimed to obtain intelligence rather than produce evidence for further trial. Actually these techniques ruin the evidence making the trial itself virtually impossible. As many of these possible charges might be for the actions that contain the elements of the four core international crimes under ICC jurisdiction, these practices may be regarded as failure to prosecute. The problem is that majority of such states do not accept the ICC jurisdiction.

On the other hand, it has been argued that the reluctance of states may be eased as long as a comprehensive convention on terrorism is adopted, preferably under the auspices of the UN; that will allow namely including the crime of terrorism into the Rome Statute via referring to that convention. This matter is considered in the following section.

Inclusion of Terrorism as Independent Crime into the ICC Statute

As it has been noted above, there is a legal debate on a possibility of adding terrorism as a separate crime to the list in Article 7. One of the arguments may be that this will establish a crime and identify its elements that will include a requirement of the specific motivation of terrorists. Thus, the logic behind this argument is to elevate the crime of terrorism to that of concern of all humanity, making it one of the most serious international crimes alongside with genocide, crimes against humanity and war crimes.

In order to encompass terrorist acts within the jurisdiction of the

ICC, amendment of the Rome Statute is required. Resolution E of the Rome Conference affirms “that the ICC Statute provides for a review mechanism, which allows for an expansion in future of the jurisdiction of the Court”. Here the issue of definition of terrorism arises. Terrorist crime could be included with a definition that may be elaborated in two ways 1) using existing treaty law in a similar manner it has been done with the Genocide Convention and Geneva Conventions and Protocols via reference to the offenses under existing international counter-terrorism conventions* and other legal sources; 2) adoption of a comprehensive convention on terrorism. Let us consider the both possibilities.

There are a number of international treaties dealing with various aspects of terrorist activities. Currently, thirteen counter-terrorism international conventions, developed under the

auspices of the United Nations, are in force: conventions and protocols dealing with attacks, seizure and unlawful acts against aircraft and airports (Tokyo Convention, 1963, Hague Convention, 1970, Montreal Convention, 1971, Montreal Protocol, 1988, Beijing Convention, 2010; Beijing Protocol 2010); terrorist bombing and plastic explosives (UNGA, 1991, UNGA, 1997); Hostages Convention (UNGA, 1979); nuclear terrorism (Materials Convention, 1979; Nuclear Terrorism Convention, 2005); suppression of the financing of terrorism (Financing Convention, 1999). The fact that out of 114 states parties to the ICC 108 are signatories of 1999 International Convention for the Suppression of the Financing of Terrorism makes this treaty the most appropriate tool to derive the definition of the crime of terrorism with its subsequent inclusion into the Rome Statute**.

Nothing in the Rome Statute precludes from deriving a definition from other sources; UN Security Council Resolution adopted a number of resolutions on terrorism (731, 748, 883) Security Council Resolution 1373 under Chapter VII of the United Nations Charter (UNSC, 2001) is legally binding to the member states. The Appeals Chamber of the Special Tribunal for Lebanon (STL, 2011) issued an interlocutory decision regarding the legal definition of terrorism giving an elaboration of the elements of this crime. It defined the *mens rea* and *actus reus* elements of terrorism and merely maintains that crime of terrorism has been defined by international custom.

It is possible however that, given the lack of universally accepted definition of terrorism and highly politicized nature of the matter, a number of states may not “accept the amendment” and “the Court shall not exercise its jurisdiction regarding a crime covered by the amendment when committed by a State Party’s nationals or on its territory” (Article 121(5)). Therefore, it has been argued that the reluctance of states may be eased as long as a comprehensive convention on terrorism is adopted, preferably under the

* Since 1934, League of Nations’ efforts to elaboration of a convention for prevention and punishment of terrorism and its eventual adaptation in 1937 (although it never came into force) terrorism has been on international agenda.

** There are states signatories of the Financing Convention (India, for example), which is not a party to the ICC and inclusion of terrorism within its jurisdiction might be an additional incentive for such states to join the Court.

auspices of the UN; that will allow including the crime of terrorism into the Rome Statute via referring to that particular convention. Yet majority of experts are skeptical (Goldstone and Simpson, 2003; Martinez, 2002; Morris, 2003), therefore the second option is even less likely to be realized than the first one.

Conclusion

The article has discussed the issue of the ICC jurisdiction over terrorists' crimes. It has been concluded that the ICC has the right to exercise its jurisdiction over the action perpetrated by terrorists only if these actions possess the elements of the crimes already existing in the Statute, namely genocide, crimes against humanity, war crimes* but not crime of aggression.

Prosecution for each of the above-mentioned crimes has its rational behind. For example, when terrorist acts are committed in the absence of an armed conflict, there is a possibility to bring the perpetrators to justice for crimes against humanity. Those who use terrorism as a means of warfare will be deprived of the "freedom fighters" status and be regarded as criminals. Finding genocidal intentions in terrorist actions may help revealing its inhumane nature and gravity of the offence. Moreover, one may argue that given how politicized the issue of terrorism is, the absence of terrorism as a separate crime under the Rome Statute is rather advantageous. Yet, the analysis showed numerous problematic issues of both legal and political nature.

The Rome Statute, being based on general principles of criminal justice precludes any extended interpretation of the elements of crimes, in this case "genocidal" and "terrorist" specific intent. In other words, general principles of criminal justice says that it is necessary to know not only "what" has been committed but also "why".

Consequently, the lack of universally accepted definition and a comprehensive international convention on terrorism and the absence of a consensus about the nature of terrorist crime does make the amendment to the Rome Statute almost impossible. However, provided such as amendment has been made, the state parties have the right not of accept it.

The other problematic issue is that territorial and national jurisdiction of the ICC does not allow it to bring to justice those who are not the nationals of the state parties and when the actions themselves do not accrue in the territory of a state party unless there is the UNCS resolution. While, the possibility to obtain such a resolution is often impeded by the geopolitical considerations of its permanent members.

Further, the principle of complementarity and predictability may allow some states sabotaging the investigation and prosecution.

Finally, in order to enable the International Criminal Court to exercise its jurisdiction over terrorists' crimes either as a part of existing crimes or through amendments of the Statute, the states shall cease to regard terrorist crimes solely as the matter of their national security, or even international security, but accept the notion that terrorism is indeed the crime against all human kind. Moreover, the ICC will be able to contribute into ending impunity of terrorists only when those states, which are currently the most active participants in the "war on terror", join their Statute, which is very unlikely.

Thus, the answer to the question whether the International Criminal Court has jurisdiction to prosecute terrorist crimes is the following. The ICC has such a jurisdiction *de jure*, or, to be more precise, the jurisdiction is over terrorists' crimes when they contain the elements of the core international crimes under its Statute, namely genocide, crimes against

humanity, war crimes (not crime of aggression). The capacities of the Court to exercise its jurisdiction over *terrorists' crimes* are, *de facto*, limited. So is the probability to expand its jurisdiction to include *the crime of terrorism* into the Rome Statute.

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Innovation Centre "Park of Innovative Technologies" an Instrument for the Formation of New Branches of the Economy of Kazakhstan

SYRLYBAYEVA BELLA,
KETTEBEKOV SANZHAR

The President of Kazakhstan has repeatedly spoken of the need to build a competitive national system in Kazakhstan, the development of which depends on the development of an innovative environment. In the "Plan of the nation – 100 concrete steps on the implementation of five institutional reforms" the President presented the 63rd step thereof as a vision for the development of two innovation clusters as the basis for the formation of a knowledge-based economy. In this step, the development will have two key innovation centers "Astana business campus" in Nazarbayev University in Astana and the Park of Innovative Technologies (PIT)1 in Almaty.

In this regard, it should be noted that the Innovation centre PIT will be formed in a special economic zone "Park of innovative technologies" (SEZ "PIT") created by the presidential decree of RK on August 18, 2003. Currently, the area of the SEZ "PIT" is 163.02 ha. The property consists of 16.7 thousand sq. m of the area and 7.5 hectares of adjoining terri-

tory. Commissioning of the second phase of infrastructure of the SEZ "PIT" is scheduled for 2017.

Today the participants of the SEZ "PIT" are 158 companies producing more than 500 different products and services including 14 companies with foreign capital (Russia, South Korea, Israel, China, Germany, Italy) and 35 companies operating on the principle of extraterritoriality. About 60% of these are projects in the field of information and communication technologies. In addition, there are projects in the field of instrumentation, oil and gas, energy efficiency, etc. More than 2000 jobs have been created since the formation of the SEZ "PIT".

Among the promising companies engaged in the construction of production sites in the territory of the second line are: DS Multimedia (Kazakhstan – Korea) – manufacture of electronic parts, "KazTechInnovations" (Kazakhstan – Japan) – construction of the plant for the production of electronic bracelets for prisoners, etc., "LogyCom" (Kazakhstan – the USA) – data center.

In addition, the second line is actively built up by organizations representing the research and education sector such as: World-Class College "Kasipkor", Kazakhstan Oil and Gas Institute and Kazakhstan-British Technical University.

In April 2015, the Autonomous Cluster Fund (ACF) was created as a management company for the Innovation Centre in Almaty based on the experience of the implementation of the first stage of the SEZ "PIT" and in the framework of the Law "On the innovation centre of the PIT". The mission of the ACF is to establish a self-sustaining scientific and technological complex for 2-3 high-tech areas with the aim of diversification of Kazakhstan's economy and the creation of valuable manufactures.

The main objectives of the ACF are:

- consolidation of existing capacity and scientific-technical infrastructure of Almaty and the SEZ "PIT";
- consolidation and direction 1% of the aggregate annual income (AAI) of subsoil users for innovative projects.

Key areas (subclusters) of the Innovative cluster of the PIT will be:

- "Smart industry"
- "Smart environment"
- "Clean and green technologies"
- "E-Commerce and media"

Proposed on the basis of international experience, clustering is aimed at consolidating the resources and synergy of participants to accelerate market entry (including foreign entry).

In fact, it is about the creation of new energy, new industry (Industry 4.0), new information technologies (Smart Grid) and other industries in the era of the third industrial revolution (TIR) which is based on clean technologies, smart solutions and the Internet.

In this regard, we note the relevance of the programme "100 concrete steps", which is a detailed plan on Kazakhstan joining the top 30 developed countries. The developed countries are characterized by high income per capita and by a "post-industrial" structure of national

production in which high-tech industries (high tech) take a large share with low material and labour rates, as well as soft-industries engaged in the production of high-tech services (software, consulting, etc.). Moreover, from the production of goods and services of mass demand, these countries are moving towards the manufacture and sale of unique products that suggests the creation of a "new economy" based on qualitative changes in technologies of production and consumption. Accordingly, this group of countries allocates significant funds to R&D (Research and Development) and the social sphere – education, health, sports and others. Furthermore, the basis of export in developed countries includes high conversion products with a high added value by means of which their technological leadership is consolidated in the world.

In the context of the stated goal of entering the Top 30 most developed countries, Kazakhstan faces the problem of qualitative change in the development of its national economy, the formation of new industries and markets not only in the traditional exports (oil, metals and grain) but also in the creation of new export-oriented Kazakhstan brands. To resolve this there is a goal in the "100 concrete steps" to attract ten TNCs in the manufacturing sector to create export goods and enter the world markets.

The achievement of this goal will be provided by the ACF, on its part, by attracting anchor TNCs for the creation of technology centers based on the Innovation cluster of the PIT.

Thus, the current site of the SEZ "PIT" provides unique opportunities for the implementation of the 55-th step to use production areas, extensive infrastructure, a favorable tax regime, the principle of extraterritoriality and other privileges. In Kazakhstan's largest city, Almaty, where the PIT is located, there are 68 research institutes and more than 50 Universities whose cooperation makes it possible to open modern laboratories and technology centers of the anchor TNCs.

Also we emphasize that the open external

economic and multi-vector foreign policy of Kazakhstan and its participation in major integration associations (EurAsEC, SCO, ECO, etc.) create opportunities for new products and technology transfer involved by the TNCs in the supermarkets and in markets that are characterized by explosive growth (Russia, China, India, Iran, ASEAN) and in regional markets (Central Asia, Azerbaijan, etc.).

In other words, the Park of Innovation Technology, research institutes and higher schools of Almaty appear to be the real test site for the joint implementation of projects as in the traditional sectors (mining, oil and gas, agricultural) and in the new sectors demanded by fast growing markets (Clean technology, New energy, Smart environment, New materials, etc.).

It is interesting that the attraction of anchor TNCs at the level of laboratory/technology center will form a technological platform (incubator) for the development of domestic companies and start-ups. In this regard, the ACF seeks to attract the best 500 start-ups from Kazakhstan, CIS and elsewhere to the Innovative cluster for the formation of a critical mass of large technology companies and innovative start-ups in order to create and develop new sectors of the economy.

It should be noted that in 2017 one of the most effective platforms for generating, testing and commercialization of innovative projects in the world will be the International Specialized Exhibition EXPO in Astana dedicated to "Future Energy". This event will attract the best technological solutions in the field of energy, energy conservation and sustainable urbanization from the largest companies and the leaders in these industries. The pavilions of EXPO will be a bridge for the transfer and dissemination of advanced technologies to the world markets.

In context of EXPO 2017, activities of the Innovation cluster of the PIT will support and

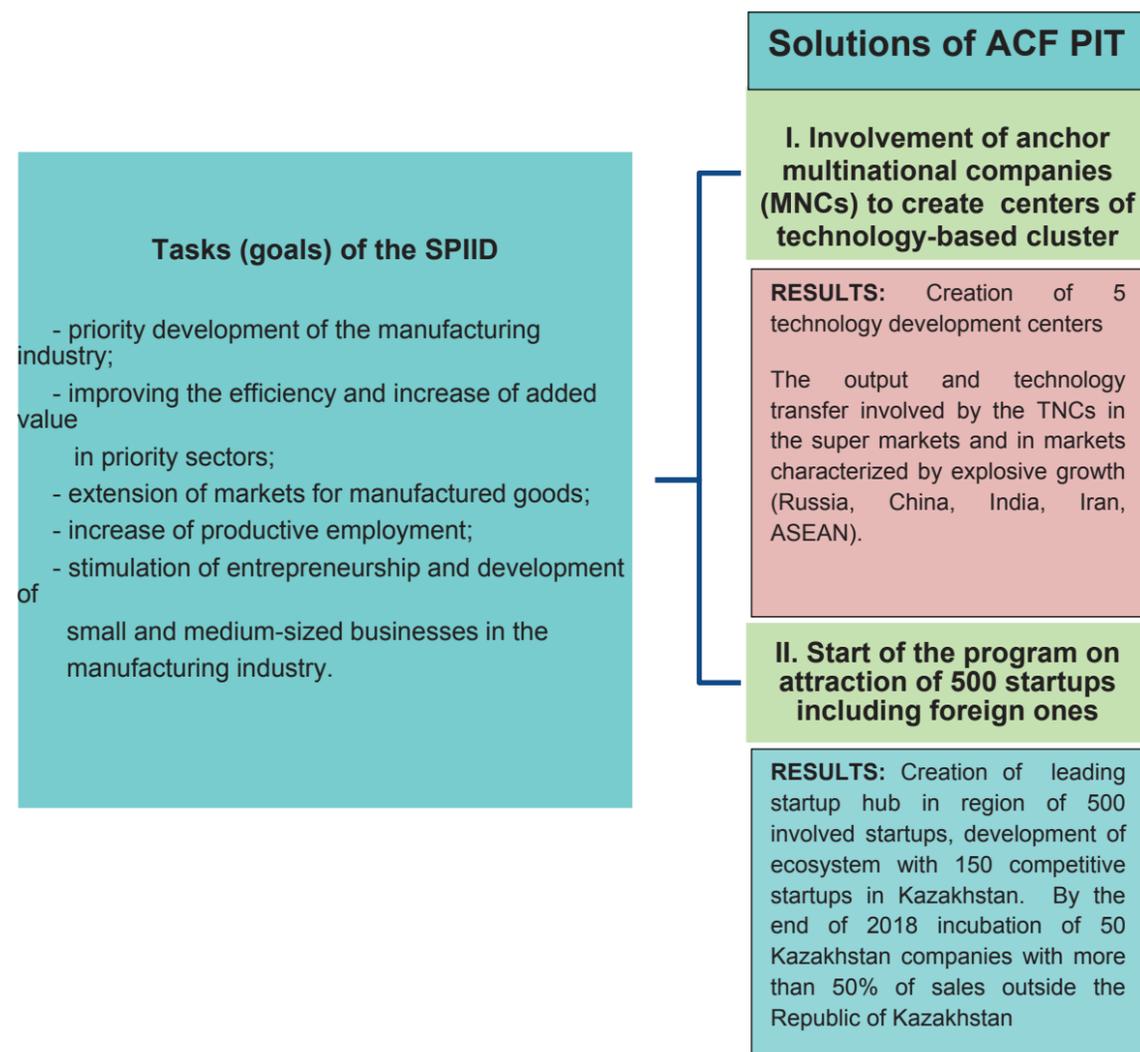
promote a wide range of projects in the sectors of New energy, Clean technologies, New materials, Information technology, Intelligent environment, etc. Generation of their own solutions in these industries will become an adequate response to the needs of the global markets in clean energy installations, materials and technologies for energy storage applications, materials that reduce the energy consumption of the enterprises and objects of municipal sector, etc. These technology solutions will be extremely popular in the rapidly growing markets of China, India, Pakistan, Iran, ASEAN, the EAEC and others that need to build a modern high-tech energy infrastructure able to meet the needs of the consumer and industrial sectors from affordable and stable energy sources.

Thus, holding EXPO in Astana – a world platform for raising and implementing innovative technologies – will allow Kazakhstan to integrate into the global innovation development system, particularly in the supply chain of technology solutions.

Further, we emphasize the positive impact that the development of the Innovation cluster of the PIT will have on the implementation of the State program of industrial-innovative development (SPIID) for 2015-2019, the purpose of which is to stimulate diversification and improve the competitiveness of the manufacturing industry.

The development of the Park of Innovative Technologies will contribute to an effective solution to all the main tasks set in the SPIID – to provide a new level of adaptability to the priority sectors of the manufacturing industry and to create the basis for the development of the future sectors through the formation of innovation clusters.

Participation in solving this issue provides achievement of other goals (see figure).



Cluster development will certainly play an important role in the implementation of the Program on the development of an agro-industrial complex in Kazakhstan for 2013-2020 (Agrobusiness-2020), the Program "Energy efficiency - 2020", the Program "Information Kazakhstan -2020" , the Program of modernization of housing and communal services of RK for 2011-2020, the State program of education development of RK for 2011-2020, the Program "Employment 2020", the Program "Business Road map 2020" and others by developing and providing new technological solutions for the agro-industrial complex, energy complex, housing and utilities, information infrastructure, etc.

However, the implementation of programs to attract 10 anchor TNCs and 500 start-ups

will create a large number of small and medium innovative enterprises (laboratories, centers, technologies and competencies) which will allow for a highly skilled workforce.

The needs of innovative enterprises will cause a chain reaction following qualitative changes in the educational sphere of the Republic of Kazakhstan: strengthening the role of universities and research organizations by strengthening their ability to transform ideas into innovative projects and to focus on the needs of the industrial sector; the preparation of teachers of the new format; the creation of conditions for the development of scientific schools at universities; the development of a dual system of education in engineering, etc.

Besides this, the search for talented kids, adolescents and youth will be commenced at

the primary stage in schools and colleges, and institutions, and perhaps such non-traditional methods as business games, contests of innovations, creation of integrated programs for development of young talents, etc. will be used.

Thus, the development of the Please see above as one of the two innovation clusters – the basis for the formation of a knowledge-based economy announced in "the Plan of the nation – 100 concrete steps on implementation of five institutional reforms" will facilitate the transition of Kazakhstan to new innovation

level including effective international cooperation with recognized global leaders, enhancing the role of Kazakhstan in trade with macro-regions of Eurasia, Caspian sea, East and South Asia, a real diversification of the economy and exports of the Republic of Kazakhstan, the emergence of non-oil national brands and new industries, training of highly qualified personnel, generation of knowledge, development of own innovative technologies, their commercialization and widespread use to improve the efficiency of the national economy.

Logistics in the export of grain in China: Problems and Solutions

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MUKHAMEDZHANOV NURZHAN

Annotation

This article is concerned with analysis of the status and development of the Kazakhstani grain market over the period of 1954-2014. In addition, the paper contains general overview and analysis of the basic directions of Kazakhstani grain export and assessment and marcoeconomic analysis of market development.

The basic problems of increased exports of grain in the specified direction were discovered and the specific ways to resolve them and its further development were proposed as well. The study used techniques such as economics and statistics, monographic, abstract logic ones.

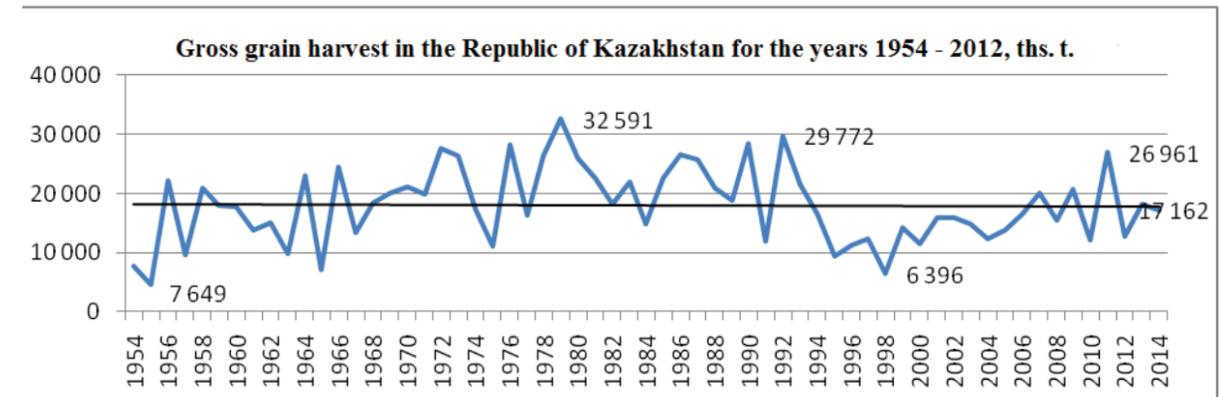
Keywords: logistics, export of grain, economic efficiency, and foreign markets.

Grain production is the leading branch of the world's agriculture, and grain market is the basis of the global business as the main segment of the world agro - food market. In connection with the decrease of grain production in Kazakhstan and changes in the global market, the theme of grain exports development became particularly relevant. Grain crops take almost half of all arable land in a world, and the volume of world grain trade in the years 2014-2015 was amounted to 312 million tons and today it tends to decrease. The leading place in the grain market is given to the United States, which accounted for 28% of trade, followed by Canada - 17%, Australia and the European Union - 15%, and Argentina - 11%. Manufacture and grain sale are important issues for Kazakhstan, both in economically and politi-

cally terms. [1] Today, the industry has a large resource capacity to further increase in the volume and improvement of competitiveness of products, making it possible not only to meet the needs of internal needs of country, but also to act as a competitive exporter of grain in the world market.

1. The state and development of the grain market of Kazakhstan. Kazakhstan is one of the largest grain-producing countries in the world. In recent years, total cereal crops occupy more than 80% of the sown area of crops. The country annually produces about 13, 5-20, 1 mln. tons of grain. The average grain yield is 10-14 q/ha. In the year 2014, the gross grain harvest in Kazakhstan amounted to 17.2 million tons, while it was at the level of 18.2 million tons in the year 2012. One crop takes 76% of the total volume: wheat (9.8 million tonnes). The other cultures are 11.6% of barley, 4% of corn, 2.7% of rice, 1.1% of oats, 0.2% of rye and 0.4% of buckwheat.

According to the Committee on Statistics of the Ministry of National Economics of the Republic of Kazakhstan, average value of grain yield in the republic was 11.7 quintals per hectare in the year 2014. There was no significant growth in the yield compared with the year 2013. The highest rate is observed in South Kazakhstan region, where the yield is up to 19.4, in Almaty region - 18.2, in Zhambyl region - 16.5 quintals per hectare. As for the gross harvest of grain crops, there has been a slight increase in the country's grain production in recent years, which is graphically shown in Figure 1.



Note: Compiled by the author

Figure 1 - Gross grain harvest in the Republic of Kazakhstan during 1954-2012, ths. tons.

Based on Figure 1, we carry out the analysis of the gross grain crops harvest in the country for the period from 1954 to 2014. For example, in the year 1954 the gross grain harvest amounted to 7649 thousand tons, in the following years until 1978 the figure was from 4518 to 28 297 thousand tons. In the year 1979, grain harvest reached its peak during the analyzed period, which amounted to 32 591 thous. tons. Since independence, the lowest grain harvest was recorded in the year 1998 in the amount of 6396 ths. tons, while record harvest of 29 772 thousand tons and 26 961 thousand tons was in the year 1992 and 2011 respectively. Gross grain harvest in the republic amounted to 17,100 tons in the year 2014, which by 1,000 tons less than last year. This significant increase in gross production occurred in relation to the arid 2012 year in the year 2014 and is significantly less high-yielded in the years 2009, 2011.

Kazakh wheat has high baking properties due to the high content of gluten. About 80%

of wheat production refers to the upper classes with higher gluten content of 23% [2]. It exports in almost all CIS countries. However, this export trend is unstable. Thus, the supply of grain to the markets of the countries - participants of the Common Economic Space was reduced: the capacity of this market for Kazakh wheat has fallen by almost 35 times in the last 12 years. For example, Belarus buys grain unevenly from Kazakhstan, i.e. 19.7 tonnes of wheat were purchased in the year 2013, and our wheat was not in demand in the Belarusian market in the year 2014, because it replaced by the wheat from Russia and Ukraine.

Over the last five marketing years (2009/10 - 2014/15), the average annual grain exports from Kazakhstan amounted to about 5-7 mln. tons, but the overall decline in trading activity in the world, as well as the highest yields in traditional importing countries of Kazakhstan grain led to lowering in export volumes from Kazakhstan, which can be shown in Table 1.

Table 1 - Exports of wheat and flour in grain equivalent of Kazakhstan, thousand tons in marketing years (from July 1 to June 30)

Direction of exports	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16 as of 31.10.15
Azerbaijan	535,0	1 100,4	1 071,5	742,6	787,8	187,8	9,7
Georgia	154,0	226,2	459,4	183,7	175,9	5,2	0,0
Central Asia *	3 085,7	2 557,2	4 504,8	3 656,1	3 928,2	3 907,5	1 531,1
Afghanistan	1 761,4	371,9	1 150,6	394,3	907,8	953,4	244,0

Iran	824,1	7,3	544,4	345,6	1 013,0	261,4	219,4
China	17,0	30,2	162,4	61,5	272,7	110,4	57,7
RF **	103,7	64,3	328,1	1 046,2	1 317,5	366,0	141,8
Total	6480,9	4 357,5	8 221,2	6 430,0	8 402,9	5 791,6	2 203,6
World market	1 528,7	953,4	3 025,4	496,3	402,1	162,7	39,5
Total:	8009,6	5 310,9	11 246,6	6 926,3	8 805,0	5 954,3	2 243,1
Exports of cereals (barley, oats, corn, rice, buckwheat, millet, etc.), thous. tons	387,7	285,6	784,0	218,9	475,5	561,2	
including the export of barley	357,5	232,1	702,4	167,3	416,8	482,6	
TOTAL grain and flour in grain equivalent, thous. tons	8 397,3	5 596,5	12 030,6	7 145,2	9 280,5	6 515,5	2 243,1
including the export of flour	2510,0	1 804,3	2 609,3	1 700,2	1 988,7	1 713,9	594,8
flour in grain equivalent	3 585,7	2 577,6	3 727,6	2 428,8	2 841,0	2 448,4	849,8

Note: Compiled by the author according to the KGD MF RK and JSC "NC "Kazakhstan Temir Zholy"

Table 1 shows, the export of grain from Kazakhstan was significantly decreased in the year 2014. This suggests that the need to expand the export trend, in not only the countries of Central Asia and the People's Republic of China (PRC) and South-East Asia (SEA), as well as Iran and the Gulf countries. Positions of Kazakh grain exporters are unstable and subject to large fluctuations, since, depending on market conditions, as well as underdeveloped transport and logistics infrastructure of Kazakhstan's export directions are constantly changing. We suggest considering the main directions of Kazakhstan grain export:

North - through the border crossings of Aksu, Petropavlovsk, Semiglavny Mar in the direction of the seaports of the Black and Baltic seas.

South - through the border crossings of Saryagash, Lugovoe, Bolashak (Iran, Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan and Afghanistan).

West - through the port of Aktau (in Iran), as well as through railway station "Dina Nurpeissova" (ports of the Azov and Black Seas of Russia, Azerbaijan, Georgia).

East - through the border crossing of Kurkamys, Lokot' (Russia, Mongolia); through the border crossing railway station "Dostyk - Alashankou" (China).

The Black Sea direction is the main export route for Kazakh grain's exit the capacious markets of North Africa, the Middle East and the EU. Due to geographical distance, the transport costs of Kazakhstan exporters reach at least 70

US dollars per ton to deliver grain to the ports of the Black Sea. At current market prices for grain, Kazakhstan wheat in these areas is uncompetitive in the Black Sea region. In this regard, the Government of Kazakhstan has taken steps to partial reimbursement of grain exporters during transport through the territory of Russia and China. It gave a powerful impetus to increase the export of Kazakh grain. In this regard, Kazakhstan export is now concentrated in the southern direction in the countries of Central Asia, Iran and Afghanistan.

2. *Macroeconomic analysis in the direction of Kazakhstan - China.* One of the most promising markets in increasing export of Kazakh grain is China, as we have noted above. China now appears as the largest producer of wheat, but almost all grown crop consumes itself, and therefore, the export of wheat is almost not carried out. Given China's growing population and changing consumption patterns in the direction of increasing the foods consumption made from wheat, the Chinese market is very promising for Kazakhstan. China is also of interest as a transit country for the export of Kazakh grain to the countries of Southeast Asia and other countries in this area.

Import of wheat over the recent period has decreased slightly compared to the previous years, due to increasing wheat production in China (Table 2). Today, high protein wheat imported from the US, Canada, Australia and small volumes from Kazakhstan.

Table 2 - Balance of China's wheat according to MA USD

MG Wheat	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16*
Production	115 180	117 400	121 023	121 930	126 170	130 000
Consumption	110 500	122 500	125 000	116 500	118 000	116 500
Import	927	2 933	2 960	6 773	1 926	2 500
Export	941	978	969	889	803	1 000

* forecast

Table 2 notes that the average level of China's wheat production in the last 5 years is about 121 million. tons, while imports average is 3.0 mln. tons. In the year 2014, Kazakhstan's grain exports to China amounted to 201.2 ths. tons. An import of wheat in China is carried out based on quotas, issued by the National Development and Reform Committee of China (9.6 million tons in the year 2014). To date, COFCO Company takes 90% of quotas on imports of grain in China. The remaining 10% is distributed among private companies of China. COFCO, as well as other private companies are free to decide on the country of grain origin and suppliers. However, it should be noted that quotas to private companies of China to import exactly Kazakhstan wheat were not al-

located in the years 2014 and 2015, while private companies and mills of China has been allocated a total of quotas on the volume of up to 50 ths. tons of Kazakh wheat in the year 2013.

Today, exports to China is performed by only state operator of grain JSC "NC "Food Corporation" and private Kazakh grain companies, representing the interests of major international grain traders, such as: Cargill (JV "DAN" LLP), Bunge (Bunge East LLP, "Glencore International AG" (Kazakhstan Grain Company LLP), Archer Daniels Midland (ADM). The above-mentioned companies supply the Kazakh wheat as per contracts concluded between COFCO Company and international grain traders (Table 3).

Table 2 - Balance of China's wheat according to MA USD

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16*
Exports from Kazakhstan to China	17,0	30,2	162,4	61,5	272,7	110,4	31,5
Consumption	110 500	122 500	125 000	116 500	118 000	116 500	
Import	927	2 933	2 960	6 773	1 926	2 500	
Export	941	978	969	889	803	1 000	

* As of 1 September, 2015

** Compiled from data of KGD MF RK and JSC "NC "Kazakhstan Temir Zholy"

According to the JSC "NC "Food Corporation", the export of Kazakh wheat to China in 2015/16 MG is expected to reach 200-300 thous. tons, depending on the quality of wheat produced and competitiveness in the Chinese market. In order to develop markets for Kazakh wheat in the 2013/14 marketing year, JSC "NC "Food Corporation" had signed a number of contracts for the supply of Kazakh wheat with COFCO for a volume of 35 000 tonnes. During the visit of the President of the Republic of Kazakhstan N.A. Nazarbayev to China, JSC "NMH" KazAgro" and COFCO signed "Framework Agreement for Cooperation

and wheat trade between the People's Republic of China and the Republic of Kazakhstan" on supply of 100 thousand tons of Kazakhstan wheat from JSC "NMH "KazAgro" for the years 2014/15.

3. **Problem statement.** Currently, in order to implement the decrees of the Head of State on development of promising markets, the country conducts a comprehensive study of optimum schemes and methods of grain delivery to China, as well as transit through its territory to the countries of Southeast Asia.

As of today, the export of Kazakh wheat to China is carried in bags of 50 kg loaded in

covered wagons, mainly through the border crossing “Dostyk” (Kazakhstan) – “Alashankou” (China). Wheat is transhipped from Kazakhstan cars into China wagons at the station “Alashankou”, which followed on the territory of China to the destination station. Accordingly, the costs of wheat transshipment on the Chinese border increase and amount to 15-17 US dollars per ton.

Today, one of the main problems in the export of Kazakh grain to China is a “transport format”. Historically Kazakh grain traders transport the grain in the specialized grain cars, while the representatives of the Chinese side, referring to the quarantine safety, require transporting the grain in sealed containers, taking into account the bagging. This obviously laborious process takes a long time, and significantly affects the production costs. This method of the grain transportation in addition to the use of manual labour requires also bearing the further costs for the purchase of sack tare, threads, sack-broaching machines, which leads to additional costs and, consequently, increase the cost of wheat.

Also today, the Kazakh wheat cannot withstand the price competition with the wheat from the United States and Australia. In other words, the cost of shipping of wheat from the United States and Australia by sea is approximately \$ 20 per tonne, while transportation of Kazakh grain to the east of China, home to the bulk of its population, is worth about \$ 100 - \$ 120 per ton.

In accordance with the established practice of the transportation of grain in China and China’s quarantine service requirements (GUNKIK), delivery of our wheat is carried out exclusively as packaged wheat in bags. In addition, according to the requirements of GUNKIK, Kazakh wheat supply must be carried out from certain grain elevators located in the main grain regions and having a personal identification number (42 out of 211 licensed elevators). Currently, the most of Kazakhstan elevators have specialized packaging equipment for any wheat calibration in bags and loading devices in the wagon. Ac-

cordingly, we can conclude that today export of Kazakh wheat to China is very difficult and requires a thorough analysis with respect to roads and technical limitations of grain supplies.

4. *Proposed solutions to these problems and prospects.* Kazakhstan, as one of the largest producers of cereals at the world market, should make the ongoing search for new directions and markets for Kazakhstan wheat to realize its export potential.

However, one of the major problems which stand in the way of Kazakhstan grain exports to the world market is underdeveloped logistics infrastructure, high transport costs due to the territorial and geographical location of Kazakhstan, that is, the lack of direct access to the world’s leading commercial sea ports and as a consequence, the lack of alternative to rail transportation when shipping large volumes of grain.

China is an eastern neighbour of Kazakhstan and is not just a key player in the global market, which determines the main trends of global economic development, but also the emerging superpower, positions of which will largely determine the overall climate of international relations. Therefore, the relevance of strengthening friendship and equal strategic partnership grows from day to day. Relations between Kazakhstan and China are developing in a dynamic and efficient manner. Astana and Beijing share similar visions and approaches to solving urgent problems of global and regional policy. Kazakhstan continues to give priority to providing good-neighbourly, mutually beneficial and equal relations with China.

As a result of the state visit of the President of Kazakhstan Nursultan Nazarbayev to the People’s Republic of China on August 30 - September 3, 2015 the Joint Declaration on a new stage of comprehensive strategic partnership between Kazakhstan and China was signed on the basis of friendship, good neighbourliness and trust, the increased supplies of Kazakhstan wheat to China were agreed as well. Also, it was announced that China is ready to import the additional volume of Kazakhstan wheat during

the talks between the President of the Republic of Kazakhstan Nursultan Nazarbayev and President of China Xi Jinping.

In addition, COFCO company and Chinese private companies are currently very interested in importing Kazakh oil crops, especially soybeans, rapeseed, sunflower seeds.

Thus, Kazakhstan has the potential to direct virtually all its export potential of agriculture to PRC. To achieve this goal, we propose the following:

1. Construction of the Grain Terminal on the border of Kazakhstan - China capable of performing efficient packing of wheat in bags with further transshipping in Chinese wagons and loading wheat in bulk in the containers for export to China and Southeast Asian countries. Feasibility of the grain terminal construction shows preliminary estimates of the possibilities to reduce the overall cost of grain transportation in this direction, by combining its handling with packaging into bags directly at the grain terminal.

2. Subsidies for packing equipment installation (bag or container) on elevators involved in the export of wheat to China.

Today, talks with China held at the government level to find out the possibility of solving the existing problems are as follows:

- Construction of broad line railway from the territory of the Republic of Kazakhstan to the territory of China to the construction site of Terminal in the bonded area;

- Possibility of unimpeded import of Kazakhstan grain to the Terminal with the implementation of phytosanitary control directly in the bonded zone;

- Possibility of Kazakhstan grain import to the Terminal without quotas to import to China, taking advantage of the quota regime only if the export of grain from the terminal or bonded zone.

Domestic exporters of grain arranged the meetings between representatives of the national carrier JSC “NC “Kazakhstan Temir Zholy” to the PRC, where several options for delivery of goods to China were considered:

1. Delivery of packaged bags of wheat from

the loading elevator in covered wagons to the Alashankou station where bags with goods are transhipped to Chinese covered wagons for further transit through the territory of China.

2. Grain from Kazakhstan’s grain loading elevator packed in bags is loaded into the equipped container, which is rearranged to Alashankou on the Chinese platform and sent to the destination station in the PRC.

3. Bulk grain from Kazakhstan’s loading elevator is loaded into a container equipped with, which is rearranged to Alashankou on the Chinese platform and sent to the destination station in the PRC.

4. Bulk grain from Kazakhstan’s loading elevator is loaded into the wagon-grain carrier, wheel sets of such a wagon are rearranged at the Alashankou station and wagon is sent to the destination station in the PRC.

5. Bulk grain from Kazakhstan’s loading elevator is loaded into the wagon-grain carrier, and then the grain is transhipped to the grain terminal at the border of Kazakhstan-China, packaged in bags and sent to the destination station in the PRC.

To date, the Chinese side does not see the economic efficiency in the construction of a grain terminal, as export of wheat from Kazakhstan is unstable. However, COFCO Company is ready to begin discussion of the issue when the export of Kazakhstan wheat will reach about 500 thousand tons a year.

Based on the foregoing, it should be noted that the grain export infrastructure is built in accordance with the situation on the world market, and further study of its improvement requires a detailed and comprehensive study. Thus, to reduce transportation costs, we consider it appropriate to construct the grain terminal on the border of Kazakhstan - China, which will enable the effective loading of grain into the Chinese cars for further export to the PRC and Southeast Asian countries. Taking into consideration China’s growing population and changing the consumption patterns toward increased consumption of wheat products, the Chinese market is very promising for Kazakhstan.

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Kyrgyzstan and prospects of EEU expansion for Kazakhstan

MUKHAMEDZHANOVA DARIYA

A new phase of integration processes development in the Eurasian integration space associated with the formation of its new Central Asian economic region began since the entry of the Kyrgyz Republic in the Eurasian Economic Union (EEU). The participation of Kyrgyzstan in the EEU establishes economic conditions, firstly, to promote the EEU deep into Central Asian region, and secondly, - the consolidation of Central Asian countries in the promotion of its trade flows within the EEU market.

A goal of the Kyrgyz economy is to maintain close economic and trade relations, both with Kazakhstan and with Russia, despite the liberalization of the trade space, and accession to the WTO in the making of political and economic independence.

Kazakhstan is the largest trading partner of the Kyrgyz Republic. The membership of Kyrgyzstan in the EEU further extends the possibilities of strengthening the economic presence of Kazakhstan's economy in Central Asia; despite the insignificant proportion of the Kyrgyz republic on the EEU market and Kazakhstan market, the new participant's joining the Union is usually accompanied by problems associated with adaptation to the new conditions of cooperation.

Problems can have varying degrees of depth for different EEU countries and the Union in general, in this regard, assessment of economic opportunities and implications of the entry of

Kyrgyzstan is relevant for Kazakhstan and it is necessary for understanding the prospects for the development of Kazakhstan's economy within the conditions of the EEU expansion.

Kyrgyzstan's economy in terms of globalization: main trends

Kyrgyzstan's economy in a globalizing world is being influenced by a number of factors that determined its current state:

- The collapse of the Soviet economic system, which included the Kyrgyz Republic;
- Integration into the global economy as a consequence of the liberalization of Kyrgyzstan trade policies;
- The development of the Eurasian integration processes in Eurasia, participated by Kyrgyzstan.

Besides, geo-economic features of the country led to increased competition of global integration projects (with the participation of the European Union, the United States and China). Landlocked Kyrgyz Republic that has no the primary commodity exports were less susceptible to economic changes rather than the neighbouring countries of the region. Economic recession has also contributed to the unfavourable situation on the world market as to key export products for CIS countries and partners.

In aggregate, the listed factors have affected the economy of Kyrgyzstan as follows:

- It specified the dynamics of economic development;

- It changed the structure of the national economy;

- It formed the nature of participation in the globalization and regionalization.

The collapse of economic ties in the post-Soviet space was accompanied by a slowdown in the economic development of Kyrgyzstan, internal political instability, particularly in the first years of independence. The objective difficulties of establishing the economy and foreign economic relations in the first decade after independence were relatively depreciated with overall direction of liberalization and reforms conducted in the country.* Further dynamics of economic development in the next decade was in correlation with events such as the Revolution in 2005; the global crisis of 2008-2009; Revolution in 2010, since 2011 the trend to increase the participation in the Eurasian integration processes.

The relative stabilization of the economic situation in Kyrgyzstan was observed in the 2000s, but it does not show of the dynamics of sustainable economic development of the republic at the present stage, and economic progress in general.

Now, Kyrgyzstan yields to other CIS countries on the dynamics of the industrial and agricultural production development.

Structural deformation in the economy of the Kyrgyz Republic was accompanied by a decrease of industry and agriculture share in GDP in the period of market economy establishment.

For example, over the period of 2000-2012, the share of industry in the country's GDP reduced by 6.2%, while the share of agriculture by 17.1%.**

Kyrgyzstan maintains the stance as one of the most economically and socially vulnerable economies of the former Soviet Union. Cur-

rently, Kyrgyzstan occupies 108th place (for comparison - Tajikistan - 91st, Armenia - 85th, Kazakhstan - 50th, Russia - 53rd) in the ranking of global competitiveness (2014-2015). The lowest level of human development in the CIS region is also recorded in Kyrgyzstan and Tajikistan, which take 125th and 133rd position in the ranking of HDI (Human Development Index).***

Kyrgyzstan yields to all CIS countries, except Tajikistan on value and dynamics of growth rate of GDP per capita. In the year 2013, GDP per capita in Kyrgyzstan (1213 dollars) was more than 10 times lower than GDP per capita of Russia (15011 dollars) as well as Kazakhstan (13415 dollars).****

Since gaining economic independence, Kyrgyzstan, like all the countries of Central Asia, was in the area of political and economic interests of the world powers, which are primarily related to:

- Access to the natural resources of Central Asia countries (CA);

- Influence on the regional market of Central Asia,

- Due to the use of transit potential and transport infrastructure of countries between Europe and East and South Asia.

The processes of Kyrgyzstan's integration into the global and regional economies are associated with the intensification of the country's participation in international economic alliances. Kyrgyzstan's participation in globalization has its own specifics, based on the specifics of the transition to a market economy, including:

- Joining the WTO as the first country among the CIS countries;

- Presence of US and NATO troops in the country under deployment of anti-terrorist operation in Afghanistan;

- External labour migration.

Kyrgyzstan is a country with one of the most liberal trade regimes. According to the WTO Trade Policy Review, the average rate of import duty on all product groups is 4.6%, on agricultural products is 7.4%, and on other types of goods is 4.2%.* Today, as before independence, the total volume of imported goods exceeds the export.** Joining the WTO, in our view, contributed to the problem of the trade deficit, and solved no issues of improving the competitiveness of the national economy. During the period 2000-2013, the share of exports fell from 47.8 to 22.8% in the total volume of foreign trade while the share of imports was increased, respectively, from 52.2 to 77.2%. Because of exceeding the growth of imports over exports, the trade deficit is growing and it reached 4279 million dollars in 2013.***

Kyrgyzstan's economy is dependent on the economic situation of its trading partners. By the mid-1970s, the Kyrgyz Republic exported more than 90 types of products to 68 foreign countries (mainly the CMEA countries and Yugoslavia).**** In 2013, the Republic was carried out trade with 143 countries of the world. The goods were exported to 89 countries and imported - from 131 countries.

Accession to the WTO consolidated the trends of the formation of the trade balance structure and geographical structure of foreign trade in the context of different types of economies associated with outstripping growth of foreign trade, particularly imports over exports and a reduction in the share of transition economies in the trade turnover of Kyrgyzstan. During the period 1995-2013, imports from the developed states - members of the WTO into Kyrgyzstan increased by 5.5%, while exports to

these countries fell by 5.2%. Imports increased from developing countries in Asia, in particular, the People's Republic of China (PRC), while exports after a relatively long period of growth became close to the level of 1995 *****

Despite the fact that the geographical structure of both exports and imports since the early 90s and until the 2000s, is gradually changed toward reducing the overall proportion of trade with the CIS countries, the share of CIS countries in total trade turnover of Kyrgyzstan remained at a relatively high level (about 50%).

In general, the dynamics of foreign trade turnover of Kyrgyzstan is ensured by faster growth of imports over exports. In 2012, the ratio of total foreign trade turnover to GDP (in current prices) amounted to - 116% (this figure was 90% in 2013). This key condition is the predominance of (up to 2012*****) of one commodity group (precious metals and products from them) in exports of the Kyrgyz Republic

The structure of imports in 1995-2013 changed in the direction of reducing the share of agricultural products, chemical and mining industries, as well as mineral fuels (although the share of this group in the import - 24.1% is high) and an increase in exports of machinery and transport equipment and other manufactured goods.

Given that the share of the Kyrgyz Republic in the world exports is 0.01%, while the share in exports of transition economies is 0.02%, the value of different commodity groups for the global and regional markets and the participation of Kyrgyzstan in the processes of globalization and regionalization are not equivalent. At the present stage, the competitiveness at the regional and global markets belongs to a number of product groups. Precious metal ores, in-

* Foreign economic relations of the post-Soviet countries in the context of Eurasian integration: Collection/Editor under charge L.B. Vardomsky, A.G. Pylin. - M.: IE RAS, 2014. P.163

** In 1989, the total negative balance of trade turnover in Kyrgyzstan (by excess of imports over exports in intra prices 1989) reached 52%.

*** UNCTAD Handbook of Statistics 2014 // <http://unctad.org>

**** Including engineering products, ferrous metallurgy, light industry

***** Foreign Trade of the Kyrgyz Republic 2009-2013: statistical yearbook - The National Statistical Committee of the Kyrgyz Republic - Bishkek, 2014// <http://www.stat.kg>

***** UNCTAD Handbook of Statistics 2014 // <http://unctad.org>

***** By reducing the production of gold mining enterprise "Kumtor" at 1c, 8 total exports of Kyrgyzstan decreased in 2012 by 1.2 times, the trade deficit increased by 1.8 times.

* 1991 - Formation of SEZ, 1993 - the introduction of the national currency, 1998 - WTO membership as first state of the post-Soviet republics// Foreign economic relations of the post-Soviet countries in the context of Eurasian integration: Collection / Editor under charge L.B. Vardomsky, A.G. Pylin. - M.: IE RAS, 2014 p.161.

** NCTAD Handbook of Statistics 2014 // <http://unctad.org>

*** Along with Kyrgyzstan and Tajikistan, UNDP experts include Turkmenistan (103rd place), Moldova (114), Uzbekistan (116) to the countries with medium human development in the CIS. The countries with high human development include Belarus (53) Russia (57), Kazakhstan (70), Azerbaijan (76), Ukraine (83), and Armenia (87).

**** UNCTAD Handbook of Statistics 2014 // <http://unctad.org>

cluding gold and nonmonetary gold (0.4% of world exports), electricity (0.24%), fruits and vegetables (0.32%) have the most competitiveness on the world market. The structure of Kyrgyzstan exports to the regional market (mainly the CIS market) is more diversified. A significant share of the exports of Kyrgyzstan takes light industrial products and food products. The most competitive product groups are women and children's clothing, textiles (10.56% in the exports of transition economies), fruits and vegetables (12.5%), ores of precious metals, including gold and nonmonetary gold (9.95%), waste non-ferrous metals (7.67%), electricity (3.42%).*

The competitiveness of these product groups and industries in the global and regional markets led to the influx of foreign direct investment (FDI), receipt of which, with the exception of 2010 and 2012, steadily increased; at the same time structural imbalances in the economy in general and industry in particular were aggravated.

Currently, the bulk of industrial output is produced by four economies – forming manufacturing industries, which accounts for 83.4% of total industrial production.** The manufacturing industry in Kyrgyzstan contains metallurgical production and fabricated metal products (59.7%); manufacture of food products (15.8%); textile and clothing production (5.9%); manufacture of other non-metallic mineral products, construction materials (10.7%). Sub-sector “metal production” (98.5%) is dominated in the metallurgical industry. Growth in this sub-sector is mainly achieved by increasing the volume of production of Kumtor Gold Company CJSC,

Public Corporation “Kyrgyzaltyn” taking into account the refinery.***

Over the past five years, the largest share in the volume of incoming foreign direct investment (FDI) belongs to other capital, the structure of which was dominated by loans from foreign co-owners of enterprises, excluding the year 2011, when the largest share (56%) was re-invested earnings. FDI is concentrated mainly in the manufacturing industries (49.6% of FDI) and trade, repair of motor vehicles, household goods and personal items (14.2%), the financial activities (5.9%) and operations with real estate, renting and rendering the services to consumers (11%).****

The main investors of FDI over the past five years were China (32% of FDI), Canada, United Kingdom, Russian Federation (RF) and the Republic of Kazakhstan (RK). The volume of FDI receipts from non-CIS countries in 2013 increased 1.6-fold (compared to 2009 - 2.1 times) compared to 2012. The volume of investments from China increased by 3.3 times, Britain - by 15.6% and the investments from Canada, by contrast, fell by 21.2%.*****

Despite the fact that the volume of FDI from CIS countries increased by 2.1 times compared to 2009 in the year 2013 compared with 2012, their inflow decreased by more than 2 times due to a sharp decline in investments into financial sector by Kazakhstani investors. The volume of investments made by investors from the RF in 2013, compared with the previous year increased by 2.7 times, from the RK – by 1.5 times.

Thus, the participation of Kyrgyzstan in globalization defined dynamics of the economic

structure of the country and the main trends of foreign trade and trade policy development. The integration feature of the RK into the global economy, apart from the negative factors on slowing growth, increasing structural imbalances, debt on loans, was a positive trend, in our view, of preserving and enhancing the capacity of regional economic cooperation in the CIS, including the countries of Central Asia and the EEU.

Kyrgyzstan in terms of regionalization process: Key Partners

Participation of the Kyrgyz Republic in the regionalization is related to the integration processes of Eurasia under international organizations, and the prospects of integration define trends in the development of trade and economic relations with major trading partners in post-Soviet Eurasia, overseas in Europe and Asia.

Major trends in foreign trade of Kyrgyzstan reflect the priority of the regional relations with the other CIS countries, which accounted for 38.5% of exports and 49.2% of the country's imports, as well as the growing role of the Asian vector of cooperation and reducing the role of the European direction.* In the geographical structure of foreign trade, the main share (56.9% of turnover in the year 2013) is typical of three countries - China, Russia and Kazakhstan.**

Russia is a key partner of the KR in the CIS, China - in the SCO, Kazakhstan – in Central Asia region. The depth of the economic and trade relations and involvement of Kyrgyzstan in regional economic relations under the integration strategy of the Russian Federation, Republic of Kazakhstan and People's Republic of China determine regional economic impact of these three states.

Currently the Republic of Kazakhstan has a leading influence on the formation of the im-

port policy of Kyrgyzstan (18.8% of Kyrgyzstan imports), the Russian Federation – on export policy (33.2% of the Kyrgyzstan exports). However, China has more leading prerequisites as to the economy of Asia, Central Asia and the SCO, as well as the impact on the trade policy of Kyrgyzstan in the long term, given the positive dynamics of bilateral trade development, a strategy of combining trade and transit potential of Central Asian countries in the framework of the Chinese concept of “One zone - one way”, China's investment opportunities and initiatives in the region.

At the moment the economic space of the EEU and the CIS remains of strategic importance for Kyrgyzstan in terms of formation of export policy and reducing of the negative balance of trade of the Republic, as well as a policy of diversification and overcoming of the structural imbalances in the economy. Trade and economic relations with Central Asian countries of Kyrgyzstan are still alive. In the year 2013, the share of the CA-4 (Kazakhstan, Tajikistan, Uzbekistan and Turkmenistan) accounted for 29.5% of Kyrgyzstan exports and 11.6% of Kyrgyzstan imports.*** The Kyrgyz Republic established the highest level of trade and economic relations with Kazakhstan and Uzbekistan. The coefficient of trade and economic cohesion of Kyrgyzstan with Kazakhstan and Uzbekistan in 2013 was equal to 0.44, and 0.42, respectively. For example, the figure is 0.14 for the CIS countries; Russia - 0.1; China - 0.02, Switzerland - 0.08.****

At the same time the negative trend of reducing the CIS share becomes more profound in foreign trade, especially imports of Kyrgyzstan (from 56.5% in 2009 to 49.2% in 2013), which may adversely affect the economic prospects of cooperation development within EEU.

* UNCTAD Handbook of Statistics 2014 // <http://unctad.org>

** IStatistical Yearbook of the Kyrgyz Republic - the National Statistical Committee of the Kyrgyz Republic - Bishkek, 2014 // <http://www.stat.kg/>

*** <http://www.kyremb.at/ru>

**** Statistical Yearbook of the Kyrgyz Republic - the National Statistical Committee of the Kyrgyz Republic - Bishkek, 2014 // <http://www.stat.kg/>

***** Direction of investments: from China - mainly in exploration (59.6%) and manufacturing industries and primarily in the production of petroleum products (34.9%); UK - in exploration (99.4%); from Canada - in manufacturing industries (95.4%), mainly in metallurgical production and production of finished metal products; from the Russian Federation - in trade, repair of motor vehicles, household goods and personal items (48.7%), manufacturing industries (23.6%, of which 55.2% - in the textiles and clothing industry, 43.3% - in manufacture of food products, beverages and tobacco), production and distribution of electricity, gas and water (23.2%); from Kazakhstan - to the sphere of financial activity (32.3%), trade, repair of motor vehicles, household goods and personal items (30.8%) and mining enterprises (14.1%).

* Switzerland (25, 4% in 2013) takes the first place to the ratio of exports of Kyrgyzstan (gold, silver) in Europe.

** Foreign Trade of the Kyrgyz Republic 2009-2013: statistical yearbook - The National Statistical Committee of the Kyrgyz Republic - Bishkek, 2014// <http://www.stat.kg/>

*** Ib.

**** Coefficient of trade and economic cohesion of the country is calculated as the ration of mutual trade turnover with Kyrgyzstan to the country's GDP. // External Economic Relations in the context of post-Soviet countries of Eurasian integration: Collection / Editor under charge L.B. Vardomsky, A.G. Pylin. - M.: IE RAS, 2014, p. 170.

Central Asia is a unifying space for coordination of the interests of Russia, Kazakhstan and China in the region through projects for establishment of:

- EEU under the auspices of the Russian Federation;
- Central Asian economic system under the auspices of the Republic of Kazakhstan;
- A unified Asia under the auspices of the PRC.

However, the lack of a Russia - Kazakhstan's overall vision and strategy for the integration of Central Asian countries as a unified regional economic system in the space of the EEU and SCO complicates the process of the interests' consolidation of key trade partners in Central Asia.

The participation of Kyrgyzstan in the EEU is of fundamental importance for the economic stability of the EEU regional market by:

- Promotion of the Eurasian integration project in the region and the market of Central Asian;
- Deepening of the integration processes within the CIS's free trade area;
- Increase the opportunities for combining of EEU and SCO economic potentials.

The positive effect of the Kyrgyzstan participation in the Eurasian integration project is due, in our opinion, to a positive influence of the country's economy on the formation of:

- The dynamics of the EEU macroeconomic development (the Central Asian countries are among the most dynamically developing countries of the world);
- The total resource policy in the framework of the EEU (the development of natural resources and infrastructure in the development of the common market);
- Structural policy (diversification of export and import flows in the framework of the common commercial policy).

A high proportion of the EEU and CIS in trade turnover of the country influence the background of the integration cooperation potential of Kyrgyzstan with the EEU countries. Kyrgyzstan and the Republic of Belarus (RB) are the states, the most focused (in the CIS and EEU) on the regional market and integrated into the commercial space of the CIS. The share of transition economies in Kyrgyzstan exports is the highest among the countries of the EEU-5* and greater than 68%, for comparison, the share of transition economies in the exports of the Republic of Belarus - 61.6%, exports of Armenia - 37.1%, exports of the EEU-5 - less than 15%.**

The CIS Economic Space and market are also important in the formation of the import policy of Kyrgyzstan within the EEU.*** The share of transitional economies in Kyrgyzstan imports amounted to 50.6%, which is significantly higher than the average value in the EEU - 18.7%. For comparison, the share of the transitional economies in Kazakhstan imports is equal to 44.6%, Russia - 13.2%, Armenia - 37%, Belarus - 58.1%. The CIS countries account for a total of 49.6% of Kyrgyzstan trade turnover, non-CIS countries - 50.4%; Central Asian countries - 14.3%; four participating countries of the EEU - 38.8%, of which Kazakhstan and Russia - 38.5%. At the same time, the participation of Kazakhstan and Russia in the formation of trade policies and their impact on the market of this country is different. Kazakhstan is actively involved in shaping the export flows from Kyrgyzstan, and this trend is strengthened; and Russia participates in import flows to Kyrgyzstan, and the trend continues to diminish. Therefore, Kazakhstan's share in exports from Kyrgyzstan grew from 8.4% in 2009 to 18.8% in 2013. The share of the Russian Federation, respectively, decreased from 11.1% to 7.6%.****

Structural and socio-economic problems of Kyrgyzstan, in our view, can have no significant impact on the economic situation in the EEU due to insufficient size of the economy and trade turnover of Kyrgyzstan with the countries of the EEU. Thus, the share of Kyrgyzstan in the total turnover of the EEU-5 is equal to 0.7% (exports - 0.3%, imports - 1.4%), in total GDP - 0.3%. However, there are some problems, a negative influence of which on the processes of Kyrgyzstan integration into the regional market of EEU should be impartially assessed. In our opinion, this is the problem of forming of, as described below, under the EEU:

- A single product market and the impact of re-exports through Kyrgyzstan. The main re-export items through Kyrgyzstan are vehicles, parts and consumer goods from China and some other countries (Turkey, Korea, and India).* After 2008, the volume of re-exports steadily declined, which was connected with the crisis of 2008-2009, then due to the formation of the Customs Union in 2010.** Supply of petroleum products occupied a special place in re-export, in particular, of the Russian oil products to Tajikistan and Afghanistan;***

- A single labour market and the impact of labour migration flow from Kyrgyzstan.**** The peak of population outflow from the Kyrgyz Republic took place in the 90s, followed by the official services recorded a negative migration outflow. Labour migration has the particular importance in the economy of Kyrgyzstan. According to various studies, about 1 million people from Kyrgyzstan are currently working abroad.

The largest number of migrant workers (80%) goes to work in Russia, more than 90%

of cross-border transfers of individuals to Kyrgyzstan pass through Russian money transfer system.***** The problem for Kazakhstan, which has a common border with Kyrgyzstan, stretching over 1200 km, may be to prevent the re-export of duty-free goods from China. However, the above problems of forming a single product market and labour market in the framework of the EEU relate more to the Russian Federation.

Kazakhstan and Kyrgyzstan in the Eurasian Integration Project

The structure of foreign trade of Kyrgyzstan in the framework of the EEU is formed in the process of commodity exchange with Russia and Kazakhstan, which accounted for 97.6% of total exports from Kyrgyzstan to the countries of EEU-4 and 95.6% of imports from the EEU-4.

The main exports of Kyrgyzstan in the EEU include textiles and textile products (23.9%), mineral products (16.4%), herbal products (14.8%). In total, the share of the three major groups of goods exported from Kyrgyzstan to EEU market is 55.1%. The structure of Kyrgyzstan imports from Russia and Republic of Kazakhstan account for 50.4% of mineral products.

However, in our opinion, the specificity of the formation of export-import trade flows between the countries of the EEU (Kazakhstan and Russia) and the Kyrgyz Republic reflects the negative foreign trade balance (the difference between exports and imports) in the context of individual product groups. This should consider the positive trade balance of the Re-

* Re-exports of Chinese goods through the major regional markets, operating under the simplified tax system and favorable regulatory regime, "Dordoi" and "Madina", wholesale and retail market in the Osh region "Kara-Suu".

** Measures taken to prevent the re-export (primarily Chinese goods) through the territory of Kyrgyzstan: the tightening of the requirements for the sufficient processing criteria, while the share of added value cannot be less than 50%, as well as the application of the criteria for determining the country of origin of goods.

*** Deliveries were halted in May 2013, but the Kyrgyz Republic has been a leader a few months in the supply of oil products to Tajikistan by re-exports of petroleum products

**** The peak of population outflow from Kyrgyzstan came in 1993 (143.6 thousand people, 62.7% of which are ethnic Russian). The following periods of active population outflow occurred in the years of revolution - 2005-2006. (65.1 thousand people); 2010-2011 (100.2 thous. people, the largest ethnic group of left people (40%) was Kirghiz). // External Economic Relations in the context of post-Soviet countries of Eurasian integration: Collection / Editor under charge L.B. Vardomsky, A.G. Pylin. - M.: IE RAE, 2014, p. 175.

***** Ib, p. 177.

* EAEC-5 implies the countries involved in the project EEU: Belarus, Kazakhstan, Russia, Kyrgyzstan, and Armenia.

** The share of CIS exports of countries participating in the EEU project in 2014: Kyrgyzstan - 47.3%, Belarus - 58.5%, Kazakhstan - 12.5; Russian Federation - 12.8%, Armenia - 24.1%.//Foreign Trade of the Kyrgyz Republic 2009-2013: statistical yearbook - The National Statistical Committee of the Kyrgyz Republic - Bishkek, 2014.// <http://www.stat.kg>

*** The share of CIS exports of countries participating in the EEU project in 2014: Kyrgyzstan - 48.5%, Belarus - 60%, Kazakhstan - 42.3% the Russian Federation - 11.2%, Armenia - 30.3%.// Ib..

**** Ib.

public of Kazakhstan and the Russian Federation. The negative balance of foreign trade in the context of individual commodity groups is characterized on the one hand, by the lack of development of the individual commodity markets, on the other hand by the competitiveness of this commodity group in the market of the partner country.

The negative balance of foreign trade of Russia and Kyrgyzstan by product groups is formed mainly by imports of the product group as textiles and textile products from Kyrgyzstan. This gives reason to talk about underdevelopment of textile market in Russia and the relative competitiveness of textile products from Kyrgyzstan in the Russian commodity market, although the magnitude of the negative balance of the Russian Federation trade with Kyrgyzstan in the context of this commodity group decreased (from -160.4 million dollars in the year 2011, to -11.1 million dollars in the year 2013).

Kazakhstan is the largest trading partner of Kyrgyzstan on a wide range of goods, but mostly it refers to goods exported from Kyrgyzstan: textiles and textile articles (28.6% of the exports of Kyrgyzstan in the year 2013), vegetable products (19.2%), food animal products (6.1%), chemical industry (7.6%), articles of stone, plaster, asbestos, mica (7.9%). The main imports from Kazakhstan to Kyrgyzstan make up the two main product groups, which account for 49.4% of total imports of the RK - herbal products (wheat and cereal products) and mineral products (coal and petroleum products). In addition, a significant share of Kyrgyzstan's imports from Kazakhstan is food products and beverages (18.6%), base metals and products made of them (10.1%).

Commodity exchange of Kyrgyzstan and Kazakhstan has a more diversified structure than with Russia. Kazakhstan market exercises the need for different groups of goods, including those produced in the process industries of Kyrgyzstan and competitive in the commodity market of Kazakhstan. The basis of the formation for the foreign trade negative balance of

Kazakhstan and Kyrgyzstan in the context of individual product groups, composes of the dominant imports of such goods as clothing and textiles (-107.2 million dollars), live animals and animal products (-22.2 million dollars), articles of stone, plaster, cement, asbestos, mica (-24.7 million dollars), machinery, electrical equipment (-7.3 million dollars), ground, air and water transport (-19.1 million dollars) from Kyrgyzstan.

Due to the small share of Kyrgyzstan in the foreign trade of Kazakhstan (less than 1%); the supply of these product groups cannot have a significant impact on the formation of the trade balance between Kazakhstan and Kyrgyzstan at present and in the future. In our opinion, on the contrary, we should pay attention to the possibility of economic cooperation in the textile industry, livestock and other industries, the demand for products which increases in the commodity market of Kazakhstan. It will create the preconditions for economic growth of Kyrgyzstan, integration in EEU commodity markets, the alignment of the structural and socio-economic imbalances, which ultimately have a positive impact on the economic stability of the Eurasian integration space in Central Asia.

In general, foreign trade relations of Kazakhstan in Central Asia (including Kyrgyzstan), in spite of the low proportion of the region's foreign trade of the republic is developing dynamically than in the CIS region. If the share of CIS countries in imports and exports of Kazakhstan from 2005-2014 decreased respectively from 14.6 to 12.5% and from 44.6 to 42.3%, the proportion of CA, conversely, increased from 2.3 to 3.5%, and 2.3 to 3.8% , respectively. Kyrgyzstan's share in the trade turnover of Kazakhstan for the period also rose, albeit slightly (in exports from 0.8 to 0.9%; in imports from 0.7 to 0.9%).* Given this trend, Kazakhstan should be interested in implementation of the existing conditions of foreign trade dynamic development in the region of Central Asia and development of Central Asian vector of cooperation with the countries of the region and Kyrgyzstan

in particular. To do this, Kazakhstan needs to reverse the trends associated with the weakening of investment cooperation in Eurasia (EEU) and the Central Asian markets.

Despite the fact that the inflow of FDI in the Kyrgyz economy since the mid-1990s was stimulated by the openness of the economy and specially established liberal regulations for entering the domestic market for foreign businesses, the presence of common problems in the former Soviet Union led to a sharp decline in FDI inflows from the CIS countries, including Kazakhstan. CA share in FDI outflows from Kazakhstan to Kyrgyzstan continues to decline. To date, the share of Kazakhstan's FDI in Kyrgyzstan decreased from 13.5% in 2005 to 0.5% in 2014. The share of FDI from Kazakhstan to the countries of EEU-4 and CA also decreased from 43.7 to 4.3% and from 16 to 1.7%, respectively.*

Attractive spheres to foreign investors are investing in the processing industry of Kyrgyzstan. Kazakhstani investment in the processing industry of Kyrgyzstan under the EEU will realize the measures, which aimed at establishment of the Common Economic Space (CES) and the common internal market by 2025 as provided by the Treaty on EEU. It is especially important for Kyrgyzstan to take part in the gradual formation of common markets in key sectors of the EEU economy:

- Electric power industry. The EEU agreed to launch the common electricity market in 2019;**

- Oil sector. By 1 January 2025 at most, common markets of oil and gas should be run in the EEU space.

The specifics of the situation for Kazakhstan connected with the entry of Kyrgyzstan in the EEU, implies the unlocking the potential of trade cooperation in the Central Asian regional market; the strengthening of the integration process with the participation of Central Asian states in the Eurasian integration project; cre-

ating the preconditions for regional economic stability of Central Asia and the EEU, since:

- Firstly, Kyrgyzstan is one of the main water distributing states in Central Asian;

- Secondly, the membership of Kyrgyzstan in the EEU expands integration opportunities for participation of Tajikistan in the Union. According to experts, it will help solve the problem of free movement of labour migrants from Tajikistan to Russia, imports of key products from Russia and Kazakhstan;***

- Thirdly, in the framework of the EEU Kazakhstan and Kyrgyzstan are able to coordinate efforts for establishment of transport corridors and the regulating of trade flows in Central Asia, as well as expanding the trade and economic relations with other countries on the EEU market in the region and in the format of the CIS free trade area.

In our view, the development of vertical integration ties in Central Asia with the countries of the region (between enterprises - consumers and businesses - suppliers, between adjacent links of the technological and distribution value chains) is of fundamental importance in the Kazakhstan at the moment. The development of horizontal integration ties is characteristic for Kazakhstani and Russian enterprises of mineral complex, producing similar products.

It is critical to involve Kyrgyzstan and the Central Asian countries to the formation of industrial markets in some segments of the economy related to crop production, animal husbandry, food, textile and metallurgical industries, as well as the production of electric power, which represents a high infrastructural importance for the economy of Central Asia. Kazakhstan could also engage investment opportunities for the establishment of a common transport and logistics infrastructure in the region, which is especially important in the conditions of large-scale infrastructure projects within formation of the "Silk Road" from China through Central Asia.

* <http://www.nationalbank.kz>

** In order to create a common energy market of the Union, the Supreme Council must approve the programme of the common energy market formation of the Union before July 1, 2016, providing a period of the programme until July 1, 2018.

*** Eurasian integration projects in the perception of the post-Soviet countries and China/General edition E.M. Kuzmina – M: IE RAS, 2013, p. 95.

* <http://www.stat.gov.kz>

Thus, the market economy of Kyrgyzstan is formed under the influence of globalization and regionalization processes, and the key factors that determine its current state became the WTO membership and participation in integration projects in the post-Soviet space of CIS countries.

Kyrgyzstan's participation in the globalization processes has led to an increase in exports to the world market of steel products, in particular non-monetary gold and the faster growth of imports from WTO countries, primarily from China. The features of the Kyrgyz economy development in conditions of globalization are the preservation of the regional cooperation capacity in the CIS, including the countries of Central Asia and the EEU.

Regionalization processes in Kyrgyzstan related to the integration processes in Eurasia in the framework of international organizations of the CIS and the Shanghai Cooperation Organization, and trends and economic relations with the three main trade partners - Russia, Kazakhstan, and China, define the prospects of integration cooperation.

Accession to the EEU determined the main vector of Kyrgyzstan economic and trade cooperation in the Eurasian region in the medium and long term. However, China has a greater influence on the formation of Kyrgyzstan trade policies at present and in the near term, given the strategy of cooperation with the countries of Central Asia in the framework of the Chinese concept of "One zone - one way", as well as investment opportunities and initiatives of People's Republic of China in the region.

We opine that, the prospects of cooperation with Kyrgyzstan in the framework of the EEU are determined not only by the Treaty on the EEU, but the concept of integration of Central Asia countries in the EEU as the fragments of a single regional space. The absence of such a concept by Russia and Kazakhstan at the moment could mean the growth of trade and investment pressure of China and the inability of EEU to enter into competition with China's in-

tegration projects.

The membership of Kyrgyzstan in the EEU is of fundamental importance for the economic stability of the EEU market, as it helps to create a prerequisite for the promotion of the project of Eurasian integration in the region and the Central Asian market; deepening of the integration processes within the CIS free trade area; expanding of opportunities for combining of the economic potentials of the EEU and SCO, and also has a positive effect on the formation of the macroeconomic dynamics of the EEU, as well as resource and infrastructure policy. High share of the countries of the CIS and EEU in the trade turnover of the Kyrgyzstan provides the background of the Kyrgyzstan's integration cooperation potential as to the countries of the CIS and EEU.

Structural and socio-economic problems of Kyrgyzstan, in our opinion, are unable to be irreversible, or have any significant negative impact on the economic situation in the EEU due to insufficient size of the economy and trade turnover of Kyrgyzstan with the countries of the EEU. However, there are some problems to be considered in view of their negative impact; these are the problem of a single product market forming under EEU and the impact of re-exports through Kyrgyzstan, as well as a single labour market and the impact of labour migration flows from Kyrgyzstan. These problems affect all countries of the EEU, but the Russian Federation largely. Overall, the accession of Kyrgyzstan to the EEU can dramatically affect the change in the state of the commodity market and the labour market in the EEU (and in the countries of the EEU) in view of stabilization of the existing level of labour migrants flows and the current dynamics of the turnover, as well as the implementation of measures to control the movement of trade flows within the EEU.

Kazakhstan has the strong trade and economic ties with Kyrgyzstan in the CIS, and is the largest partner in the wide range of goods. In this regard, it should consider the following measures while the forming of trade cooperation policy with Kyrgyzstan:

- Take into account the specifics of export-import trade flows formation between Kazakhstan and Kyrgyzstan, which reflects a negative balance of foreign trade in the context of individual commodity groups, produced in Kyrgyzstan, such as textiles and livestock products, in order to encourage inflows to Kazakhstan;

- Pay attention to the possibility of expanding the economic cooperation in the textile industry, livestock, and other industries, the demand for products of which increases in the commodity market of Kazakhstan.

Given the small share of Kyrgyzstan in the foreign trade of Kazakhstan, expansion of goods supplies, which are produced in Kyrgyzstan, cannot have a material adverse effect on the formation of trade surplus of Kazakhstan. It will create conditions for Kyrgyzstan to incorporate into EEU commodity markets, to align the structural and socio-economic disparities, to create new jobs, which will ultimately have a positive impact on the economic stability of the Eurasian integration space and space in Central Asia.

Kazakhstan's foreign trade relations with Kyrgyzstan and other Central Asian countries are developing dynamically than in the CIS region. For the implementation of the existing preconditions on the dynamic development of trade in the region and the development of the Central Asian vector of cooperation within the framework of trade and investment policy in Kazakhstan it should:

- Change investment trends prevailing in respect of the Central Asian region (weakening of investment cooperation in the regional market);

- Direct Kazakhstani investments in processing industry of Kyrgyzstan, that under the EEU will realize the measures which aimed at

establishment of the Common Economic Space (CES) and the common internal market by 2025 as provided by the Treaty on EEU;

- Stimulate the participation of Kyrgyzstan in the gradual formation of common markets in key sectors of the EEU economy, especially in the electric power industry and the oil sector;

- Involve Kyrgyzstan and the Central Asian countries in the formation of industrial markets in some segments of the economy related to the production of food, textile and metallurgical industries, as well as the production of electric power, which represents a high infrastructural importance for the economy of Central Asia;

- Use the investment opportunities of Kazakhstan for the establishment of a common transport and logistics infrastructure in Central Asia

ABSTRACT

Kyrgyzstan and prospects of EEU expansion for Kazakhstan

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Kyrgyzstan's entry into the EEU signifies a new stage in the development of the Eurasian integration space, which is associated with the formation of its new economic borders in Central Asia. The article analyzes the main trends in the economic development of Kyrgyzstan in the context of globalization and regionalization, development problems of EEU considering Kyrgyzstan's entry into the Union, as well as the opportunities and prospects of EEU expansion for Kazakhstan.

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