**Kazakhstan’s integration policy and ‘New regionalism’**

**Fatima KUKEYEVA**

***al-Farabi* Kazakh National University, Kazakhstan**

The current stage of the geopolitical world structure development is determined by the processes of globalization and regionalization. The “new regionalism” is the one of the new trends in global and regional processes. New characteristics of the region consider that regional integration means the cooperation between countries of a certain geographical or functional region in order to develop and strengthen economic, socio-political, military and other ties based on the principle of voluntariness, during which mutual recognition of national interests occurs, as well as the convergence of various structures states.

Traditionally (classical regionalism), a region is simplistically associated with a region consisting of states that have common ethnic, linguistic, cultural, social and historical ties or the presence of a specific regional organization. Classical/Old regionalism had a narrow focus (politics, security, economics, culture).

“New regionalism” has characteristics as broad areas of cooperation (ecology, terrorism, energy, etc.); multitasking (various levels); different formats (summits, forums, programs, initiatives); multidimensionality (the state can be a member of several integration associations differ both in the areas of activity and the goals of creation.

The global dimension of this phenomena is the “Global region”. It is a structured space with the both traditional factors (geographical, historical, civilizational and cultural), and new factors of the postmodern era (network, communication, virtual, etc.) [[1]](#footnote-1)

These and other characteristics of the “new regionalism” indicate not only the geographical, but also the functional basis of modern integration. Examples include mega-projects: the Transatlantic Partnership, the Asia-Pacific Space, the idea of creating Arab unity between the Middle East and North Africa, the processes of creating the Pacific Union, etc.[[2]](#footnote-2)

Thus, “new regionalism” has structural implications and goes beyond the boundaries of a particular region.

The cooperation Kazakhstan in the framework of integration processes at the sub-regional and interregional levels with various blocks contributed to the creation of sustainable development of the national economic system. Kazakhstan takes advantage of integration opportunities in the post-Soviet, Eurasian and international space. However, factors such as lack of access to the oceans; monopolization of production; structural disproportionality of the economy; outdated level of the production apparatus; the lack of existing internal integration ties, etc. does not allow to fully use the advantages of associations.

The new trends in the global and regional integration require revision and creation of an effective integration model for Kazakhstan. The model would form the modern system of integrational links that allow country faster to overcome crisis phenomena, increase competitiveness, and also create an open state economy. This problem becomes especially relevant not only in connection with the crisis of Central Asian regionalism, but also with the ongoing transformation of the international relations structure.

An analysis of the possibilities of Kazakhstan’s integration strategy will reveal the possibilities of Kazakhstan’s participation in the process of “new regionalism”.

**I- Collaboration with Trans-national companies (TNC**).

First, Kazakhstan can be integrated in to the “new regionalism” through the development of cooperation with TNC. TNC are a bright example of production influences on the regional and global integration. The author of the article revealed some positive and negative consequences of TNC activities in the developing countries. The first should include the creation of new industries and jobs in countries with the location of the divisions/subsidiaries; the development of new technologies and the possibility of integration into the global economic space. Negative consequences can be expressed in the exploitation of the natural and labor resources of developing countries that are ready to sacrifice humanitarian and environmental values ​​for profit.

An active introduction of TNC in the Kazakhstan’s economy started in 1994-1997, when the country's government tried to attract foreign investors through the large transnational corporations. In Kazakhstan, there are more than 40 projects involving TNC and companies such as Danone, Lotte Group, BTM, Coca-Cola have opened new production facilities. Samsung, LG Electronics, General Electric, Volkswagen companies have opened their representative offices and manufactures, but mainly so far in terms of supporting the development of local society through various initiative programs, large or small assembly, without localization of finished goods production or any or components in Kazakhstan[[3]](#footnote-3).

Kazakhstan is interesting for foreign TNC not only for its natural resources, but also for its geopolitical location. Despite the lack of access to the sea, Kazakhstan borders with the large markets as China and Russia and is location on the Silk Road between the PRC and Europe. However, the interest of TNC in Kazakhstan at the present stage is mainly due to the extraction of raw materials. The presence of large foreign companies contributed to the implementation of large oil projects as Karachaganak, Tengiz and Kashagan. More than half of the investments in the oil and gas region of Kazakhstan over the past 10 years have been made by transnational corporations, 107 $billion invested in the oil and gas sector of Kazakhstan, TNC account for 60%, as well as the volume of oil produced. In addition, a high share of TNC in the mining industry of the country[[4]](#footnote-4).

Despite the fact that the main investments are in exploration, production and transportation of raw materials, TNC are also interested in the development of industrial production in Kazakhstan. But external factors of technological development are not yet sufficiently involved. In this regard, a number of priorities of the technological policy of using external technology sources can be distinguished: the transfer of foreign technologies, the arrival of non-resource TNC in the country, the use of the “raw materials for technology” scheme and R&D outsourcing. In Kazakhstan, these areas are in the process of formation.[[5]](#footnote-5)

Of particular interest to Kazakhstan is the usage of the of oil-producing countries experience in the field of innovative and technological development. So, many transnational corporations place their offshore innovation centers in Saudi Arabia. The most famous example of a joint innovation project is the Plastic Materials Technology Development Park. This is a joint venture of the local oil monopolist Saudi Aramco and the Japanese corporation Sumitomo. It is useful to focus on such a triple partnership of large national business, TNC and local scientific and technological structures when creating petrochemical clusters in the Western Kazakhstan. [[6]](#footnote-6)

**II- The modern market: Kazakhstan’s place**

“New regionalism” is also manifested in the nature of the modern market, which can be located not only in neighboring countries, but also in distant regions of the globe. The market from national develops into regional and global scales, becoming a factor that in many respects contributes to the integration process.

An important indicator of Kazakhstan's integration into the modern market is participation in international trade. At the end of 2018, the country's foreign trade turnover amounted to $97,423,469 thousand compared with $80,579,443 thousand in 2010.[[7]](#footnote-7) It is obvious that, firstly, Kazakhstan is already firmly embedded in the world market, fastened with close ties with it. Secondly, according to the structure of foreign trade, the country has occupied a niche of a supplier of resources in the global labor division. A country analysis shows that at the end of 2019, the largest trading partners are Russia - $ 12.25 billion, China - $ 9.21 billion, Italy - $ 6.78 billion.[[8]](#footnote-8)

Under the “new regionalism”, developing countries with natural resources have a chance to use integration opportunities to strengthen their positions in the global economic arena and protect national interests in the context of globalization. The relationship between developed and developing countries, based on the use of natural resources, is one of the most important factors of integration in the world. The presence of minerals in developing countries, primarily energy raw materials, largely contributes to their rapprochement with developed countries. An example is the economic ties of CEE-EU, Mexico-NAFTA, Vietnam and Cambodia-ASEAN.[[9]](#footnote-9)

Due to its geographical location and political relations, Kazakhstan is closely connected with Russia within the framework of the EAEU and China within the framework of the SCO. Kazakhstan participation in Chinese Belt and Road initiative should also be taken into account.

Among the main reasons for Kazakhstan's membership in the EAEU is the expansion of opportunities for the export of Kazakhstani products; creation conditions for the growth of business activity and increase investment attractiveness; the formation of a single financial market of the Union. For Kazakhstan, the EAEU represents a potentially vast market. The volume of mutual trade between Republic of Kazakhstan and the member-states of the Eurasian Economic Union in January-March 2019 in monetary terms amounted to 4 billion $446.8 million.[[10]](#footnote-10)

However, there is a problem associated with the opening of the Kazakhstani market for imports from the more competitive EAEU countries. The low competitiveness of Kazakhstan’s business in the framework of integration is criticized by a number of economists and politicians who believe that businessmen re-exporting Chinese goods have suffered, that Kazakhstan is acutely aware of discrimination in the market for alcoholic products and confectionery products, since Russian legislation does not allow importing the entire range of goods. These fears are not groundless, given the fact that the total volume of imports of the Russian Federation and the Republic of Belarus is $360 billion, which exceeds the GDP of the Republic of Kazakhstan by 1.6 times.[[11]](#footnote-11)

Critics of the Eurasian integration in Kazakhstan also indicate that trade with the rest of the world has fallen and this leads to a decrease in technology imports from the more advanced EU and other countries, which in the long run can lead to a loss in productivity achieved. At the same time, the EU continues to be the main trading partner of Kazakhstan.

However, it should be noted that in trade relations with far abroad countries, Kazakhstan plays the role of a classic raw materials appendage, while in trade with EAEU member states the country acts as a supplier of goods with high added value.

Adds nervousness to economic players and the ongoing regime of economic sanctions against Russia. A serious risk on the path of successful economic integration is a significant imbalance in the economic interaction of the EEU member-states. The level of trade and cooperation of direct economic ties between Belarus and Kazakhstan, Belarus and Armenia, Kyrgyzstan and Armenia without Russia's participation remains at a very low level. Without significant changes in this direction, real changes in the plan, it is difficult to expect a deepening of trade integration.[[12]](#footnote-12)

In geopolitical terms, the role of Kazakhstan has recently increased thanks to the Chinese global initiative “Belt and Road” (BRI). Kazakhstan is a transit state of the land branch of the Chinese “project of the century”, the purpose of which is a new form of international cooperation through the construction of the country's connecting infrastructure. According to a World Bank study, the GDP of the main countries participating in the initiative can grow up to 3.35% due to income from trade and related industries, which increase due to the implementation of infrastructure projects along the New Silk Road. Between 2014 and 2018, bilateral trade between China and Kazakhstan reached a historically high level of $ 28.6 billion. Currently, Kazakhstan is China's first trading partner in Central Asia and the second in the CIS. China is the second trading partner of Kazakhstan in the world. However, under the influence of complex factors, such as the international economic crisis and the decline in crude oil prices, etc., statistics are decreasing.[[13]](#footnote-13)

**III- Global value and technological chains for Kazakhstan**

The interaction of globalization and technology has led to the formation of a global technological space, thanks to which the role of external factors in the development of any national economy is enhanced. The cross-country transfer of technology is an important element of the world economic relations. The practice of cooperation is widespread, in which research and development can be located in one country, production in another, sales in a third, and a management company in a fourth. This practice is complemented by increased internationalization of research and development, often managed with the participation of foreign partners or generally conducted across national borders. The production and promotion of new products to the world markets now requires the creation of global networks, including specialized suppliers, major manufacturers and consumers connected by the technological chain.[[14]](#footnote-14)

The construction of the global technological chains, the global migration of industrial production centers and the subsequent movement of research and development centers determine the development of the global innovation and technology sector. The main driving force behind these shifts is multinationals. Initially, the relocation of production affected low-tech industries — mining and primary processing of natural resources. In recent years, shifts in the distribution of global industry have also affected more technologically advanced industries. Developing countries are increasingly acting as outsourcing and offshoring zones in the automotive, shipbuilding and aircraft manufacturing, precision engineering, electronics and IT industries. For example, Apple created 41,000 jobs for iPod production, of which only 14,000 are in the US.[[15]](#footnote-15)

Changes in the location of industry are accompanied by the movement of innovation and technology centers. The global innovation strategies of large TNC now include the transfer of research and development programs to developing countries. A new phenomenon in the activities of TNC in developing countries is their focus on the development of new types of products intended for the domestic markets of these countries. Thus, Western TNC contribute to the emergence of a new type of innovation - inclusive one, accessible to a wide range of consumers in low-income developing countries. The development of inclusive innovations can be considered as new direction of the sustainable development strategy.

In a number of technological areas (space, nuclear energy) Kazakhstan already has achievements typical for the most developed countries. At the same time, the country is dominated by the technology of the commodity sector and lower redistribution, characterized by reduced technical and economic dynamics. A country needs serious efforts to take full advantage of modern technologies.

Kazakhstan, as a country with a small open economy, needs to integrate correctly into global technological chains. This will allow, first of all, to solve the problem of diversification of the economy, integrate into the production chains of world manufacturers of finished products, develop small and medium-sized businesses and get modern technology.

Strategic programs for the country's economic development should correctly target foreign investments in order to develop industrial production in Kazakhstan, and localize the production of foreign companies. To implement the strategy, foreign TNC can offer not only favorable conditions for doing business, but also use their advantages correctly. So, for example, attention should be payed to the trend as the desire of corporations to be closer to the resource base. The competitive advantages include the geographical location, human capital, and the realization of the country's transit potential.

Kazakhstan can also use the path of integration into the global technological space described above. It can start by coming to the domestic markets of the world leaders - equipment suppliers and service companies, who usually seek to place their service centers closer to the sales markets. For example, it can be large suppliers of oil and mining equipment. A number of foreign companies are already working in drilling in the West of Kazakhstan.[[16]](#footnote-16) At the next stage, with the growing market for the consumption of technologically sophisticated products, country should expect the deployment of high-tech industries in Kazakhstan as outsourcing. “We are talking about industries using domestic labor and foreign technological platforms. Further, in these markets, scientific centers may develop that develop a high-tech product. Kazakhstan already has such experience. This is the center in the field of metallurgy in East Kazakhstan (the Kazakh-French Center for Technology Transfer), the Center for Digital Engineering (CICA), created by the Fraunhofer Society (Germany) on the basis of the Caspian University of Technology and Engineering in Aktau”.[[17]](#footnote-17)

Special measures are also needed to increase the attractiveness of Kazakhstan as an international platform for the implementation of research programs of foreign companies. For example, the introduction of the special economic zone regime around Nazarbayev University, which could include the newly created research and production centers of national companies and small innovative enterprises, can play a large role. Along with the infrastructure that is being formed here and qualified personnel, this can become a serious motive for creating laboratories for a number of large transnational corporations in the information and communication sphere, biotechnology and other industries.

Attracting large foreign companies to integrate Kazakhstan into global technological chains does not remove the issue of finding their own locomotives that can strengthen the integration potential of the national economy. By 2018, the Kazakhstan participation index in global technological chains was 30% due to the involvement of industries such as oil production, non-ferrous and ferrous metallurgy, mechanical engineering, chemical industry, electric power, and agriculture.

In general, Kazakhstan’s participation in global technological chains will allow moving away from traditional regionalism. Kazakhstan can be regionalized with some states on the basis of cooperation through standards in the economic sector, with others in the field of education. For example, Kazakhstan is regionalized with Russia within the framework of the Eurasian Economic Union. But he is trying to be closer to the West in the field of education (for example, within the framework of the Bolashak program, most Kazakhstani students are sent to the USA, Great Britain, France and Germany, and not to Russia). In this sense, Kazakhstan imitates the West, trying to adopt common progressive Western practices in education.

Thus, there is no single regional agreement that the state could join in the era of globalization and standardization***.***

***Conclusion. The New regionalism: risks for Kazakhstan***

The development and participation of Kazakhstan in the process of “new regionalism” has its own risks.

Firstly, the practical absence in the country of production units of non-raw TNC. If they are present in the national economy, they are nothing more than marketing links. The interests of multinational corporations are mainly concentrated around the raw materials sector and lower value-added industries. In these conditions, it is necessary to launch the mechanism of “raw materials in exchange for technology”.[[18]](#footnote-18)

Secondly, despite the fact that the interests of large and small states may coincide, it is difficult for developed members to abandon the tradition to use the resources and benefits of integration. Although Kazakhstan is integrated into the global market, it is practically not represented by highly competitive sectors. It seems that the world market has already assigned this *niche* to the country and is not interested in changing it.

This indicates a tendency to finally gain a foothold as a supplier of raw materials and a market for foreign goods and to determine Kazakhstan's place at the very bottom of the global technological chain. In the framework of new integration trends (new regionalism), Kazakhstan should strengthen the strategic planning of its development not to lose the ability to realize its tasks and manage the course of events.

\*\*\*

1. Nikolay KOSOLAPOV, “Globalizaciya: territorialno-prostranstvennyi aspect”/ Globalization: the spatial dimension aspect, in *World Economy and International Relations*. - 2005. - No 6. - pp. 3-13 [↑](#footnote-ref-1)
2. Andrew HURREL, “Explaining the Resurgence of Regionalism in World Politics”, in *Review of International Studies*. - 1995. - Vol. 21. - No. 4. - pp. 331-358. [↑](#footnote-ref-2)
3. “Zachem Kazakhst transnacionalnye korporacii?”/ Why does Kazakhstan need transnational corporations? [Electronic document]-(<https://www.zakon.kz/4784767-zachem-kazakhstanu-nuzhny.html>) Retrieved 04.5.2019 [↑](#footnote-ref-3)
4. Ibid. [↑](#footnote-ref-4)
5. “On the creation and use of the latest technologies and the development of new types of products (goods, services) in the Republic of Kazakhstan in 2012”, in *Statistical Bulletin*. Series 20. Innovation and tourism. - Astana: Agency for Statistics, 2013 - S. 33 [↑](#footnote-ref-5)
6. “Tehnologichesray modernizaciya Kazakhstana v usloviah globalizacii”/Technological modernization of Kazakhstan in the context of globalization” // [Electronic document] -(<https://ehistory.kz/en/contents/view/tehnologicheskaya_modernizatsiya_kazahstana_v_usloviyah_globalizatsii__714>) Retrieved 08.16.2019 [↑](#footnote-ref-6)
7. “Dinamika tovarooborota v kazakhstane 2010-2018”/Dynamics of Kazakhstan's commodity turnover in the context of import-export 2010-2018” // KazData Insider // [Electronic document] -(blog.kazdata. kz> dinamika-tovarooborota-v-kazaxstane-2010-2018) Retrieved 02.12.2020 [↑](#footnote-ref-7)
8. “Glavnye torgovye partnery Kazakhstana 10 stran s naibolshim tovarooborotom”/ The main trading partners of Kazakhstan -10 countries with the largest turnover // [Electronic document] – (https: // inbusiness. kz / ru / news / glavnye-torgovye-partnery-kazahstana-10-stran-s-naibolshim-tovarooborotom) Retrieved 03.05.2019 [↑](#footnote-ref-8)
9. Konstantin ZUBKOV, “Regionalnaya integraciya v sisteme mezhdunarodnyh otnoshenii”/ / Regional integration in the system of international relations// [Electronic document] -(http://elar.urfu.ru/bitstream/10995/29140/1/girb\_2014\_10.pdf) Retrieved 2.03.2019. [↑](#footnote-ref-9)
10. “Obem tovarooborota Kazahstana so stranami EAES v I kvartale sostavil 4.4 mlrd”/ The volume of trade between Kazakhstan and the EAEU in the I quarter amounted to $ 4.4 billion” // [Electronic document] - (https://www.inform.kz/ru/ob-em-tovarooborota-kazahstana-so-stranami-eaes-vi-kvartale-sostavil-4-4-mlrd\_a3526407) Retrieved 05.15, 2019. [↑](#footnote-ref-10)
11. Akmaral TEMIROVA, “Koncurentosposobnost economiki Kazakhstana v ramkah EAES” / The competitiveness of Kazakhstan economy within the EAEU, in *Trade policy*. - 2018.- No 1/13. - C. 24. [↑](#footnote-ref-11)
12. “Soyuz-trevogi-nashei”/Our anxiety union// [Electronic document]- (https://rezonans.kz/soyuz-trevogi-nashei) Retrieved 02.10.2020 [↑](#footnote-ref-12)
13. “Odin poyas-odin put put vzaimovygodnogo razvitiay i procvetaniya Kitaya i Kazakhstana”/BRI the way of mutually beneficial prosperity of Kazakhstan and China // [Electronic document] -(https://www.inform.kz/) Retrieved 23.03/2019 [↑](#footnote-ref-13)
14. Almame TINTA, “The effect of integration, global value chains and international trade on economic growth and food security in ECOWAS”, in *Cogent Food & Agriculture*. -Vol. 4. - 2018. - Issue 1. - P. 140. [↑](#footnote-ref-14)
15. “Tehnologicheskaya modernizatsiya Kazahstana v usloviyah globalizatsii”/ Technological modernization of Kazakhstan in the context of globalization// [Electronic document]- (https://ehistory.kz/en/contents/view/tehnologicheskaya\_modernizatsiya\_kazahstana\_v\_usloviyah\_globalizatsii\_\_71)Retrieved 08.16, 2019 [↑](#footnote-ref-15)
16. Farida ALZHANOVA, “Integraciya Kazakhstana v globalnoe technologicheskoe prostranstvo” // [Electronic document] - (https://e-history.kz/media/upload/75/2013/08/28/b5d458ca425c7ec3898e764fdf2151b9.pdf). Retrieved 10.18.2019 [↑](#footnote-ref-16)
17. ibid [↑](#footnote-ref-17)
18. Yurii EMELYANOV, “Nacionalnye innovacionnye sisitemy v Kitae I Indii”/ National Innovation Systems in China And India, in *Problems of Management Theory and Practice*, 2011. - No. 12. - S. 27-38. [↑](#footnote-ref-18)