3RD INTERNATIONAL MULTIDISCIPLINARY SCIENTIFIC CONFERENCE ON SOCIAL SCIENCES & ARTS SGEM 2016

CONFERENCE PROCEEDINGS

BOOK 2
POLITICAL SCIENCES, LAW, FINANCE, ECONOMICS & TOURISM

VOLUME I

POLITICAL SCIENCES

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POLITICAL SCIENCES

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6 - 9 April, 2016
Extended Scientific Sessions Vienna, Austria
HOFBURG Congress Centre

THE IMPACT OF INTERNATIONAL CURRENCY RELATIONS ON THE MONETARY POLICY OF KAZAKHSTAN

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ABSTRACT

The article analyzes the causes and consequences of devaluation in Kazakhstan, as well as in oil-exporting countries of Russia and Azerbaijan. It also analyzed the monetary policy of Kazakhstan.

Reasons for devaluation are both external and internal factors, identification of which is based on collection and analysis of macroeconomic and microeconomic indicators. Devaluation rate in the CIS exporting countries is estimated on the basis of statistical indicators of dynamics of relations of Kazakh tenge exchange rate currency, Russian Ruble and Azerbaijani Manat to the US dollar. The method of the correlation analysis is used for definition of influence of the world oil prices for exchange rates. In the analysis of a monetary policy of the specified countries we used methods of historical and logical unity, methods of dialectical cognition, and the comparative, mathematical and statistical analysis.

Keywords: Monetary policy, devaluation, inflation targeting, Central bank, export

INTRODUCTION

Globalization, integration of the world economy showed a strong interconnection and interdependence of the economies of the world. There has been a sharp price fall in the oil market, slowing economic growth in all countries of the world, including Russia, China, Europe, tense geopolitical situation in the world. This not only sparked the transformation of the world order, but also led to a new wave of the global financial crisis. Under these conditions, the most important task is to stabilize the economic situation inside the country, which beneficially affects the conjuncture of the global economy.

According to Bloomberg agency, among the weakest and most seriously fallen in price currencies of the world, against dollar in 2015 were Azerbaijanian manat, Kazakhstani tenge, Russian ruble, i.e. currencies of the CIS countries – oil exporters. Uncoordinated monetary, inter-regional and domestic economic policies of these economies caused a collapse of national currencies of Kazakhstan, Azerbaijan and Russia, that is devaluation.

Devaluation is considered as the tool of the central banks on management of national currency. This is the reduction in of the real exchange rate of national currency, dictated by economic policy relative to hard currencies in a fixed exchange rate system [1].

The reasons for the devaluation of national currency could be inflation or balance of payments deficit.

Positive aspects of devaluation:

- Export stimulation is a consequence of devaluation. Exporters get an export premium at an exchange of the obtained risen in price foreign currency on fallen in price national and have opportunity to sell goods at the prices below the world average. It conducts to their enrichment due to material losses of the country. Exporters increase the profit by mass export of goods. Increase of demand for domestic goods within the country.

- Decrease in rates of an expenditure of gold and foreign exchange reserves of the country.

- Improving the competitiveness of the national economy. However, only if the devaluation is carried out in conjunction with restrictive monetary and income policies, and structural reforms.

- Reduction of the exchange rate reduces the real debt of the state in the national currency.

Negative aspects of devaluation:

- Loss of trust to the depreciating currency.

- Raise of prices for import goods make them less competitive in comparison with local (domestic) goods and therefore import is limited, i.e there is an import substitution. Both population and also enterprises buying foreign raw materials, details, equipment and technologies suffer from it.

- The financial sector is depressed, there is capital outflow from the country.

- Growth of rates of inflation.

- • Real purchasing power of the incomes of the population is falling, purchasing activity is reducing, that leads to the decrease in the standard of living.

- The external debt of the state expressed in foreign currency increases.

Devaluation has negative impact on raw economies as they can't realize export advantages from devaluation of national currency unlike the countries with diversified economies. Supplying countries have nothing to export except raw materials and the external debt grows in dollars.
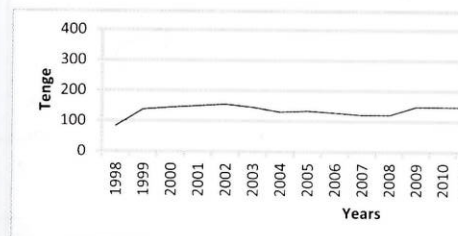
Influence of fluctuation in prices in the raw markets is very strongly reflected in economies of the countries-exporters. Dependence of export on a changeable environment of the world prices leads to the falling of industrial production, unemployment growth, strengthening of inflation and decrease in consumption. All this speaks about the need of structural changes and diversification of national economy.

Dynamics of exchange quotations on oil shows the decrease and a sharp collapse in prices in the world market of oil in 2008, 2014, 2015. Coincidence of a collapse in prices on raw materials with world financial crises and devaluation processes is obvious. Prices of oil since the beginning of 2014 fell almost to 60% and continue to decrease steadily with small exceptions every day. Such tendency conducts to inevitability of devaluation of national currencies for the countries with raw economy.

Let's analyze the monetary policy of National bank of Kazakhstan in dynamics. After introduction in Kazakhstan of national currency in 1993 its continuous spasmodic

depreciation is noted. The most expensive rate o
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Note: compiled by the author according to the N

Schedule 1. Dynamics of dollar against teng

On 4th of February, 2009 tenge depreciated o
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2008 the National bank spent 6 billion US dollars
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For comparison, from 2008 to January, 2009
Belarus - 28%, in Ukraine - 53%, in the Euroz
Azerbaijanian economy advanced average growth
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depreciation is noted. The most expensive rate of tenge was in 1993. One dollar then was worth only 4.7 tenges. By 1999, dollar has already risen to 84-138 tenges. Falling of the world prices for oil - the main export product of the republic, Asian financial crisis of 1997-1998 and the Russian default in 1998 caused numerous problems to the economy of Kazakhstan. The National Bank declared transition to free rate fluctuation of tenge. The increase in volumes of export and its competitiveness was the purpose of devaluation.

Let's consider the dynamics of dollar against tenge on Schedule 1.
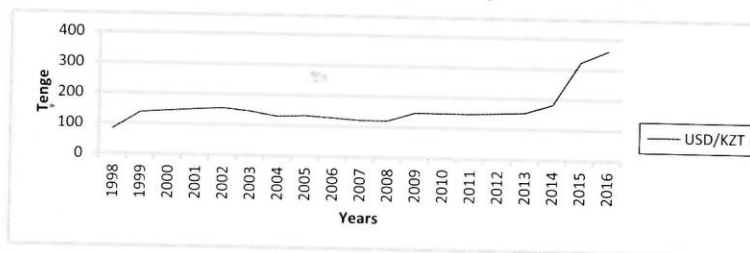
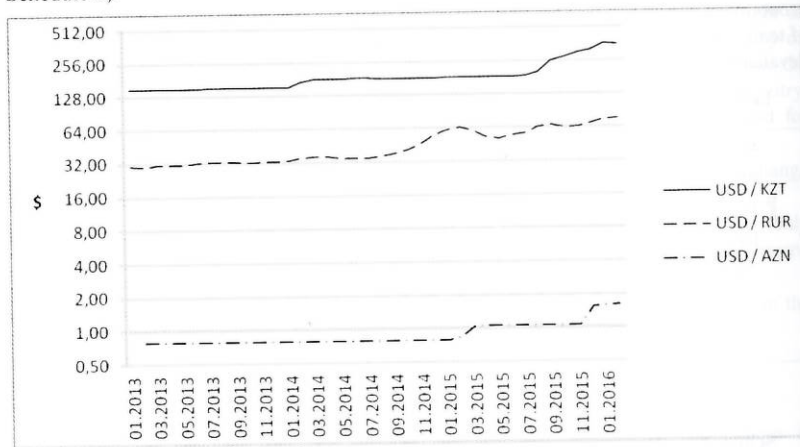Note: compiled by the author according to the National Bank of Kazakhstan [2].

Schedule 1. Dynamics of dollar against tenge during 1998-2016 years.

On 4th of February, 2009 tenge depreciated on 25%. From then on 1 dollar did not cost 120 tenges any more, but nearly 150. As a result of falling of the world prices for raw materials of the Kazakhstan export, the balance of payments of the country worsened, pressure upon an exchange rate of tenge amplified. For maintenance of stability of national currency the National Bank carried out interventions in the currency market that led to decrease in gold and foreign exchange reserves. So since the end of 2008 the National bank spent 6 billion US dollars for ensuring stability in the currency market and maintenance of an exchange rate in the current range.

For comparison, from 2008 to January, 2009 in Russia devaluation made 44%, in Belarus - 28%, in Ukraine - 53%, in the Eurozone - 13%. Despite the world crisis Azerbaijanian economy advanced average growth rates of the CIS countries in 2 times, due to the strengthened development of not only oil branches of economy, and also increase in volumes of oil and gas production, despite decrease in the world prices for raw materials. Manat exchange rate against the major world currencies remained stable, furthermore against the dollar it has appreciated for more than 5% and against the euro by more than 9% [3]. It can be explained by relatively small degree of dependence of Azerbaijan from a world financial system and, of course, conservative competent policy of the government.

2014 is characterized by sharp reduction of prices for oil. Decrease in level of demand and a large number of proposals, purposeful policy of the certain countries are the reasons. For example, decrease of yuan by 1,86% means delay of economy of China that negatively influences demand for raw materials and for price level. Also in 2014 the world economic situation was affected significantly by the reduction of anti-recessionary programs for maintenance of financial sector in the USA which provoked capital outflow from developing countries to the developed ones. As a result pressure upon currency of developing countries increased (Brazil, Russia, India, China and the

Republic of South Africa). The majority of currencies of developing countries were devaluated or tended to decline in the rate. In the territory of the CIS Russia was the first to enter free ruble exchange rate, then Kazakhstan and Azerbaijan (see the Schedule 2).

Note: compiled by the author according to the National Bank of the Republic of Kazakhstan [2], the Central Bank of the Republic of Azerbaijan [4], the Russian Central Bank [5]

Schedule 2. Dynamics of a change of course of national currencies of the Kazakhstani tenge, Russian ruble and Azerbaijanian manat to the American dollar

As can be seen on the Schedule 2, the devaluation in Russia began in January 2014, exchange rate to the dollar was 33.15, and in December-66.78, easing twice. Sanctions of the USA, the EU and their allies, speculation in currency markets, population's panic, weak activity of the Central Bank aggravated this situation. In Kazakhstan in February, 2014 the Kazakhstani tenge depreciated for 20%. And in December, 2015 the Azerbaijanian manat also passes to a floating rate. Dollar exchange rate in relation to manat grew by 47,63% (0,501 manats), and made 1,5500 manats.

In these conditions the National Bank of the Republic of Kazakhstan made the decision to refuse maintenance of an exchange rate at the former level, to reduce volumes of currency interventions and to cut down intervention in process of formation of an exchange rate of tenge. In February, 2014 the course formed at the level of 185 tenges (±) 3 tenges for 1 US dollar.

On 19th of August, 2015 tenge fell to 188.35 for dollar, and on the very next day the National Bank cancelled a currency corridor and declared transition to a free floating rate and the mode of targeting of inflation. Formation of an exchange rate is now happening on the basis of market demand and supply. Thus the National Bank doesn't interfere with regulation, however reserves opportunity to carry out currency interventions if the situation threatens with destabilization of the financial system. Weakening of tenge allowed not to reduce the account part of Kazakhstan's budget, that

are financing of social programs and pay weren't cut down. New dollar exchange fell in price for 26%.

Strong influence of the world prices economies reveals the correlation analys linear function of a trend which is defined

$$yx = a + bx,$$

where a, b – parameters of the equati
x – explanatory variable (in this case
y – dollar to tenge exchange rate
By means of variation and covariatio

Year	X (world oil price, USD/ barrel)	Y (dollar exchang
2011	95,54	147
2012	113,33	184
2013	110,22	150
2014	106,63	154,
2015	56	182,
2016	34,58	340,
Aver	86,05	193

Note: Calculated by the author according to the Na
portal "Prices fo

For determination of parameters of m

• Coefficients of variation:

$$Var(X) = \overline{x^2} - \overline{x}^2 = 8303,6 - 7404,6 =$$
$$Var(Y) = \overline{y^2} - \overline{y}^2 = 41836,5 - 37287,$$

• Covariation:

$$Cov(X;Y) = \overline{x^*y} - \overline{x}^*\overline{y} = 14994,8 - 86$$

Using them we calculate the coefficien

$$b = \frac{cov\ (x;y)}{var\ (x)} = \frac{-1621,5}{899} = -1,8$$

$$a = \overline{y} - b^*\overline{x} = 193,1 + 1,8^*86,05 = 348$$

Here's how the equation looks like:

urrencies of developing countries were
the territory of the CIS Russia was the
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National Bank of the Republic of Kazakhstan
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are financing of social programs and payments, and also infrastructure projects which weren't cut down. New dollar exchange rate made 255 tenges, Kazakhstan's currency fell in price for 26%.

Strong influence of the world prices for oil on changes in an exchange rate of raw economies reveals the correlation analysis, proposed by K. Pearson. We will apply linear function of a trend which is defined by the equation:

yx = a + bx,

where a, b – parameters of the equation,

x – explanatory variable (in this case the world oil price)

y – dollar to tenge exchange rate

By means of variation and covariation we will find model parameters

Table 1 - Auxiliary calculations

Year	X (world oil price, USD/ barrel)	Y (dollar to tenge exchange rate)	X^2	Y^2	XY
2011	95,54	147,5	9127,892	21756,25	14092,15
2012	113,33	184,7	12843,69	34114,09	20932,05
2013	110,22	150,1	12148,45	22530,01	16544,02
2014	106,63	154,06	11369,96	23734,48	16427,42
2015	56	182,42	3136	33277,06	10215,52
2016	34,58	340,01	1195,776	115606,8	11757,55
Aver	86,05	193,1	8303,6	41836,5	14994,8

Note: Calculated by the author according to the National Bank of the Republic of Kazakhstan [2] and the portal "Prices for oil and metals » [6].

For determination of parameters of model it is necessary to calculate:

- Coefficients of variation:

$$Var(X) = \overline{x^2} - \bar{x}^2 = 8303,6 - 7404,6 = 899$$

$$Var(Y) = \overline{y^2} - \bar{y}^2 = 41836,5 - 37287,61 = 4548,8$$

- Covariation:

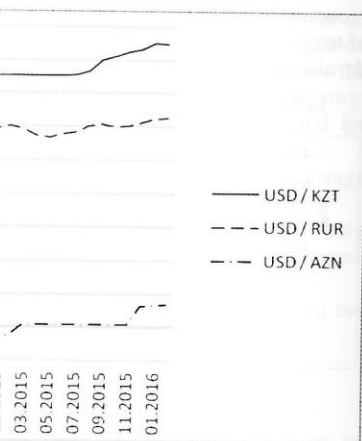$$Cov(X;Y) = \overline{x*y} - \bar{x}*\bar{y} = 14994,8 - 86,05*193,1 = -1621,5$$

Using them we calculate the coefficients of the equation:

$$b = \frac{cov\ (x;y)}{var\ (x)} = \frac{-1621,5}{899} = -1,8$$

$$a = \bar{y} - b*\bar{x} = 193,1 + 1,8*86,05 = 348$$

Here's how the equation looks like:

$\hat{y} = 1,23 - 0,004 * x$

The correlation coefficient for the well-known trend line is determined by the following formula: $r = \frac{cov\,(x;y)}{\sqrt{var(x) \cdot var(y)}}$,

Here of $r = \frac{-1621.5}{\sqrt{899 \cdot 4548.8}} = \frac{-1621.5}{2022.2} \approx -0,8$

Tightness of connection to the trend, which describes the impact of international prices on the oil market to the Kazakh tenge exchange rate makes 0.8, which indicates a strong interconnection between the two phenomena. The negative coefficient of correlation shows that communication between the price for barrel of oil and a rate of tenge/dollar is reverse. That is with each advance in price on oil, the rate of tenge/dollar falls, in other words as the dollar becomes cheaper, the tenge rises in price. And with drop in prices for oil the tenge weakens and becomes cheaper. Thus, the correlation analysis proved that the Kazakhstan national currency tenge is strongly correlated with the world oil prices. Suchwise, after decrease in the world oil prices the rate of tenge fell respectivelly; it became cheaper in relation to world currencies. It proves that the economy of Kazakhstan is focused on export of oil and highly depends on a situation in the world oil market. This fact proves fidelity of forecasts for devaluation in Kazakhstan, as it's economy strongly depends on export of oil and on the situation in the world oil market.

To regulate liquidity of commercial banks, the National Bank conducted operations to provide short-term tenge liquidity.

Experience shows that providing a stable exchange rate demands big expenses of gold and foreign exchange reserves of National Bank and doesn't correspond to practice of functioning of open market economy. Besides, rigid regulation of an exchange rate creates favorable conditions for speculative attacks in the currency market [7]. The situation which developed in the monetary and currency markets decreases efficiency of state programs on granting on proceeding credits to the subjects of economy. Banks usually perform as the main conductors of these programs. However, they currently prefer to keep their reserves in foreign currency and refrain from lending in tenge. This necessitates the revision of state policy in order to improve the implementation of monetary policy, appropriate to the inflation targeting regime. As of December 24, 2015 dollar exchange rate makes 325,45 tenges for 1 US dollar, annual devaluation made 85,2%.

All this demanded development of additional measures for stabilization and improvement of domestic economy. Therefore, Government developed the joint action plan of the Government of the RK, National Bank, Committee on financial supervision on stabilization of economy and the financial system for 2015-2016, the so-called Anti-recessionary program. In the Anti-recessionary program for diversification of economy priority branches of the Kazakhstan's economy which require support from the state are defined: financial sector, market of real estate, small and medium business, agro-industrial complex, industrial, innovative and infrastructure branches.

The role of the state is in creation of conditions for banks, enterprises, firms to exit from crisis. During the periods of global crises in all countries the role of the government and Central Bank as the state support is necessary for business and banks to find the solution of complex problems amplifies. Today all investors and international

experts watch closely the state policy pur...
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In order to maintain the banking s...
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experts watch closely the state policy pursued in Kazakhstan. The fastest recovery from the crisis for banks, companies and enterprises, inflow there of investments and improvement of economy depends on correctness and timeliness of the taken measures.

In order to maintain the banking system is necessary to achieve the following objectives: to ensure the stability of the payment system; maintaining the necessary volume and lending terms of the real economy; creation of conditions for the preservation of the investment activity level. This will enable banks to generate the required level of reserves and expand the opportunities for lending.

The fund of stressful assets which task is to improve credit portfolios of domestic banks by repayment of doubtful assets was created for maintenance of a banking system. The government made the decision to increase the amount of guaranteeing deposits of the population to 5 million tenges. Hence the population having bank deposits of up to $ 5 million tenges, is guaranteed to have a return on demand, which will cover up to 99% of all investors. Besides, the state will provide banks with additional sources of liquidity for ensuring timely service of their obligations.

Also in April 2015 the Board of the National Bank approved the monetary policy of the Republic of Kazakhstan until 2020, which defines the conceptual approaches and principles for further development, introduction of the inflationary targeting mode, as the most optimum development at the current stage was offered. The document contains a set of measures aimed at achieving the inflation target, including:

- improvement of system of the analysis and forecasting of inflation and other macroeconomic indicators;

- increase of efficiency by expansion of system of tools of the monetary policy. The course policy of NBK will be directed on maintenance of the purpose on inflation, and in case of approach of currency shocks, ensuring stability in the financial market will be a priority;

- change of the current system of decision-making on a monetary policy according to the best world practice;

- increase of efficiency of communication policy. Main objectives of communication strategy will be shift of priorities from an exchange rate on inflation, and also fixing of inflationary expectations at a low level [8].

Realization of a monetary policy of Kazakhstan untill 2020 will allow National Bank to provide stability of the prices for sustained economic growth, and also promote achievement of strategic objectives of the country according to the introduction in thirty of most developed countries of the world.

Thus, introduction of mechanisms of regulation of financial sector, new to Kazakhstan, including instruments of macroprudential and countercyclic regulation, will consist in the maximum decrease in risks of a financial system and minimization of negative impact of external factors on economy and a financial system of the country.

Government of Kazakhstan together with National Bank constantly traces the processes happening in the world economy in time to take necessary measures for stable development of economy and counteraction to global challenges. Lessons of crisis testify to need of creation of the new tools promoting elimination of barriers on the way

to further forward social and economic development of the country in the conditions of globalization.

CONCLUSION

Thus, devaluation processes in the CIS countries obviously show the main tendencies of globalization and internationalization of world economic communications. Meaning that national economies are in big interdependence and coherence.

It is revealed that devaluation has negative impact on raw economies. Consequences of devaluation cause growth of inflation, problems of monetary and credit, tax and budgetary policies.

Violation of structure of monetary circulation within the country, disproportion in distribution and redistribution of the national income are observed. As a result, flight of the capital from the country and growth of shadow economy.

High dependence of economy of Kazakhstan has been confirmed with the correlation analysis which had been carried out by us, revealing strong influence of the world prices for oil on changes in the exchange rate of tenge.

Each country seeks to strengthen the national currency and to make it reliable. With such purpose the Government and National Bank take anti-recessionary measures for improvement of the monetary policy.

The way out, according to authors, consists in diversification of structure of economy and innovative development, attraction of investments, and also improvement of institutes of the state, market and society.

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THE MIGRATION CRISIS IN EUR...
SECURITY

JUDr. Milos Deset, PhD.

Trnava University in Trnava, Faculty of Law,

ABSTRACT

Background: Within the solutions of the consider only as a traditional war zone, b cultural and religious traditions, where li peace. They also deserve to enforce this the hope for better life. The war in Syria migrants came in Europe just from this migrants in the last year, many others fo etc.

Methods: The main purpose of this pap propose the migration crisis solutions an possibilities of peace in the Middle Eas options of help for them and the protec threats.

Results: Europe is the region with highe and democracy, the system of social care as the solidarity, which we Europeans be place for life, where we can try to be imaginations for many people in the res especially Syria, where the war continue Europe naturally expect our help, and we us to help them. Furthermore, we can enlighten the route to the peace and enforc

Conclusions: The European policy of hum case of this crisis, can be also realized by the state authorities have to provid accommodation, for example, but they c some program of European aid that coul them to be a part of solutions of this prob could mirror the European ideas, especia others, and their engagement could sprea question of peace in Syria that should be c can support the peaceful solution of th understand that Allah surely does not want must also understand that European Union

Key words: The right to live in peace, the the aid, the security.