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Key Impacts of Economic Integration of Kazakhstan on Spatial Development of Its Settlements

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1 ABSTRACT

This paper aims to show any specific impacts of economic integration of Kazakhstan on its border settlements. Addressing this issue is certainly indicated in view of the potential development of the Eurasian Economic Community (EurAsEC). Over the last few years the EurAsEC member countries have decided on the formation of a Customs Union and a Single Transport Space as parts of the future establishment of a "common economic space" - a single market for goods, investment, and labour.

Economic integration of Kazakhstan might change the distribution of available resources (especially cross-border natural resources) within a country as well as between neighbouring countries, which has positive as well as negative impacts on the development of border settlements.

The positive impact of integration is linked to better access to foreign demand, market potential and development of cross-border network infrastructure. However most of the settlements are still based on an industrial economy of raw-materials and current economic development trends are too remote from being able to satisfy world demands of hi-tech goods. Thus it is difficult to assess which urban and rural market areas of the country could benefit from the Eurasian integration.

The task of planners is to prepare basic spatial models for all settlements' benefits, taking into account key impacts of economic integration.

2 RELEVANCE OF THE STUDY TO THE CONFERENCE THEME

What functions will settlements carry out? How will they depend on external factors like world economic crisis and demographic changes? How can Kazakh modern cities and villages respond better to economic integration processes? How could intensification of exchange of international goods and information, as well as a rise of human mobility due to development of international communication, transport and logistic systems shape our urban and rural areas in the future?

All the answers to the above questions cannot be given at a single city scale. As professional planners we should stop thinking only about "urbanism" or "how to make cities more comprehensive", but try to consider new possibilities of how cities can share their potential and energy with other neighbouring living environments, for example less developed medium-size cities, small towns and villages. This is especially relevant, when building an open economy that affects directy weak urban and rural areas in some developing countries like Kazakhstan which are already losing their economically active population.

The idea of presenting this paper within the framework of the CORP2012 topic named "RE-MIXING the city" is to attract the attention of planners to specific regions comprising new kinds of living areas where functions are remixing at the scale of urban and rural networks.

3 CONCEPTUAL FRAMEWORK

3.1 Introduction to the case study

In the light of the current interdependence between local and global markets, building a competitive urban systems based on the economy of settlements should be a considerable issue at all levels of planning in Kazakhstan.

It is obvious that our living settlements are becoming increasingly sensitive to global trading trends. The 2008 financial crisis, which translated into a global economic crisis, impacted on trade and stopped capital from flowing into some developing countries like Kazakhstan (fig.1). With oil prices dropping, Kazakhstan faced a fall in the value of the exports of its raw materials' from $76.4 billion in 2008 to $48.2 billion in 2009.

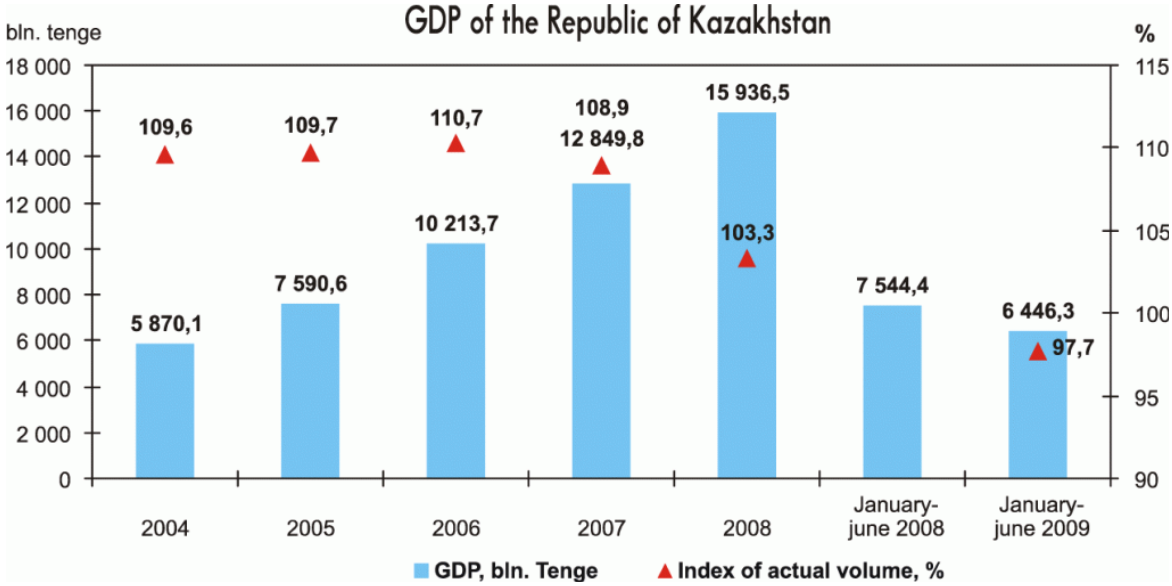

Fig. 1: GPD of the Republic of Kazakhstan.

At the same time, trade relations have become more intense and far-reaching, incorporating areas such as service trade, foreign investment, intellectual property and regulatory regimes. These tendencies are a clear reflection of the growing integration of the world economy and the "internationalisation" of policies that were once considered domestic.

In this regard the government of Kazakhstan is pushing actively a course of integration of the country into global economic processes. Accession to the World Trade Organisation (WTO) has always been and remains a foreign policy priority for Kazakhstan. Kazakhstan has also worked intensely to create a Customs Union, which is viewed as a practical realisation of the idea held by the President of Kazakhstan of economic integration of Eurasian countries similar to the European Union announced by him in the mid-1990s.

All above mentioned facts have resulted in the project named "Assessment of the Influence of Current Economic Integration on Urban and Rural Areas and Their Production Systems of the Republic of Kazakhstan" in the framework of the development of the General Strategy of Spatial Organisation of Kazakhstan. The implementation of this project is presented in this paper.

3.2 Methodological approach

Owing to a shortage of time for the project development and lack of funding for field surveys, our team of experts developed its own methodological approach that helped to concentrate our attention on only key links between external and internal forces of production.

3.2.1 Main technological scheme

The main technological scheme (fig.2) illustrates our general methodological approach to the assessment of the key impacts of the economic integration on urban and rural areas of Kazakhstan.

The first scheme, like the other methodological models, is presented in a geometric form of a circle which helps to strengthen multi-dimensional effects from an outward economic influence on the territorially closed "urban and rural areas and their production systems", located right in the centre of the figure.

The outer grey circle aims to show "main world demand trends" taking into account integration steps already undertaken by Kazakhstan with its neighbouring states in the framework of the Eurasian Economic Community (EurAsEC). Trade and transit potential, as significant world economic tendencies, are also highlighted within the grey circle, where attention is paid to future development of EurAsEC via the establishment of a "Custom Union and Single Transport Space".

Externally impacting key factors of world demands are then compared with current economic development tendencies of the regions, with particular attention to the valuable roles of logistic and transport systems which are physically linking up the living and working environments of urban areas.

Three main levels of economic integration - "spatial", "territorial" and "regional" - are artificially included in the parts of the chart which shows the "current economic tendencies" and the "urban and rural areas and their production system". This was done due to their importance in the development of recommendations and proposals towards building functional linkages between regional urban and rural systems and the world market, following the assessment.

Moreover all proposed recommendations are grouped into three main trends, represented as blue rectangles and placed in the outer grey circle of world trends that offer potential capacities for the domestic production systems to be competitive in the global market.

The first group of proposals named "development of service and trade in services" is concentrated around recommendations of strategic steps for sustainable regional integration, with the help of systematic development of trade potential and spatial integration in response to main trends of world demand.

The second group of proposals is oriented towards "development of export of high quality goods". They take the form of strategic actions aiming at sustainable territorial integration which relies on transit potential, as well as on spatial integration processes.

The most important programmed strategic activities on regional integration and territorial integration form part of the third group of proposals called "cross-border cooperation", where the key role is given to border settlements of Kazakhstan.

Further conceptual models represent the development of the key ideas included in the main technological chart in detail.

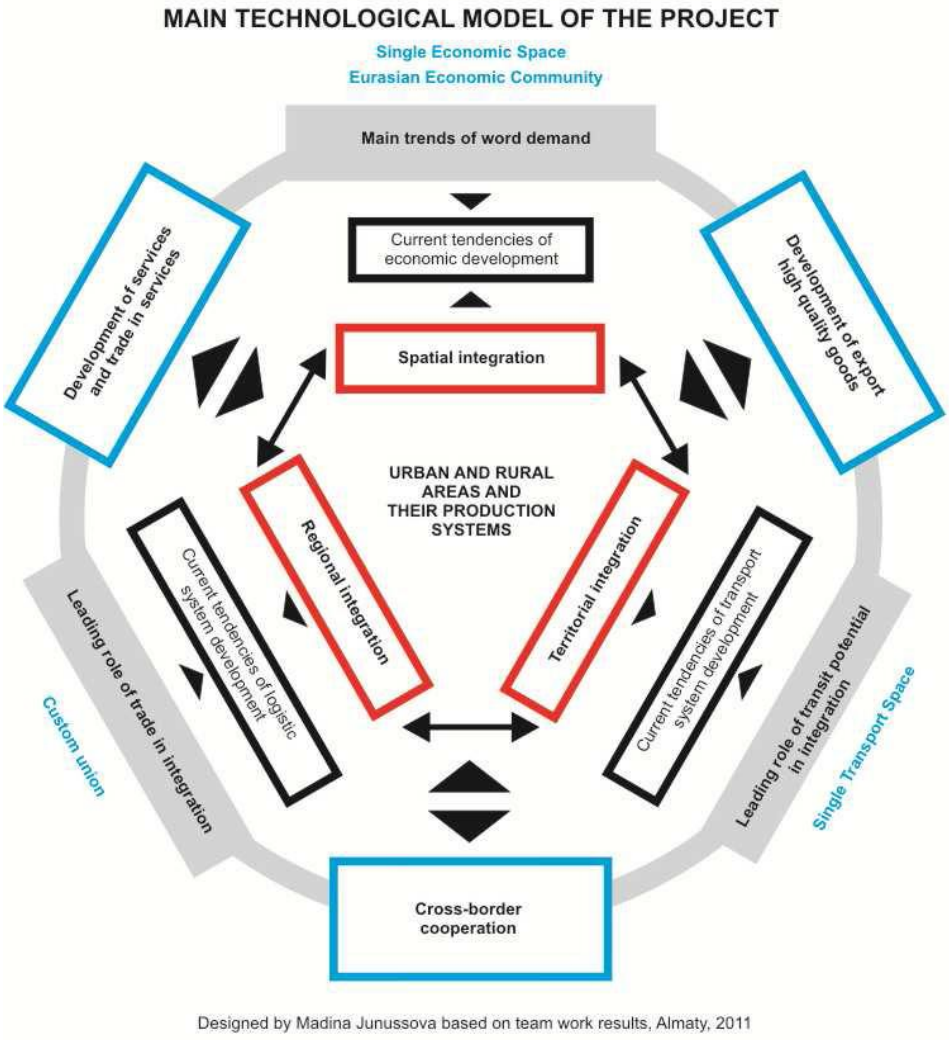

Fig. 2: Main technological scheme of the project.

3.2.2 Conceptual Model of Projection of World Demand

The first conceptual model (fig.3) displaying projection of the "main world demand trends" based on "current economic tendencies" was developed by researching and selecting relevant comparable indicators which illustrate external and internal trends that could be used to highlight key impacts of economic integration on production components of urban and rural areas.

An example is the confrontation between the world trend of "increasing demand for new, higher quality energy- and resource- efficient products and the current domestic trend of "insignificant growth of the service sector as opposed to the rise of production in the sectors of industry and agriculture". This study was using external market indicators from open sources, such as WTO, EurAsEC and CU databases and compared them with internal market indicators extrapolated from data of the State Agency on Statistics and databases of local regional administration.

On the one hand the results of the above mentioned analysis make it possible to identify the level of sensitivity of each specified region of Kazakhstan to the impact of economic integration. On the other hand the results could serve as a good foundation for the development of recommendations for further research needed to be carried out on these issues within the framework of the long-term project of A General Strategy of Spatial Organisation of Kazakhstan.

In addition, this model is also designed to uncover potential negative effects of spatial integration, such as increasing functional pressure on the transformation of large cities, in particular their continuous growth and territorial expansion. These processes immediately cause segregation and degradation of smaller towns and other settlements that would not be able to obtain any profit from external economic demand, due to their small sizes, isolated locations and low functional and technological capacities.

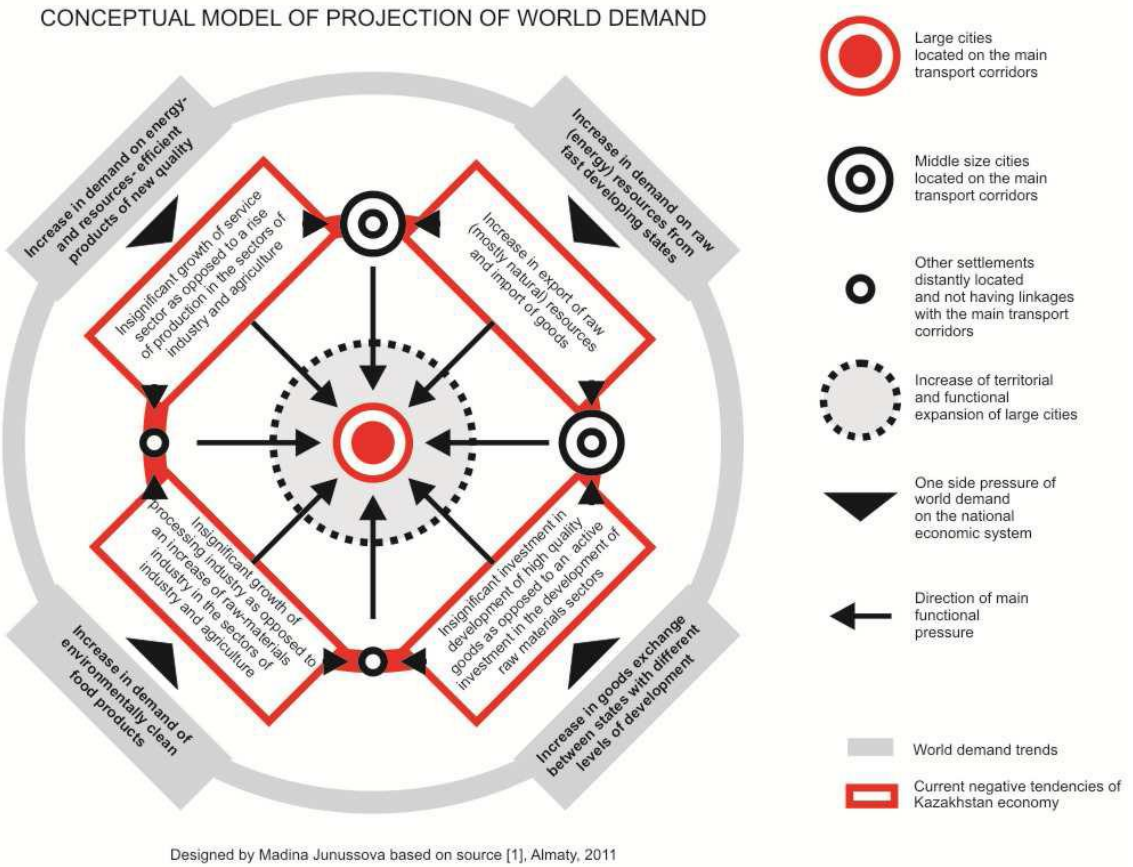

Fig. 3: Conceptual model of projection of world demand.

3.2.3 Conceptual Model of Separation of Key World Trends

The second conceptual model (fig.4) is designed to identify key world trends in line with competitive advantages of Kazakhstan based on its unique geopolitic situation in the heart of the Eurasian continent. These key world trends could be used to transform current negative economic tendencies into positive ones, based on a programmed investment orientation aimed at sustainable development of "territorial systems of

settlements" in Kazakhstan (the term used for the description of interlinked urban and rural areas in the project).

The formation of domestic trading potentials should be based on the development of logistic agricultural and industrial production sectors connected with programmed arrangements of territorial systems of settlements, whereby some functions of large cities are delegated to middle size cities located on the main transport corridors.

The development of such a transit potential is realised through the establishment of a multi-modal transport system which provides better travel conditions for passengers, together with the transfer of other material resources, in accordance with programmed arrangements of territorial systems of settlements, whereby some activities taking place in large cities are transmitted to remotely located medium size and small settlements.

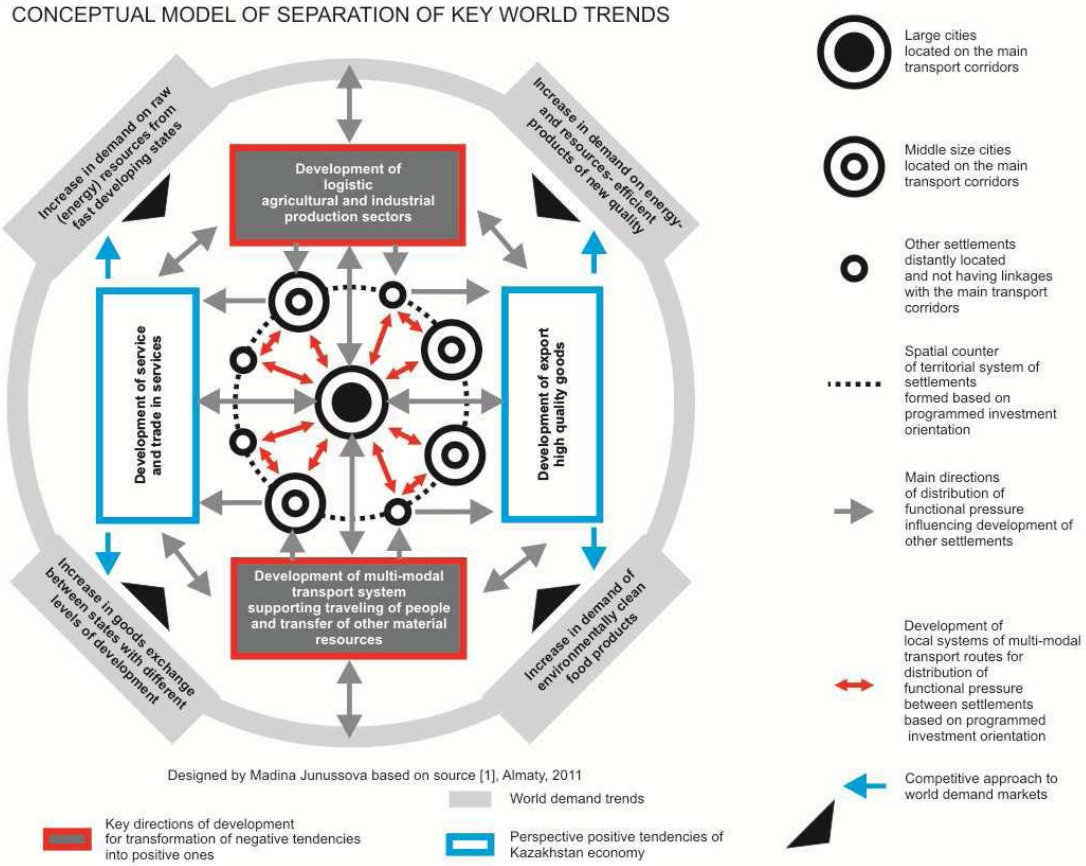

Fig. 4: Conceptual model of separation of key world trends.

4 ECONOMIC INTEGRATION: CURRENT TENDENCIES – WORLD TRENDS – KEY POTENTIALS

4.1 Current Economic Tendencies of Development in Kazakhstan

Kazakhstan keeps staying in a position of key supplier of the world markets with a large amount of raw and precious natural resources. Conversely, the analysis of economic change Kazakhstan shows that during the last 5 years its proportion of GDP indicates an insufficient development of its service sector (fig.5).

Although the country is continuosly investing in its infrastructure its economy remains heavily reliant on natural resources. The production of mining still repesents a donimating sector, with the biggest part belonging to the production of fuel and natural energy resources, particularly the production of crude mineral oil and accompanying gas (fig.6).

Since 2005 the government of Kazakhstan has initiated several state programmes focused on stimulating the innovative economy. The Territorial Development Strategy of the Republic of Kazakhstan to 2015 (adopted in 2006) was one of the first documents with a long term state planning vision taking into account interdependence of local settlements and world market economies (fig.7). However its main planning goal continued to attribute the main advantages to the large cities and the transport routes of national importance

as the main centres and backbone of its spatial economic development strategy with almost no chances for other settlements to participate. According to the Government (Strategic Plan 2020) future industries also should primarily be established in the countries main urban centres, such as Almaty (largest city of Kazakhstan with population about 1.5 million) and Astana (capital of the country), which already benefit from a competitive economy, enjoying separate state budgets, highly skilled human resources and having very attractive work and living places.

Fig. 5: Structure of GPD of the Republic of Kazakhstan.

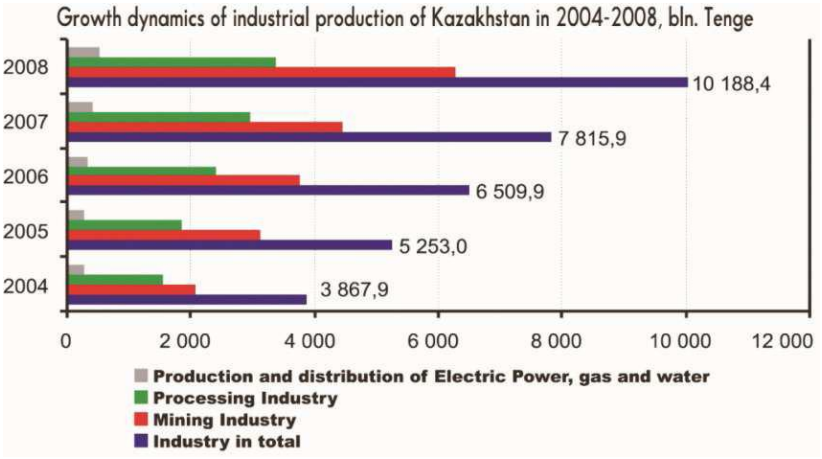

Fig. 6: Growth dynamics of industrial production of Kazakhstan in 2004-2008.

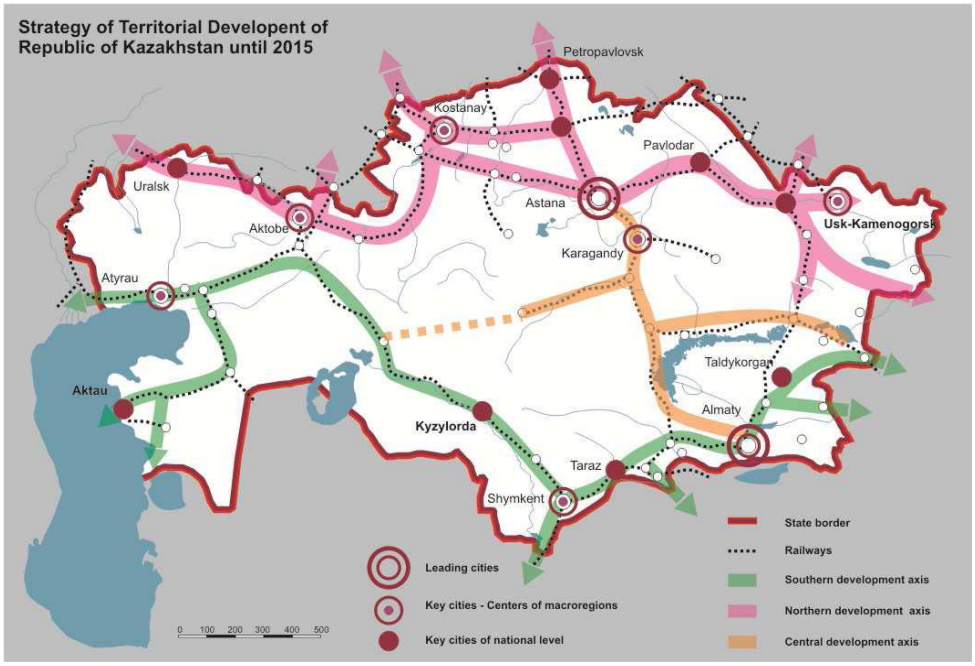

Fig. 7: The backbone centres and development axises of strategic territorial development of Kazakhstan until 2015.

The 2008 Territorial Development Strategy was followed by regional territorial development strategies till 2015, including separate strategies for Almaty and Astana. Only few such regional strategies, like those for the Almaty and Mangystau Regions, considered any impact of the external market forces on the local settlements economies.

Taking into account all the above mentioned currently dominant directions of the development of the state economy, the project team of experts carried out a detailed survey on current economic tendencies of all Kazakhstan's regions, with special attention to urban and rural border areas. This survey resulted in the selection of four main groups of negative trends, namely:

- Insignificant growth of the service sector as opposed to a rise of production in the sectors of industry and agriculture;
- Insignificant growth of processing industry as opposed to an increase of the raw-materials industry in the sectors of industry and agriculture;
- Increase in export of raw (mostly natural) resources and import of goods;
- Insignificant investment in the development of high quality goods as opposed to active investment in the development of raw materials sectors.

4.2 Main World Trends and Kazakhstan Integration Perspectives

The historic formation and development of urban areas of Kazakhstan have a straight link with the establishment of its modern state borders. Owing to this fact more than 80% of Kazakhstan's current population is living within border areas. Almost all transport links are concentrated within border regions widely used as the main international transit corridors serving international trade functions:

- Northern Corridor of Trans-Asian Railway Main (TARM): Western Europe – China, Korean Peninsula and Japan via Russian and Kazakhstan (section Dostyk – Aktogai - Sayak – Mointy – Astana – Petropavlovsk (Presnogorkovskaya));
- Southern Corridor of TARM: South-Eastern Europe – China and South-Eastern Asia via Turkey, Iran, Central Asian states and Kazakhstan (section Dostyk – Aktogai – Almaty – Shu – Arys – Saryagash);
- TRACECA: Eastern Europe – Central Asia via the Black Sea, Caucasus and the Caspian Sea (section Dostyk – Almaty – Aktau);
- North-South: Northern Europe – Gulf States via Russia and Iran, with Kazakhstan's participation in the following sections: sea port Aktau – Ural regions of Russia and Aktau – Atyrau.

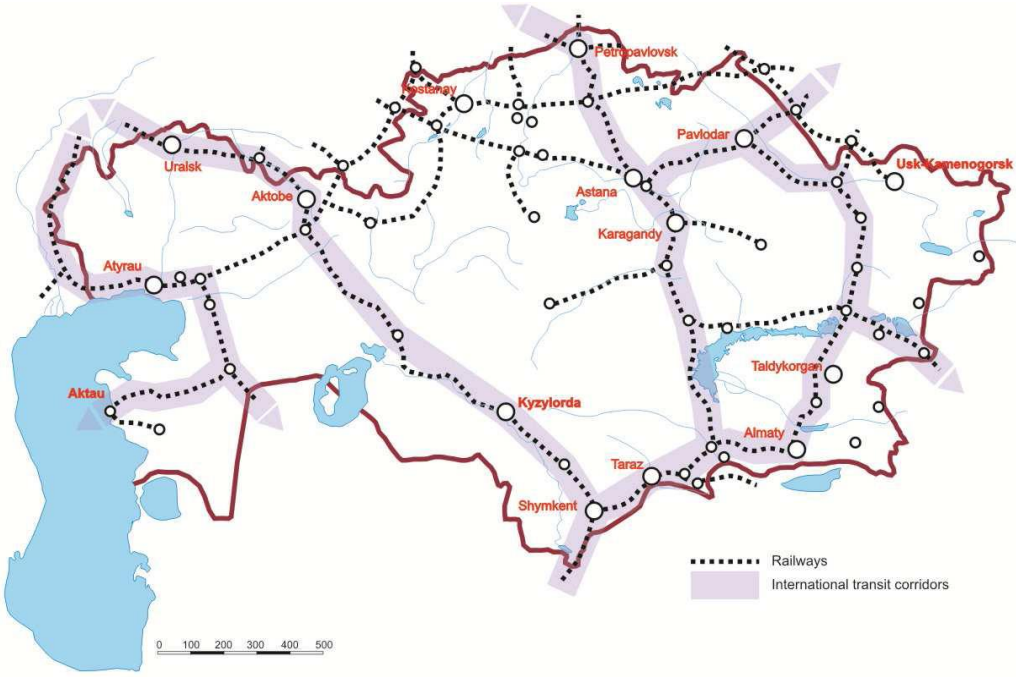

Fig. 8: Main transit transport corridors of the Republic of Kazakhstan.

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Located in the centre of Central Asia with no access to open seas (although with access to the western regions of the Caspian Sea) Kazakhstan is highly dependent on its neighbouring states for international trade. This is one of the reasons for Kazakhstan to be an initiator of economic cooperation and integration processes with its close neighbouring countries.

Kazakhstan plays an active role in promoting the Shanghai Cooperation Organisation (SCO). In the past years, economic cooperation within SCO has been developing rapidly which is reflected in interstate trading operations and investment in general. China with its growing economy mostly imports raw materials from Kazakhstan and has a competitive advantage in production due to its low cost labour and huge market size. Currently, China is also intensively investing in the development of its western region Xinjiang bordering with East-Kazakhstan and the Almaty region of Kazakhstan.

Kazakhstan understands the importance of integrating with its other bordering states. It is worth to highlight its economic cooperation with Russia, especially within the framework of the Eurasian Economic Community (EurAsEC). The integration of five member states Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan, EurAsEC, was established with the aim to develop economic cooperation and trade and to coordinate the actions of Community states during growing integration into the world economy and the international trading system,

Although the EurAsEC Customs Union (CU) was adopted by the heads of six member states (6 October 2007) the initial stage of the Customs Union is formed only by three Community countries – Belarus, Kazakhstan and the Russian Federation, with the other EurAsEC members joining at a time when their economies and legislative systems are ready.

Local as well as foreign experts identify many advantages for Kazakhstan's economy to be driven by Eurasian integration with neighbouring Russia. However our study concentrated on the main impacts of Kazakhstan's role as mediator of integrating urban and rural economies into the world economic processes, with special focus on border areas.

Four of the selected main current direction of regional economic development in Kazakhstan mentioned above were used as a starting point to confront them with the most popular world demand trends derived from the latest world wide forecasts. The project team reviewed several reports of different internationally respected organisations like UN, FAO (UN), World Energy Council, World Bank and etc which provide expert views on the future development of world trends until 2050. Almost all the reports identify four main world dominating trends with relevance to Kazakhstan's current regional economic development conflicts:

- Increase in demand of innovative energy- and resource- efficient products;
- Increase in demand of environmentally clean food products;
- Increase in demand of raw (energy) resources from fast developing states;
- Increase in exchange of goods between states with different levels of development.

Due to the fact that two last trends also serve as the main backbones of EurAsEC, further integration through Custom Union - CU (based on free trade) and Single Transport Space - STS (development of common transit transport corridors) could be used as the key tools of territorial and further regional integration as a means to transform a post-industrial location-based economy into an innovative network-based economy.

The EurAsEC Custom Union - as distinct from the previous stage of integration, the free trade zone – presupposes free movement throughout the common customs territory, not only of goods produced therein, but also of goods from third countries freely circulating in the territory. The idea of the development of EurAsEC STS is based on the arrangement of better transportation of cargos, mostly along the existing transport corridors that helps to attract more transit.

As the above mentioned activities of promotion of trade and transit are being implemented without paying much attention to the real future of the simultaneous development of logistic and transportation in response to current development trends of the urban and rural border areas, our team of experts found it vital to propose a conceptual vision of their potential integration (as a positive feedback to the economic integration) (fig.9).

We fully understand that each region of Kazakhstan needs to be analysed in more detail, including field market research and social surveys. Nevertheless, positive effects from the simultaneous development of

logistic (using CU advantages) and multi-modal transportation system (using STS investment) can only be achieved by implementating at least two main steps, namely:

- Involvement of planners in the development of flexible investment programmes at local and regional settlement levels that would aim to keep a balance between production fitting both local and global market demands and helping to find the most appropriate sectors for the introduction of logistic productions;
- Building an appropriate planning platform for merging the state (central) level and regional and local (bottom) level initiatives of economic integration, taking into account the development of competitive urban and rural areas by promoting the construction of inter-settlements high-speed public transport passenger systems.

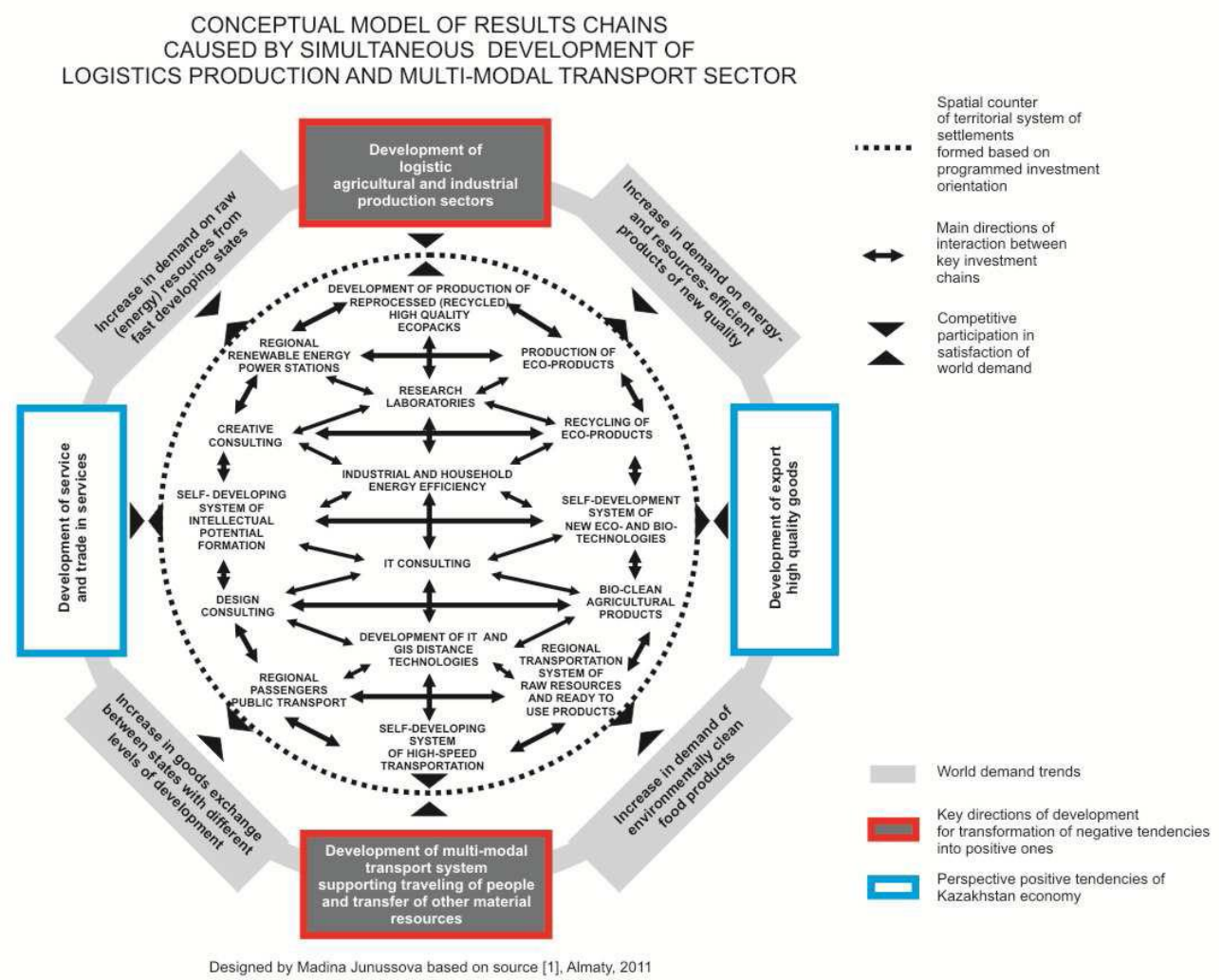

Fig. 9: Conceptual model of results chains caused by simultaneous development of logistic production and multi-modal transport sector.

5 CONCLUSION

With the introduction of EurAsEC Custom Union all production forces of urban and rural areas of Kazakhstan become a part of the wider market. The top level inter-state integration shouldn't be implemented separately from regional and local level integration, as only large scale, technologically and functionally rich systems of the Kazakh settlements could be competitive with the world's largest cities like Moscow.

At present, most of the top-down integration decisions are not fully understood by local administrations in the regions. However there is growing demand for the development of cross-border cooperation between border regions of Kazakhstan and regions of its neighbouring states that could serve as a good base for linking regional and spatial economic integration.

The EurAsEC management committee has a complex structure with many different types of councils responsible for the development of common approaches. However, it is still lacking any initiatives driven by the urgent needs of cross-border local initiatives, like:

- cross-border rivers under pressure from overuse of water and poisoning pollutants;
- cross-border migration with growing numbers of economically active educated population leaving;
- lack of innovative cross-border infrastructure;
- low capacity for the creative use of available natural resources and etc.

In this regard it may be too early to analyse any real positive impacts of economic integration mainly provoked by central level decisions, without any visible support of strong cross-border cooperation in planning a sustainable future for commonly used natural resources and production forces of urban and rural settlements.

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