

**PROBLEMS AND PROSPECTS OF THE SOUTH KAZAKHSTAN ECONOMIC  
REGION AFTER ACCESSION OF KAZAKHSTAN TO THE WTO AND THEIR  
SOLUTIONS**

*Sairambay Y.A., [S.A.Yerkebulan-77@mail.ru](mailto:S.A.Yerkebulan-77@mail.ru)*

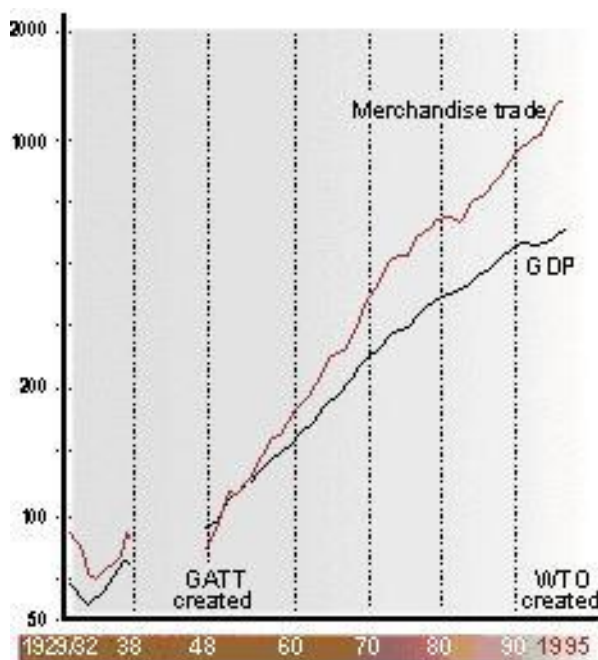
South Kazakhstan State University named after M. Auezov, Shymkent  
Supervisor – PhD in Economics, Associate Professor, G.ZH. Urazbaeva

The World Trade Organization (WTO) is an organization that intends to supervise and liberalize international trade. The organization officially commenced on January 1, 1995 under the Marrakech Agreement, replacing the General Agreement on Tariffs and Trade (GATT), which commenced in 1958. The organization deals with regulation of trade between participating countries; it provides a framework for negotiating and formalizing trade agreements, and a dispute resolution process aimed at enforcing participants' adherence to WTO agreements which are signed by representatives of member governments and ratified by their parliaments. Most of the issues that the WTO focuses on derive from previous trade negotiations, especially from the Uruguay Round (1986–1994).

Over the past 60 years, the WTO, which was established in 1995, and its predecessor organization the GATT have helped to create a strong and prosperous international trading

system, thereby contributing to unprecedented global economic growth. The WTO currently has 159 members, of which 117 are developing countries or separate customs territories. WTO activities are supported by a Secretariat of some 700 staff, led by the WTO Director-General. The Secretariat is located in Geneva, Switzerland, and has an annual budget of approximately CHF 200 million (\$180 million, €130 million). The three official languages of the WTO are English, French and Spanish.

World trade and production have accelerated by creating GATT and WTO (picture 1). Both trade and GDP fell in the late 1920s, before bottoming out in 1932. After World War II, both have risen exponentially, most of the time with trade outpacing GDP [1, 2].



**Picture 1. Accelerating of World trade and production**

The process of the introduction of Kazakhstan in the World Trade Organization has begun

on January 26<sup>th</sup>, 1996 with giving in Secretary of the WTO of an official statement about the introduction of Kazakhstan into the WTO.

After accession to the WTO, it requires that goods produced in Kazakhstan must meet international standards. For instance, developed countries do the liberalization of trade regimes only when their products and services are capable of withstanding high competition. From this level we are, unfortunately, still far today. It is unacceptable to seek admission to the WTO at any cost, or to enter there for the sake of joining. Entry fees should cover the benefits of participation in the organization. WTO accession raises the issues of competitiveness of domestic goods and services, both in foreign and domestic markets. In many ways, the accession will require significant concessions that are not only almost immediately to open the way for foreign goods and services, but also to block the national regulations of the penetration. It is not hard to imagine that the accession to the WTO and the opening of borders will ruin small and medium domestic producers, which are cultivated with great difficulty, creating the necessary enabling environment. At the same time, the benefits of joining the WTO related to improving access to foreign markets will give positive results only in the long run. And it can be if we are able to produce competitive goods and to have an effective mechanism capable of protecting our rights in the complex system of the WTO.

From the competent strategy to protect our interests depends whether domestic producers are in the areas of goods and services or our markets are occupied by other countries, which will

reduce employment and income state budget. In a liberalized customs territory of Kazakhstan, most domestic producers will lose, and subsequently lose their position in the domestic market, without to mention the competitive markets of neighboring countries. This is what happened in Kyrgyzstan. Their own goods produced on obsolete hardware technology of yesterday, of course, lose compared to those goods that flowed into Kyrgyzstan in connection with the opening of its borders. For example, our "Rahat" candy flying off the shelves, providing worthy competition in Moscow and Kyrgyz confectionery. The prices of our sweets lower (due to the short arm, cheaper transportation costs, etc.), and the quality is high. At the same time there is an extremely low purchasing power. There is a poverty of the people. Those events that are taking place in Kyrgyzstan – is a consequence of ill-considered policies of the leadership of the country in accession to the WTO. The situation is very dire. So, perhaps we need to reflect on the situation in the neighboring country.

Let us talk about consequences for the South Kazakhstan Economic Region (SKER) after accession of Kazakhstan to the WTO. It can bring negative and positive consequences (table 1).

Table 1

**Consequences for the South Kazakhstan Economic Region after accession of Kazakhstan to the WTO**

Consequences for the South Kazakhstan Economic Region after WTO accession of Kazakhstan:		
№	Negative	Positive
1	Status of Raw materials supplier	Higher competitiveness
2	Limitation of state support to sectors of economy	Investment attractiveness
3	Threat to agriculture	Development of domestic market
4	Environmental problems	Stronger export positions
5	Social implications	Improvement of international image
6	Threat to small and medium businesses	Increase the market for big business
7	Intense competition and the threat to domestic products	Increase the choice and quality of products
8	Difficulties for businesses and entrepreneurs	Lower prices for products
9	Etcetera	Etcetera

A review of Kazakhstan economic growth trends renders a conclusion about the continuing raw material orientation of the Republic's economy and a low level of its manufacturing sector competitiveness, which was mentioned in the table 1.

Hence, very important for the Republic are structural reforms aimed at development of high value added and deep processing operations. Otherwise, Kazakhstan WTO accession will lead to consolidation of the Republic's status as a supplier of raw materials [3].

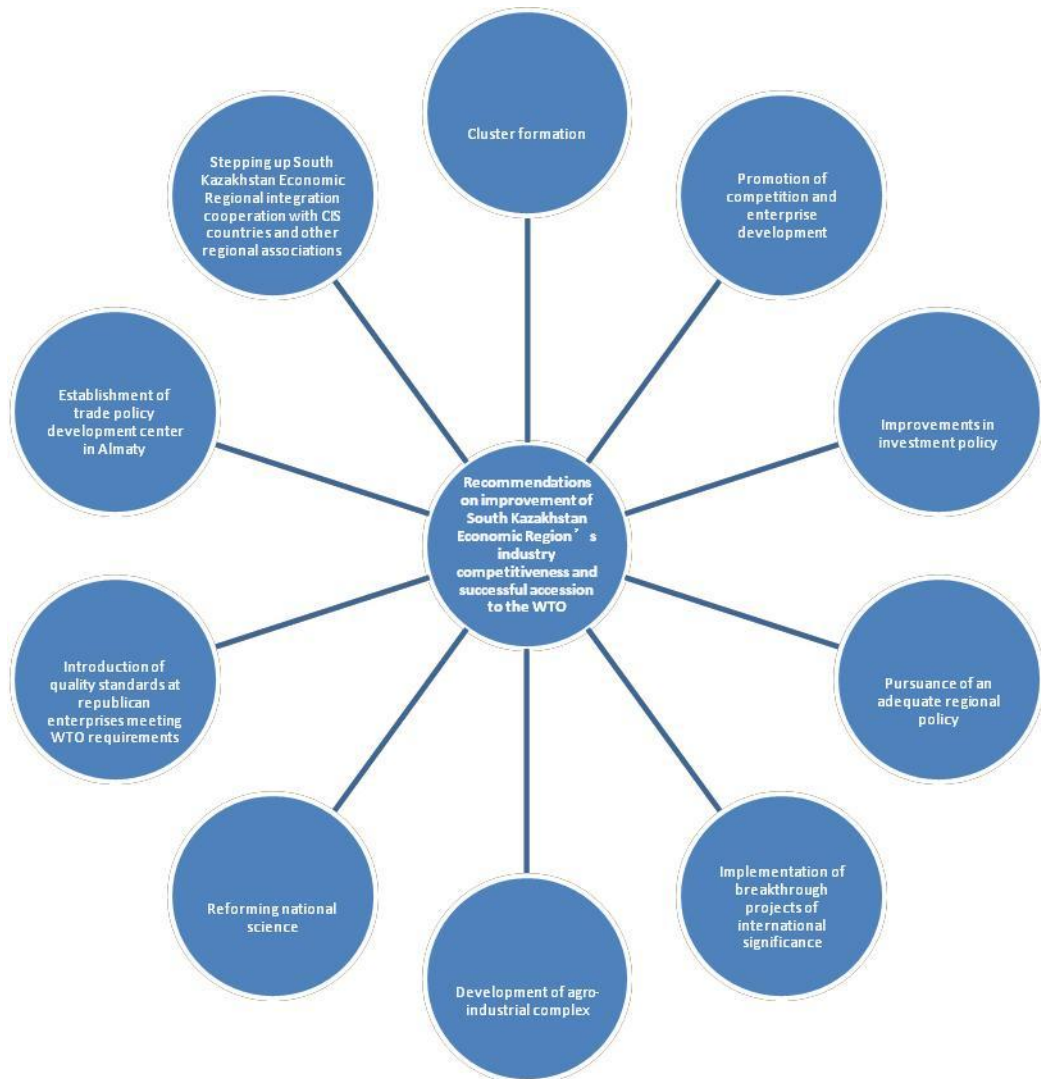
We believe, therefore, that the most urgent lines of Kazakhstan economic development, given WTO accession, need be as follows (picture 2):

*1. Cluster formation.*

Quite crucial seems to be establishment and development of clusters in the following industries: tourism, petrochemical, chemical, textile, food, transport, manufacture of building materials, agro-industrial complex.

These areas may turn into new points of growth of South Kazakhstan Economic Region's economy. For instance, Jambyl oblast is a potential home for a chemical cluster (on the basis of Novojambyl Phosphorus Plant and Kazfosfat) which will boost development of export-oriented manufacture of yellow phosphorus.

In South-Kazakhstan oblast with its gin mills, it would be reasonable to establish a textile cluster featuring complete operating cycle (from cotton processing to manufacture of high-quality fabrics).



**Picture 2. Recommendations on improvement of South Kazakhstan Economic Region's industry competitiveness and successful accession to the WTO**

On the whole, implementation of the cluster mechanism of the Republic's economic development will become an important factor of an effective allocation of investment resources in

industries, introduction of advanced innovative technologies at enterprises, development of high value added operations.

*2. Promotion of competition and enterprise development.*

An important factor of sustainable economic growth is the presence of a healthy competitive environment, which in its turn is dependent on a robust antimonopoly system. Hence, the key task in relation to competition promotion comes to measures on preventing abuses of market agent dominating positions, prevention of unfair competition, enabling an effective and dynamic functioning of commodity markets.

Also needed are effective measures on the further improvement of antimonopoly laws. Gaining an added importance are issues concerned with greater powers of the antimonopoly agency, its wider capacities for antimonopoly regulation along with delegation to it of the respective functions needed for disciplining the offenders of fair competition rules.

As for the development of small- and medium-sized businesses, there is need for a flexible tax policy, more simple procedures of taxing small- and medium-sized businesses, stage-wise reduction of main tax rates (value added tax, corporate income tax, social tax), dismantling a variety of administrative barriers to entrepreneurs.

### *3. Improvements in investment policy.*

It is necessary to elaborate a set of measures for attracting transnational and big foreign companies to non-raw material sectors of economy.

It is also necessary to press for a bigger input of national investors to the development of small- and medium-sized businesses.

Implementation of the above measures places demand on an improved investment laws, stronger state support of investments, protection of private property and investors' rights.

### *4. Pursuance of an adequate regional policy.*

We believe that regional policy shall pursue a competitive specialization of regions. Thus, development of oil-and-gas sector shall be concentrated in Kyzylorda, South Kazakhstan oblasts; of chemical industry in Jambyl; of engineering Almaty; of textile industry in South Kazakhstan, Almaty oblasts; of agro-industrial complex in Kyzylorda, South Kazakhstan and Almaty oblasts.

Regional specialization will promote concentration of productive and labor resources, infrastructural development of the territories along with cluster establishment, which in its turn will become an important phase in raising competitiveness of the Republic's manufacturing sector.

### *5. Implementation of breakthrough projects of international significance.*

Crucial for Kazakhstan is development of the sectors whose products will turn the nation into a noticeable player in international markets. Promising, for example, are projects in cattle breeding, plant growing, biotechnology, manufacturing, chemical industries, nuclear technologies.

Very important is Kazakhstan cooperation with the USA and Russian Federation in creation of a space industry center.

Implementation of the above projects places demand on the relevant measures on a stronger state support of investments and amendments to the current laws.

### *6. Development of agro-industrial complex.*

It is the promotion of cluster interrelationships that must serve as a catalyst of a higher productivity and product quality, technology upgrade and retooling.

Also important are measures on AIC industrialization through technical and technological modernization of AIC industries, a higher share of highly profitable crops in the structure of areas under crops; industrialization of cattle breeding; bigger scientific support and innovations.

Implementation of the above measures requires development of financial market in the Republic. It is necessary to take measures towards creation of a competitive environment in the banking sector of Kazakhstan. Boosting competition among the second-tier banks will promote reduction of credit rates for farmers and higher quality of financial services.

### *7. Reforming national science.*

Accomplishment of this objective suggests, in the first place:

- a) Bigger public funding of science;
- b) Boosting research with a view to supporting development of high-tech, resource saving and environmentally sound operations oriented at exports of high-tech products;
- c) Strengthening material base for scientific research;
- d) Measures on shaping and development of non-government science sector in SKER, creation of mechanisms for its public support.

Implementation of the above measures will help provide an adequate scientific support of the industrial-innovative policy in the Republic, step up development of high value added operations and accelerate transition to service-technological economy, which will help implementation of the industrial-innovative development strategy of Kazakhstan.

*8. Introduction of quality standards at republican enterprises meeting WTO requirements.*

Kazakhstan WTO accession requires measures on harmonizing Kazakhstan model of technical regulation with international requirements. Accordingly, this necessitates the respective changes in the current laws.

Very important is provision of state support and assistance to enterprises introducing international quality standards.

*9. Establishment of trade policy development center in Almaty.*

Kazakhstan WTO accession requires urgent measures on improvements in its trade policy. Crucial, therefore, is establishment of the respective center largely responsible for:

- Review of South Kazakhstan Economic Region WTO accession implications for its economy;
- Drafting suggestions on improvement of the SKER's trade policy;
- Drafting suggestions on Kazakhstan effective integration in global economy, including that by way of implementing the current regional initiatives (EurAsEC, CES, SCO, and the like), and looking into possibilities of creating new ones by exploring world market situation and reviewing foreign trade and investment climate in countries – Kazakhstan trade partners.

*10. Stepping up South Kazakhstan Economic Regional integration cooperation with CIS countries and other regional associations.*

In handling the tasks of national economy expansion, its technical retooling, raising competitiveness of manufactured products, the Republic of Kazakhstan is keen to fully benefit from the opening opportunities of its involvement with the international deeper division of labor, various forms of international cooperation, creation of an economic space shared with other nations. For this reason, it is true to cooperate with other economic regions and countries.

Taking everything into consideration, the completion of the negotiations and the accession process meets the long-term interests of the country and will lead to various positive outcomes. As more than 80% of the world countries are members of the WTO, it seems that Kazakhstan should access to this organization in order to develop country's economy in the context of globalization. However, all aspects of joining should be researched in favor of interests of our country.

In conclusion, it is obvious that Kazakhstan should not try to access to the WTO for getting the name of member, it does mean that the Republic of Kazakhstan have to join in order to improve country's economy. Especially, for the South Kazakhstan Economic Region it should bring more positive consequences. For this reason the government should take action. I suppose that if the government took my 10 proposals into consideration, it would be better for the South Kazakhstan Economic Region in the long perspectives.

*References*

1. WTO, International trade statistics. –2013– <http://www.wto.org>
2. I. N. Gerchikova. International economic organizations. /M: "Consulting" – 2000.
3. N. Abdimoldayeva. «Accession to WTO: the case of KAZAKHSTAN», Tashkent, 2001.