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## **MECHANISMS OF INTEGRATION OF THE REPUBLIC OF KAZAKHSTAN IN THE PROCESSES OF GLOBAL COMPETITION**



*This article considers issues related to integration of national economy of Kazakhstan in global microeconomic processes and also issues of formation of highly industrial economy based on innovational modernization of priority industries and sectors. Besides this assignment the article comprise contains comprehensive practical recommendations for optimization of Kazakhstan economy structure during post-crisis development through activation of institutes of development.*

*Key words: national economy, management, innovations, diversification, integration, globalization, competitive ability.*

Strategic importance of competitiveness is an initial condition of economic policy and methodology of management in development of social and economic processes. Under conditions of globalization it is stipulated by two factors: firstly it is an increasing independence of national economies, especially of capital markets and foreign exchange markets; secondly – intensification of international relations integration, which strengthens interdependence of economies complicating formation and realization of national policy of individual country. Due to this, competitiveness becomes priority since it enables to strengthen position of any national economy compared to others and adds importance on political and economic stage.

This is explained by the fact that all economic and social processes are linked with dominating structural logics of global economy. Structure of global economy is determined by dynamics of competition between economic subjects (companies, enterprises) and localized organizational systems (countries, regions, territories) where

the subjects located. Competition is based on advantages connected with concentration of knowledge and information management, accumulation of capital and strategic productive, trade and executive activity. Competitiveness is substantially determined by technological level of each sector and equally by ability of the countries to compete on the international market depending on availability of economic potential.

Technological potential that forms productive base of global economy comprises scientific basis of productive and executive processes as well as research, development, test and evaluation, human resources necessary for establishment of technological innovations, adequate use and degree of their distribution within the overall system of economic interaction. Combination of high technologies, highly qualified management with lower level of expenses compared to competitors, exclude competition of developed countries based only on lower level of costs since they are not able to adapt simultaneously their production systems to requirements of information economy.

Norms and methods of production process, distribution, production and commercial activity

undergo radical transformation within global economy [1]. Specifics and content of informational technologies as well as their implementation in production spheres and the sphere of services connected with significant institutional and organizational changes. First of all, new technological scheme forms global network, which comprises «operational procedures», e.g. components that were manufactured in different places by various companies. Under relevant conditions they represent new form of production and commercialization on the market – «network based enterprise»- that is a highly productive, flexible and well-functioning production system. Such type of production system is based on strategic partnership according to projects with fixed deadlines and programs between countries, corporations, and separate departments of large companies, small and medium enterprises united in one network.

Regions and areas reintegrate in functional networks that create space of flows that replace space of places.

New technologies and industries (including organizational and executive aspects) are considered as an important factor that encourage productivity and is a major instrument of global competition and index of competitiveness.

New technical and economic system has not been fully realized within the national economy of Kazakhstan and was not fully reflected in general indicator like aggregate productivity growth rate in economy. But at the same time slow growth rate of productivity in economy of Kazakhstan bears contradictory tendencies of explosive growth of labor productivity in leading industries. This is stipulated by slowdown of business activity of various companies and enterprises that have obsolete equipment, low qualified technical personnel and management. At the same time implementation of technologies in the sphere of services makes this sector more dynamic and concentrate it around highly lucrative industries that provide expansion across national boundaries and integration in global market where com-

petition is a main motivation for governmental institutions that makes them sustain not only necessary rates of productivity and profitability but also competitiveness of national economy. At any rate, processes of globalization lead to increase of productivity, since all social and economic systems (companies, enterprises, economic sectors and industries, regions, etc.) have to improve performance of their business when they encounter stronger global competition or achieve a global market share.

As a result, orientation of all social and economic production systems to increase profitability, productivity and mobility of national economies and achievement of higher competitiveness led to the changes in proportion of informational technologies, organizational transformations and productivity growth. New flexible system of control of social and economic as well as production processes should be formed in scope of this trend.

Development of the processes of global competition enables national economies to access overseas trade markets, foreign financial resources, technological innovations and managerial experience. Technical revolution with its informational technologies and intensive rates forms new material basis of society. In order to avoid being an outsider, Kazakhstan have to make significant leap forward in introduction and implementation of advanced technologies and creation of it's own modern scientific and technical base [2].

Government faces important task of developing integrated pattern for linking national economy to informational and technological systems. State program on forced industrial and innovative development of the country by 2015 was developed for the purpose of solving various system problems.

New mechanisms of realization of state informational policy were suggested in order to develop commodity markets, especially hi-tech and science-based productions and also to create the basis for transition to service and technological mode that will ensure «flow» of capital between sectors and industries of economy and will undoubtedly be reflected as a positive change in

structure of economy. Besides, justified proportion and complex introduction of financing instruments and mechanisms will have an important significance. Considering limitation of government's administrative resources in investment sphere, the «Strategy of industrial and innovation development of the Republic of Kazakhstan till 2020» stipulates not only attraction of foreign and domestic investments in commodities sector of economy but also creation of maximum flexible conditions with the use of investment policy mechanisms that provide timely reaction to initiatives of private sector to invest in developing domestic production with high added value and new technologies not only per sectors and industries but also per stages of investment process. This way it should ensure resource based solution of the problem, which in general is overwhelming for private entrepreneurship due to many restricting factors including high risks on initial stages of projects' realization. Due to this, current agenda includes establishment and reinforcement of several state financial institutions of development, which are immediate participants of Strategy realization.

Among institutes of development, important role is attributed to the Kazakhstan Bank of Development [3]. Its scope includes support of production infrastructure and processing industry through provision of long-term and mid-term loans with low interest rate, including export financing. It is also considered to establish new financial institutions that will comprise mechanisms of adaptation for each stage of investment project starting from projection until implementation and further production development. These institutes will include local Kazakh investment and innovative foundations. The main objective of those foundations includes equity participation with private investors in projects that have potential due to high value-added products and lack sufficient capital and therefore require additional financial and other resources. Use of investment foundation as a major mechanism (equity participation in authorized capital of invested companies) for encouraging participation

of private investors in commodity sector of economy will promote expansion of production relations of Kazakh companies with technologically relevant local and foreign companies.

Investment and innovative foundations and Bank of development should closely cooperate together and supplement each other and this requires effective system of information exchange on potential borrowers. One of the major scopes of activities of Investment Fund and Bank of Development comprises equity participation in foreign projects that directly impact on country's economy. It pursues two major objectives: to save time and human resources for selection of technologies and also transform competitive capacities in the form of partnership companies.

However investments into expansion of assortment of value added products on the basis of existing productions and technologies are intended mainly for prevention of further difference of Kazakhstan economy with economies of developed countries. That is why the major task of investment policy of the country is to focus on promotion of innovations in production and technological cycle and creation of conditions that will stipulate access of Kazakh enterprises to global markets of highly technological products. It is necessary to note the existence of innovative and hi-tech base in the country. There is sufficiently large volume of ideas and scientific developments and also potential projects for technologies and technological equipment, however efficient system of their practical implementation is almost unavailable. Within the bounds of leveling of deterrents, such as bureaucracy, lobbying (incompetent) and corruption by various methods and mechanisms, and also political will of the President of the Republic of Kazakhstan it is supposed to decrease «ponderousness» of the system. It will be implemented by means of reducing the number of state authorities' staff regulating the activity of innovative development branches. Definitely, it will have the favorable influence.

Creation of mechanisms for stimulation of investments on the earliest and most risky stages of

projects provides opportunity to raise a question on developing venture and innovative infrastructure in Kazakhstan. Establishment of Investment Fund almost solves a range of problems connected with the lack of effective mechanisms for implementation of innovations. Effective scopes of activity of investment and innovation foundations comprise the following:

- ✦ creation of network of venture foundations together with large venture capitalists of global scale and international financial institutes;
- ✦ financial support of applied scientific and research works that have commercial potential through grants and equity participation in authorized capital of innovative enterprises;
- ✦ financing of applied scientific researches, research and development works directed on creation of new technologies;
- ✦ equity participation in development of innovative infrastructure — network of innovative centers and technological parks.

Besides, for efficient realization of the program it is necessary not only to attract new technologies and investments, but also create all necessary conditions for proper work of domestic researchers, scientists in technological parks and specialized construction bureaus, which should form «innovative belt» around prospective sectors of industries.

Among institutes of development it is necessary to mention Corporation for insurance of export, credits and investments. The role of corporation is to ensure promotion of Kazakh goods and investments to foreign markets by insuring political and regulatory risks that rise due to export operations.

In general, institutes of development should firstly become accelerators of investment process and their participation in projects will increase investment attractiveness of private sector for development of productions with high added value; secondly, form unified system, which sustainable functioning will be based on principles of decentralization, specialization, competitiveness, transparency and equity participation. Such approach will enable to establish trustworthy basis in relation of government with private entrepreneurs

and investors. At the same time, relations of government with institutes of development should be considered in scope of «shareholder-executive board» and not in scope of «supervisor-prot ge». Government will ensure maximum protection for institutes of development from any type of pressure on the part of state authorities. Skilled executives will manage activity of institutes of developments and mechanisms of management will prevent uniformity of opinions during investment decision-making and introduce an institute of independent directors including engagement of qualified international experts.

At the same time there are a range of problems that require more detailed study and decision. For instance, it is required to have mechanisms of more active participation of government in real sector of economy, first of all in consumer sector; there is a need for mechanisms of state and business interaction, mechanisms for creation and functioning of industrial and inter-industrial programs. The role of ministries, governmental institutions, real sector and science is not clear since there is a lack of mechanisms for regulated participation of mentioned parties in the process of program development and realization. It is necessary to have more regulated and comprehensive relations between them so that it would provide opportunity to social organizations of entrepreneurs to take part in discussions of issues in economic policy. Government should create conditions for mutually beneficial cooperation between science and entrepreneurs. According to the results of 2012, science financing in Kazakhstan makes up 0,25 % from GDP. It is below threshold level that is necessary for science maintenance to say nothing of fundamental and applied science development. The top management of the country that is responsible for macroeconomic development understands that the background of effective implementation of the Strategy of forced industrial and innovation modernization is priority science development. That is why it is assumed to increase science costs step-by-step bringing up to 2 % from GDP by 2015.

Development of mechanisms for realization of state program for industrial and innovative development enabled to develop a plan of actions until 2015. Full scale research on determination of innovative and investment potential of the country have been conducted on preliminary stages along with evaluation and determination of the most prospective industries and types of production where goods and services with high added value produced in Kazakhstan are able to compete on international market, necessary amendments have been implemented in legislation including tax and customs laws of the country.

Successful realization of program for industrial and innovative development is stipulated by division of functions and by effective coordination over performance of institutes of developments. Innovation foundation will cover the stage of scientific and applied research and as a result will develop commercialized innovative projects. Investment fund will be responsible for increasing production volumes and complete establishment of enterprises. Bank of Development will also be responsible for expansion and modernization of production.

Working group was established for selection and realization of investment projects and comprises representatives from state institutions of development, fund for development of small business, ministries of industry and trade, economy, budget planning and finance and business entrepreneurs. Working group is a kind of analytical center that performs review of investment projects in compliance to priorities specified in «Strategy of industrial and innovation development of the Republic of Kazakhstan till 2020» and conducts search for interested investors. Final decision on the necessity of project financing is made directly by interested investor (institutes of development or private investors). Working group's points of contact comprise private financial organizations, various industrial, regional and republican associations and forums of entrepreneurs and industrial people, etc. The system of interrelations also comprises local executive authorities that have information on availability of investment projects. At present, working group accounts for dozens of selected investment projects related to

various industries starting from oil and gas industry up to agricultural processing.

Developed mechanisms and instruments are focused on encouraging initiatives in private sector, which accounts for numerous projects directed on establishment of high added value products manufacture. Second tier banks are also involved in realization of such projects.

Mechanisms of investment and innovative activity practically implemented through many organizational forms such as:

- ✦ establishment of new educational centers that train experts in areas of information and technology who will have clear understanding of new technologies in advanced level of services as well as industrial sector;
- ✦ establishment of international and republican centers for innovation in Kazakhstan for developing innovative activity, ensuring economic importance of science, developing intellectual property policies and large-scale implementation of distance learning.

Regional centers in Kazakhstan are established specifically for realization of these purposes with a focus on new technologies. Besides economy of Kazakhstan will have an opportunity to compete on global level through various forms and mechanisms of international integration with centers of global economy that have differentiated traditions and models of economic development and through dynamic increase of trade in goods and services as well as through inflow of foreign investments into infrastructure, education and science. As a result close relations are established between various industries, companies and sectors of economy on national and global levels. This type of model of development is the most suitable since self-contained economy could not be competitive.

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МЕХАНІЗМИ ІНТЕГРАЦІЇ  
РЕСПУБЛІКИ КАЗАХСТАН В ПРОЦЕСИ  
ГЛОБАЛЬНОЇ КОНКУРЕНЦІЇ

У статті розглядаються питання інтеграції національної економіки Казахстану в глобальні світогосподарські процеси, а також формування високо індустріальної економіки на основі інноваційної модернізації пріоритетних галузей і сфер. Крім того робота містить комплексні практичні рекомендації щодо оптимізації структури економіки Казахстану в посткризовий період розвитку шляхом активізації інститутів розвитку.

*Ключові слова:* національна економіка, управління, інновації, диверсифікація, інтеграція, глобалізація, конкурентоспроможність.

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МЕХАНИЗМЫ ИНТЕГРАЦИИ  
РЕСПУБЛИКИ КАЗАХСТАН В ПРОЦЕССЫ  
ГЛОБАЛЬНОЙ КОНКУРЕНЦИИ

В статье рассматриваются вопросы интеграции национальной экономики Казахстана в глобальные мирохозяйственные процессы, а также формирования высокоиндустриальной экономики на основе инновационной модернизации приоритетных отраслей и сфер. Кроме того, работа содержит комплексные практические рекомендации по оптимизации структуры экономики Казахстана в посткризисный период развития посредством активизации институтов развития.

*Ключевые слова:* национальная экономика, управление, инновации, диверсификация, интеграция, глобализация, конкурентоспособность.

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