

Errata

Applicable parts	Original	Corrected
p36 the 8th line from the bottom	<u>Sabina</u> uses	<u>Sabina Insenbayeva</u> uses...

**Kazakhstan's Investment Strategy
Towards China, Korea, and Japan:
Place and Role of Foreign Investments (2010-2019)**

A Dissertation

Submitted to the University of Tsukuba
In Partial Fulfilment of the Requirements for the Degree of
Doctor of Philosophy in Social Sciences

DISSYUKOV ALMAS

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DEDICATION

To Alua and Alen
To Kaoru

ABSTRACT

This thesis aims to analyze the investment policy of the Republic of Kazakhstan towards China (PRC), the Republic of Korea (ROK), and Japan in 2010-2019--during the last 10 years of the reign of the First President of Kazakhstan, Nursultan Nazarbayev. The uniqueness of this study lies in the fact that the author tries to give an objective assessment of the successful and failed investment efforts by public and private companies of the PRC, the ROK, and Japan in Kazakhstan through the prism of Kazakhstani economic diplomacy, as well as to understand the main motives and goals of the East Asian states (EAS) in this process.

In his publication, the author uses constructivism and post-structuralism as the main theoretical framework, as well as deconstruction and double reading as the basic research methods. At the same time, the author draws parallels between the official discourse of the Government of Kazakhstan (GOK) and the real state of affairs in the investment sphere in order to confirm or refute the arguments of the official authorities. The study allows readers to learn more about the key actors in Kazakhstan's investment policy, basic legal norms and mechanisms for interaction with foreign partners.

DECLARATION OF ORIGINALITY

This PhD thesis does not contain any material, which has been accepted for other degrees in any university. The thesis contains no material previously published or written by any other person, except where due reference is given in the text.

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Any errors and omissions in this thesis are my sole responsibility

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ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
AIFC	Astana International Finance Centre
BCG	Boston Consulting Group
BIT	Bilateral investment treaty
BRI	Belt and Road Initiative
CA	Central Asia (see also C5)
CACO	Central Asian Cooperation Organization (defunct)
CAJ	Central Asia+Japan (dialogue)
CAR	Central Asian Republic(s)
CAREC	Central Asia Regional Economic Cooperation (ADB)
CCI	Chamber of Commerce and Industry
CCP	Communist Party of China
CCTS	Cooperation Council of Turkic-Speaking States (Turkic Council)
CICA	Conference on Interaction and Confidence-Building Measures in Asia
CIS	Commonwealth of Independent States
CNY	see Renminbi (Chinese yuan)
CSTO	Collective Security Treaty Organization
Co.	Company
DAC	Development Assistance Committee (OECD)
DPJ	Democratic Party of Japan (defunct)
EBRD	European Bank for Reconstruction and Development
EAEU	Eurasian Economic Union
EU	European Union
FDI	Foreign Direct Investment(s)
FPK	First President of Kazakhstan
GDP	Gross Domestic Product
GNI	Gross National Income
GOK	Government of Kazakhstan
IAE	International Energy Agency
IISS	International Institute for Strategic Studies
IMF	International Monetary Fund
IO	International Organization(s)
JBIC	Japan Bank for International Cooperation
JETRO	Japan External Trade Organization
JICA	Japan International Cooperation Agency
JPY	Japanese Yen
JSC	Joint Stock Company
JV	Joint Venture(s)
KMG	KazMunaiGas
KRW	South Korean Won
KZT	Tenge (Kazakhstan)

LDP	Liberal Democratic Party of Japan
LTD	Limited (company)
METI	Ministry of Economy, Trade and Industry of Japan (before 2001, MITI)
MFA	Ministry of Foreign Affairs of Kazakhstan
MITI	Ministry of International Trade and Industry of Japan (see also METI)
MNE	Ministry of National Economy of Kazakhstan
MNC	Multinational corporation(s) (see also TNC)
MOF	Ministry of Finance
MOFA	Ministry of Foreign Affairs of Japan
MoU	Memorandum of Understanding
NAI	New Asia Initiative (Republic of Korea)
NGO	Non-governmental organization(s)
NIS	Newly Independent States (former USSR countries)
NPP	Nuclear Power Plant
OBOR	One Belt, One Road (PRC)
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OECF	Overseas Economic Cooperation Fund (previous name of JBIC)
OIC	Organization of Islamic Cooperation
OSCE	Organization for Security and Co-operation in Europe
PM	Prime Minister
PPP	Public-Private Partnership
PRC	People's Republic of China (China)
RMB	Renminbi (Chinese Yuan)
RO	Regional organization(s)
ROK	Republic of Korea (Korea)
ROTOBO	Japan Association for Trade with Russia & NIS
SCO	Shanghai Cooperation Organization
SEA	South-East Asia
SME	Small and medium-sized enterprise(s)
SNS	Social network site (social media)
SOE	State-owned enterprise(s)
SPECA	UN Special Program for the Economies of Central Asia
SREB	Silk Road Economic Belt initiative
TNC	Transnational corporation(s) (see also MNC)
TPP	Thermal Power Plant
UN	United Nations
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organization
USD	US dollar
USSR	Union of Soviet Socialist Republics (Soviet Union)
WBG	World Bank
WEF	World Economic Forum
WTO	World Trade Organization

XUAR Xinjiang Uyghur Autonomous Region (China)

CHAPTER 1. INTRODUCTION



Figure 1.1. Global map with focus on Kazakhstan, China, Korea, and Japan (Google Maps, 2017)

Modern Central Asia (CA)¹ occupies over 4 million square kilometres² and is home to over 71 million people³. The CA republics (CAR) adhere to different paths of political and socio-economic development. This process is conditioned by their geographical characteristics or rather their location, relief, as well as the availability of access to natural resources, markets, and transport communications.

During the first years of independence, remoteness from the key trade communications negatively affected the cost of goods and services produced in the region, as well as the economic attractiveness of the region (Karymshakov and Sulaimanova, 2020:1). As a result, the CA countries demonstrate different levels of

¹ Central Asia consists of 5 former Soviet republics (USSR): Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan (C5).

² The area figure is based on the combined C5 area.

³ The population figure is based on the combined C5 population.

progress, which, in turn, cannot but affect the well-being of their peoples, as well as the economic opportunities and foreign policy towards other CA nations and neighbours.

The modern reality is that Central Asia is developing within its already natural borders, surrounded by Russia, China, Afghanistan, Iran, and the Caspian Sea (Figure 1.1). As a result, the CAR cooperation with neighbouring countries, especially in the framework of regional organizations and forums, is under the constant focus by academic community and foreign policy experts.

Despite the fact that the region was once an important link on the Great Silk Road, today one of the main weak points of Central Asia is the region's remoteness from the open seas and the growing dependence on transport communications of neighbouring countries. During the USSR era, Central Asia followed the classical imperialist logic--the region was an integral part of the Soviet command system (Dannreuther, 1994:19). For example, in the Soviet classification, Kazakhstan was considered separately from other CA republics (Dannreuther, 1994:42).

Accordingly, none of the republics had the right to conduct independent foreign economic activities, as well as affects the adoption of important political decisions. Even in the early 90s, foreign policy efforts of Kazakhstan and other CA countries were carried out through the Russian Foreign Ministry (Zenkovich, 2017:440).

Despite the follow-up socio-economic difficulties after the USSR collapse, over the past 30 years the CAR have been actively working to develop their own economic advantages. At the same time, as experience shows, a political decision of one country always has a natural reaction by other countries in the region. Often, the experience of one country is indicative and serves as a basis for the future behaviour of other CA countries.

One of the important areas of the CA economic diplomacy is the creation of an extensive network of communications with external partners in Europe, the Caucasus, East Asia and the Persian Gulf, which the CA countries then try to integrate with their internal networks. These efforts are designed to open up new opportunities for the CA nations by giving them access to the dynamic markets of China, India, the Middle East and Europe (Bohr et al., 2019:vii).

Today, Central Asia plays an important role in the development of cross-continental transport corridors, which were not possible during the existence of the USSR. It is obvious that in the future the CA region can remain an important land hub in the East-West and North-South directions, if the CA countries can achieve the transformation of Central Asia into a stable, secure and highly integrated region.

These expectations may also collapse if the CA countries fail to cope with modern challenges, as well as to provide reliable support for existing national and multilateral projects. Accordingly, the CA nations can easily lose their strategic attractiveness and become, for example, a new centre of Islamic fundamentalism, drug trafficking and geopolitical conflicts (Herman and Linn, 2011:XXIII).

In 2017, at the time of choosing the topic of the PhD thesis, the nominal GDP of the C5 countries exceeded USD 265 billion (BCG, 2018:10). This success, which clearly does not correspond to the potential of the CA countries, would not have been possible without the active support of their international partners (Muminov, 2019:126). Foreign aid, investment and trade are key components that have played an important role in the development of the CA economies (National Investment Strategy of Kazakhstan, 2017)⁴. In academic terms, a lot has been written about the role of foreign aid and the establishment of trade and economic ties between the CA countries and their international partners. However, the nature and fate of foreign direct investment (FDI) is the least likely to be covered in terms of political discourse. However, they are important not only from the economic point of view of the investing countries, but also of the countries that accept these investments (Hoyrip, 2010:91).

Due to the foreign support and assistance, the CA countries were able to successfully integrate into international community and become members of extremely important international structures--the United Nations (UN), the Organization for Security and Co-operation in Europe (OSCE), the Organization of Islamic Cooperation (OIC), as well as work on the creation of their own forums and organizations--the Conference on Interaction and Confidence Building Measures in Asia (CICA), the

⁴ The text of the Strategy is available on the legal portal 'Adilet,' accessed 17 April 2020, from <http://adilet.zan.kz/rus/docs/P1700000498>.

Cooperation Council of Turkic-Speaking States (CCTS) and many others (KazISS, 2005:23). Thus, in 1998, the Kyrgyz Republic became the first post-Soviet country to join the World Trade Organization (WTO). In 2016, Kazakhstan joined the WTO as a member of the Eurasian Economic Union (EAEU). In 2019, debates over the country's membership in the WTO and the EAEU re-erupted in Uzbekistan.

In the CA region, local elites understand that isolation from international processes and the world economy, as well as the inability to manage their own economy, would directly affect the longevity of local governments (Brown and Ainley, 2005:141) or, as it would be correctly to say, the longevity of the ruling regimes. This postulate can be easily questioned based on the unprecedented measures that the CA countries were forced to introduce after the outbreak of new coronavirus pandemic in 2019-2021. The CA countries were forced to limit their international contacts and rely solely on domestic resources. Nevertheless, the situation with COVID-19 has exposed systemic errors in the CA countries, which indicate a weak return on economic reforms of the past years. The consequences of COVID-19 most likely affect the economic priorities of the CA countries and the nature of their cooperation with foreign partners. However, in order to understand exactly how these relations will change in the future, it is necessary to understand how the relations of the 4 countries changed long before the appearance of the COVID-19, namely in 2010-2019.

The CAR membership in numerous international and regional organizations (IO/RO) and programmes has not allowed them to achieve balanced growth of all CA countries and move forward in matters of intraregional integration (Len, 2008:40). And, it should be understood that investments are a very sensitive component of GDP and most strongly fluctuate from the business cycles occurring in the economy (Samat, 2019:3). For example, during the spread of the coronavirus Kazakhstan was forced to seek humanitarian aid from China, Japan, South Korea and other countries (Butenko, 2020). This also suggests that the CA countries suffer from systemic errors associated with the attraction and distribution of external funds, and in this case, funds received in the form of foreign investments.

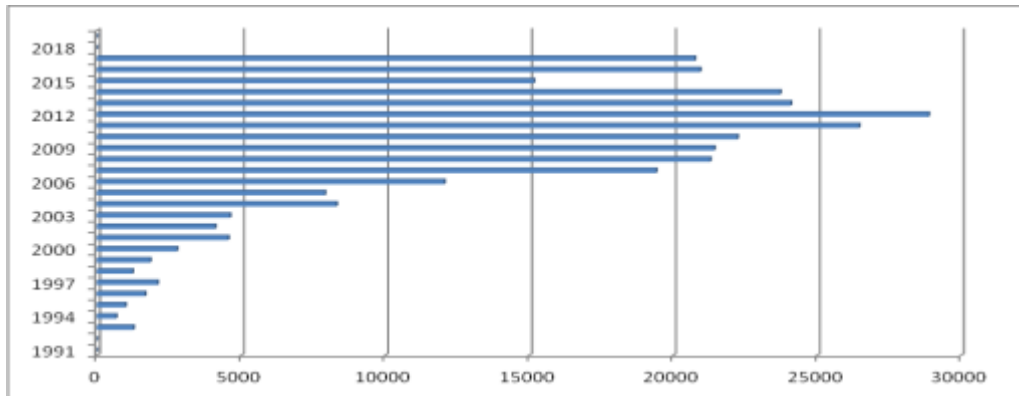
In addition, conflicts of small scale and duration often break out between countries, which demonstrate the discrepancy between the official discourse and the real state of affairs in the border areas. So, in the spring of 2021, another border conflict broke out in the region between the two most vulnerable countries of Central Asia--Kyrgyzstan and Tajikistan. It is also could be related to the lack of progress in the development of intraregional cooperation and achieving high level of the efficiency by local ROs. The largest neighbours of the CA countries, i.e. Russia and China, continue to give preference to the bilateral forms of communication with the CAR. At the same time, they see the CAR as their 'natural continuation' and, accordingly, they do not want to see other actors in the CA region that could undermine their freedom of action (Olcott, 2011:17).

The CA leaders are forced to meet together exclusively in the format of informal consultations, which otherwise could lead to automatic involvement of their closest neighbours, as was in the case of Russia's participation in the Central Asian Cooperation Organization (CACO). In recent years, the meetings of the CA foreign ministers with foreign partners in Central Asia+α format have noticeably intensified (Dissyukov, 2019:16). However, the external factor could also serve as the camouflage for the CA leaders, which is designed to hide the chronic problems that exist in the CAR, as well as the fear of making radical economic decisions in favour of one specific country.

Today, the transit of power in Uzbekistan and Kazakhstan lead to positive changes in Central Asia. Of course, the current trends in the region could strengthen the CA factor in international relations (IR). This is closely related with outcomes of the CA consultative summits that took place in March 2018 and November 2019 in Nur-Sultan and Tashkent. It is extremely important to understand how effective the current economic relations of the CAR with their foreign partners and how the CA nations ready for further transformation of regional processes. This is the main goal behind the PhD dissertation and possible postdoctoral studies. However, the level of economic development and integration of the C5 countries into international processes, as noted above, is very different, which makes a generalized analysis very difficult.

Why Kazakhstan?

Today, Kazakhstan is the largest economy in the CA region, accounting for about 60 per cent of its GDP. In 2017, the GDP of Kazakhstan was USD 159.4 billion, and the GDP per capita was USD 8.837, which was 5 times more than in Uzbekistan, 7 times more than in Kyrgyzstan and 11 times more than in Tajikistan (BCG, 2018:19).



*Figure 1.2. Gross inflow of FDI to Kazakhstan, USD millions
(Ministry of National Economy of Kazakhstan, 2020).*

Kazakhstan has already become a major destination for foreign investment (Figure 1.2). According to the Government of Kazakhstan (GOK), from 1991 to 2019, Kazakhstan attracted more than USD 350 billion of direct investments from 120 countries (Zhussupova, 2019). More than 50 per cent of investments come from the EU member states, 15 per cent from the US and only 5 per cent from the UK and China.

In 2008-2017, total FDI in new projects in Kazakhstan reached USD 82 billion, but they dominated in the primary industries--64 per cent (BCG, 2018:20). At the same time, Kazakhstan clearly understands that against the background of constant fluctuations in the prices for oil and other mineral resources, the country cannot fully hope for successful planning in the long term only on the basis of the oil and gas sector development (Anderson et al., 2018:175).

After the global economic crisis of 2008-2009, Kazakhstan began large-scale programmes for the development of innovations and industrial production, which, again, were not possible without the participation of high-tech foreign companies and financial institutions. However, in 2017, only 4 per cent of the growth came from non-resource industries (BCG, 2018:21). 15 per cent of the country's GDP and 80 per cent of the

country's exports directly depend on natural resources (Table 1.1), which again points to certain problems in the country's investment policy (Berentayev, 2013:33).

Year Item	2014	2015	2016	2017	2018	2019
Hydrocarbons	80%	72%	65%	69%	74%	73%
Metals	9%	13%	17%	18%	14%	13%
Chemicals	4%	7%	7%	5%	4%	5%
Other	7%	8%	11%	8%	8%	9%
Total (USD, billion)	79.5	45.5	36.7	48.0	61.7	57.7

Table 1.1. Kazakhstan's export composition in 2014-2019⁵

Official documents and presentations by Kazakhstani official agencies to convey to foreign investors 2 important messages--(1) the economy of Kazakhstan is the most attractive for foreign investment, as well as serve as (2) a gateway to the markets of China, Russia, the Caucasus and the Middle East⁶. Today, this approach could be easily questioned, for example, based on the size of the working-age population in Kazakhstan and Uzbekistan, which, in fact, would affect the parameters of the domestic market.

Kazakhstan was supposed to become a locomotive of regional development only through the development of trade, reduction of dependence on foreign aid and effective use of foreign investment. In the future, ineffective reforms, the lack of desire of the Government and local businesses to develop new industries in Kazakhstan and the CA region, may deprive Kazakhstan and the CAR of additional growth opportunities.

In this regard, it is important to revise the substantive part of the investment policy of Kazakhstan, namely to analyze its relationship with the EAS leading troika--the People's Republic of China (China), the Republic of Korea (Korea/ROK) and Japan, which occupy a key place in the foreign economic strategy of Kazakhstan in Asia. The case of Kazakhstan is also interesting because Kazakhstan is simultaneously a country

⁵ Retrieved from online conference by the Institute of World Economy and Politics (Kazakhstan) and the Whiteshield Partners consulting company on 'New incentives for the economy. Industrialization. Post-industrial society,' which was held on May 13, 2020, via Zoom.

⁶ Ibid.

that supplies significant resources to foreign countries, as well as a country that depends on the supply of industrial equipment and processed products (Koulouri and Mouraviev, 2021:20).

According to President Tokayev, in the 90s Kazakhstan considered Asian countries, i.e. the PRC, the ROK, and Japan, as “*an alternative to the West in terms of the possibility of obtaining investments, new technologies and equipment, as well as the sale of energy and raw materials*” (1997:180). However, a key aspect of this study focused on the EAS efforts through the prism of Kazakh economic diplomacy.

First of all, Kazakhstan is the largest economy in the region, but with a relatively small domestic market and a developing transport sector. Economic growth is largely shaped by the intensive development of the mining industry, agriculture and government infrastructure projects.

Moreover, Kazakhstan’s efforts to decarbonize the national economy and achieve carbon neutrality by 2060, on a par with countries such as China, Japan and the European Union, are seen as interesting.

Secondly, Kazakhstan is a member of the WTO, the EAEU, the One Belt, One Road Initiative (OBOR or BRI), and also seeks to join the Organization for Economic Cooperation and Development (OECD), which makes the Kazakhstan case unique compared to other CAR.

In addition, there is a further convergence of the national development strategies of Kazakhstan with its eastern neighbour (Amirebayev, 2018:47). And, these processes influenced the transformation of the investment legislation of Kazakhstan.

Thirdly, the consideration of Kazakhstani cooperation, for example, with the Europe or the Middle East, seems extremely difficult from the point of view of the large number of potentially studied countries, as well as the long absence of Kazakh diplomatic missions in certain countries.

Fourth, Kazakhstan has long-standing and close ties with almost all Asian countries. At the same time, the PRC, the ROK, and Japan are only 3 Asian states among top priority investment partners for Kazakhstan over the past 30 years, despite

the different positions on the trade turnover and the number of joint ventures (JV) (Figure 1.3 and Figure 1.4).

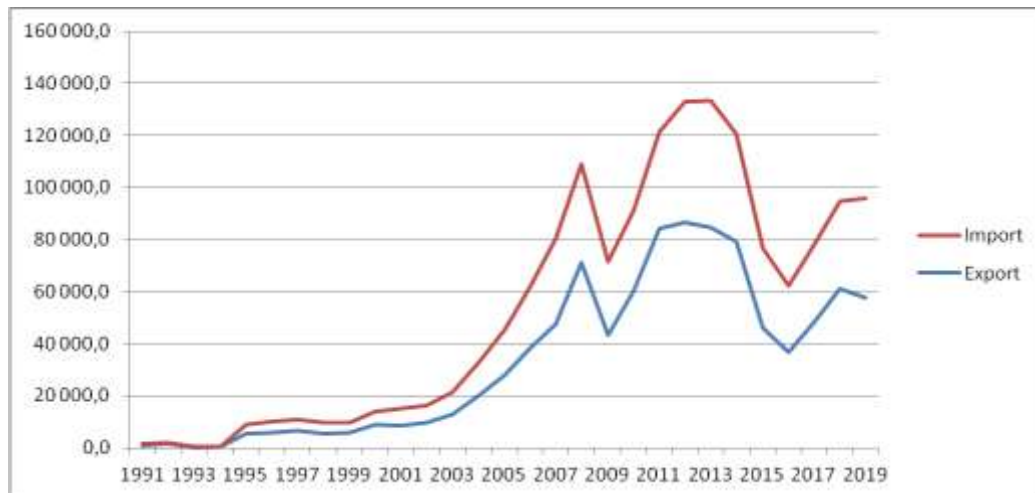


Figure 1.3. Foreign trade turnover of Kazakhstan, USD millions (Ministry of National Economy of Kazakhstan, 2020).

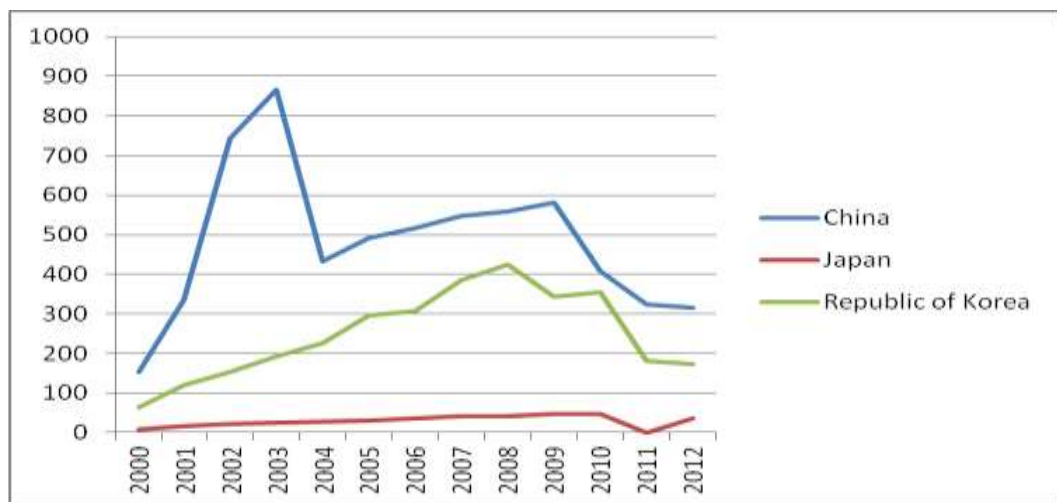


Figure 1.4. Number of operating enterprises with foreign capital in Kazakhstan⁷ (Ministry of National Economy of Kazakhstan, 2020).

Fifth, among the EAS, there is no such great focus on credit ratings that would determine the place and status of the CAR in their economic strategies.

Moreover, when local politicians talk about the investment policy of Kazakhstan in North America, Europe or the Middle East, it can be concluded that these regions serve as status regions for Kazakhstan, since not all EU-marked investments belong to

⁷ The website of the Committee on Statistics of the Ministry of National Economy of Kazakhstan, accessed April 22, 2020, <https://taldau.stat.gov.kz/ru/NewIndex/GetIndex/703746?keyword=>.

the European companies (Gusev, 2020). In recent years, there has been a noticeable visual shift in Kazakhstan's investment efforts towards the PRC, rather than to Japan or Korea, which once played an important and equal role in this process.

In the academic literature, media, as well as among expert community, statements on the competition of the PRC, the ROK, and Japan for economic dominance often prevail. However, they most often forget that economically these countries are very closely related to each other (Library of Congress, 2006:5). At the same time, international experts traditionally divide the PRC, the ROK, and Japan's efforts by their role. Therefore, China was considered as the main trading partner, Japan as the main creditor, and Korea as the main investor (Reznikova, 2000:242). In the past, Korean businesspersons were an important source of capital and expertise in Kazakhstan and Uzbekistan. Japanese politicians were more interested in providing aid to Kyrgyzstan (Olcott, 2005:53-54).

And, the current level of investment cooperation between the CA countries and the East Asian partners demonstrate new trends. Through this thesis, the author would like to supplement the existing scholarship on Central Asia and shed light on how the real state of affairs in the investment field has changed over the past 10 years.

The CA countries traditionally play a secondary role in assessing the economic strategy of the leading Asian economies. Such situation led to the formation of certain gap in the academic literature, which, in case of successful approach, could help the author and readers to more accurately understand the investment motives and behaviour of the CA countries from the point of view of internal rather than external factors.

In fact, in 1991, the CA countries became independent and full-fledged actors of IR and, accordingly, have a wide arsenal of legal, administrative and other means that help them to form trade and economic relations and protect their national interests, including at various IO/RO (Muminov, 2019:127).

According to current Kazakh President Kassym-Jomart Tokayev, who became the successor of Nursultan Nazarbayev in 2019, who in turn was at the helm of the country for about 30 years, Kazakhstan did not have a tradition of foreign policy activity during the Soviet era. The principles of Soviet diplomacy did not fit Kazakh

authorities due to incompatibility with its ideology, goals and objectives (Ministry of Foreign Affairs of Kazakhstan (MID), 1998:14). On the other hand, the EAS were not able to use the same strategies and approaches as they used towards the former USSR. It was impossible, because Kazakhstan relied on policies that were more suitable for their nation-building efforts and interests of its elites.

The study of this topic allows us to understand both the place and role of the Russian factor in the investment policy of Kazakhstan and the behavior of the EAS in Central Asia based on the launch of the Eurasian Economic Union and BRI, which exist in parallel to each other. At the same time, Kazakhstan is trying to position itself as a springboard for penetrating the markets of the EAEU countries and a bridge between Europe and Asia.

According to Reznikova's statement, globalization leads to the formation of new paradigm of rivalry and cooperation in the CA region (2000:242). Despite the relatively close and trusting relations with their foreign partners, the countries of the CA region in the past have also resorted to measures of economic protection (Laruelle, 2017:21).

For example, the attempts of Kazakhstani resource nationalism, which will be described in subsequent chapters, are not always detailed in the academic literature. They are also very rarely mentioned in the official discourse of the studied countries.

All these examples demonstrate the constant formation of a new image of modern Central Asia, which is significantly different from the traditional, Russian or Soviet-ruled Central Asia (Kavalski, 2010:3).

At the same time, any actions of the CA countries in relation to foreign partners force them to assess differently the behavior of the CAR, especially when it concerns their commercial interests in the region. If in the case of companies, the reputation of one company suffers, then in the case of the countries of the former USSR this is reflected in the reliability of the entire state system. This forces foreign business to use government levers for an equal dialogue with the CA countries at the government level. Therefore, the development of bilateral dialogue frameworks and legal instruments limits the acceptable behavior of the CAR towards foreign countries.

Such economic weaponry is becoming less accessible in the framework of the CAR membership in IO/RO, and after improvement of the national legislation based on appropriate international standards. In this regard, study of the Kazakh case would lead to clear understanding of the EAS role in the formation of the rule of law in Central Asia based on the case study of their investment cooperation.

In the 1990s, expectations of international scholars on possible integration of the CA countries into a promising single market did not come true (Rumer, 2000:8). However, today the CA region is going through important process that could bring both a unifying and a separating nature to the further attempts on regional integration and trade. In case of new solid incentives, the CA countries could easily advance their trade, economic and investment cooperation with traditional and new partners (Kapparov, 2012:17).

The purpose of the present study is to revise Kazakhstan's investment strategies towards the PRC, the ROK, and Japan, namely, to show how these mutually inter-related approaches have been formed, and changed over the past 10 years under the external influence. The analysis would improve understanding of economic goals of the CA nations in their relations with the EAS. In fact, the investment strategies, as specific types of empirical data, are an important tool for assessing the potential and role of Central Asia in the EAS economic strategies, as well as understanding the content and characteristics of Kazakhstan's existing communications.

The EAS are also not homogeneous in their domestic nature (Aoki, 2012:3). This applies not only to the dominant political philosophies in these countries. On the one hand, China is seen as a global competitor to the US and the EU, interested in transforming the existing economic and financial systems. On the other hand, Japan and Korea are striving to reform existing international trade and investment rules. As for the investments, China at the state level provides active support to its national and private companies abroad. At the same time, Japan and Korea can demonstrate only soft political support, while having only a limited set of financial instruments.

Investments are a direct product of the interaction of a larger number of actors, without whose consent, primarily of the C5 leaders, this process cannot be implemented

(Goldstein and Pevehouse, 2011:343). In many ways, the search of investment gaps in the policies and real steps would lead to a more sensible assessment of the rationality of Kazakhstan-EAS relations, including strong and weak points of such cooperation. Moreover, the thesis would improve Kazakhstan's perception and understanding of the CA context.

In this regard, the thesis focuses on bilateral investments, including in the framework of multilateral projects. The regional aspect was also applied in order to show how certain initiatives are projected by Kazakhstan on its external relations with the EAS and the CAR.

The main actors considered in this thesis are government bodies, state and quasi-state organizations, as well as private companies that fall under the description of large business. The large business means companies with foreign branches and representative offices in 2+ countries. The inclusion of companies is essential, as investment leads to an increase in the level of influence by TNC (Nau, 2017:380). The study scope excludes representatives of small and medium-sized businesses (SME), because the work of such structures is spontaneous. As a rule, projects with the participation of such companies are not of high interest for leading media outlets and scholars, which can also affect the quality of the collected information.

In general, this study would contribute to 2 main domains--Area Studies and International Development. Despite the seemingly economic aspect of the thesis, this work aims to assess comprehensively the investment documents of the 4 countries from a political angle, as well as the role of investment in CAR-EAS international relations.

1.1. Research questions

1). What strategies, approaches and tools does Kazakhstan use to attract investments from China, Korea, and Japan?

2). What are the main rules and norms of investment cooperation between Kazakhstan and China, as well as Korea and Japan?

1.2. Arguments

The arguments selected below are critical thresholds that can most fully approach the understanding of the nature of the existing investment relationship between Kazakhstan and the EAS.

1). Investment policy of Kazakhstan does not have a clear integrated system responsible for the formation, implementation and monitoring of investment projects, and is also focus exclusively on large business.

2). Kazakhstan's investment policy lacks the necessary mobility to keep foreign investors in the country.

3). The EAS have not changed their attitude towards Kazakhstan and they consider it exclusively as a market for their products and resource base.

1.3. Theoretical framework

The IR theories are important because they identify the key causal relationships and constructions that help define and guide the course of research (Remler and Van Ryzin, 2011:26-27). Below readers can find main arguments in favour of the chosen theoretical framework.

Investments are a kind of catalyst that most often respond to internal and external factors. They are a source of energy that helps countries develop and enrich themselves. They are also an indicator of how high the share of the country's need for additional sources of financing, and the possibility of participation of national institutions and private structures in investment activities. At the same time, investments have long turned into an instrument of foreign policy and economic diplomacy, and also directly or indirectly affect the formation of the state identity.

In this regard, the choice of the theoretical framework was started from the point of view of *realism* and possible balancing of Kazakhstan between the interests of stronger powers.

In fact, international actors can consider Kazakhstan, located between the 2 key countries of Eurasia--Russia and China, as an important player in modern IR. In this case, Kazakhstan's case could be considered from the point of view of the interests of

stronger neighbouring countries and/or the survival of the country in difficult geopolitical conditions. For example, it is believed that eventually Kazakhstan will have to make a choice in favour of one country.

However, by all its actions, Kazakhstan makes it clear that this country adheres to a multilateral approach in its foreign policy and is trying to actively interact with all well-known international centers. This is due to the fact that Kazakhstan was able to build close and intensive contacts with the United States, the European Union and key European countries, as well as with the countries of the Middle East, which actively involve Kazakhstan in their political and economic initiatives.

At the same time, the availability of rich resources contributes to the involvement of the republic in the orbit of the geo-economic interests of other countries. Of course, larger countries can strengthen their presence in the extractive sector of Kazakhstan in order to influence the economic relations of Kazakhstan with other foreign countries. In this vein, neighbouring countries, primarily Russia and China, can resort to different instruments in the struggle for access to the CA natural resources for the survival of their own countries.

Realism traditionally considers economic and security issues in close connection, in which security forms the framework for economic relations (Kat, 2015). Their main driving force is the desire to enrich the nation (Weber, 2010:16). In addition, investment is viewed through the prism of access to important resources and markets (Nau, 2017:380).

Currently, Kazakhstan is demonstrating a desire to develop its export potential in the framework of regional associations (e.g., EAEU and SCO), which generally correlates with the vision of realism. At the same time, Kazakhstan is interested in the inflow of capital for the development of domestic innovations, which notion belongs to liberalism. Realism also does not allow assessing all 4 countries, since Korea and Japan are interested in free markets (Nau, 2017:350).

Moreover, in recent years, the human dimension, namely the political behaviour of citizens of Kazakhstan, has begun to exert a strong influence on the country's investment policy. In their statements, Kazakh politicians are increasingly talking about

social benefits of investments for ordinary Kazakhstanis, i.e. creation of new jobs and other public goods. Anti-Chinese demonstrations in Kazakhstan on such topics as the transfer of Chinese enterprises to Kazakhstan or the lease of Kazakhstani land by China suggest that the factor of public opinion is beginning to act as an important element of the checks and balances system or even domestic opposition that shaping the further behaviour of the state apparatus.

For example, let look at the national debates on the issue of building a nuclear power plant (NPP) in Kazakhstan. The issue has 2 major irritants at once--(1) rationale of political decision to build the NPP and (2) a potential partner, who will implement such risky project. At present, Russia and Japan are most often among the outsiders of public opinion because of the tragic legacy of 2 accidents at the Soviet Chernobyl and the Japanese Fukushima-Daiichi nuclear power plants. China also failed to implement a large high-speed rail transport-related project in Kazakhstan in the mid-2000s due to similar concerns on the reliability of Chinese systems.

In general, realism with its key concepts of power, anarchy, statism, survival, self-help and balance of power, after all, is better suited to describe the processes that have developed in Central Eurasia, especially against the background of a large number of supporters of the Great Game. However, despite the great influence of politics on economic processes in 4 countries, the use of the state-centric assumption of realism is hampered by the following facts.

First, as can be seen, the political leadership in some of these countries has long ceased to reflect the will of the majority of the population. This can be seen through the democratic processes in the ROK and Japan, as well as through the domestic political features of the PRC and Kazakhstan development.

Secondly, often IR between these countries are carried out not only by political leaders, but also by TNC, which today represent not only Japan and the ROK, but also quite successfully promote the PRC interests.

Thirdly, the experience of Kazakhstan shows examples of successful cooperation between the 3 remaining countries, including copying the peculiarities of business

behaviour, which also calls into question the assertion that the benefit of one state leads to a decrease in the profit of another.

Fourth, all 4 countries are members of the WTO, and strive to expand the bilateral legal frameworks, which to a certain extent allows them to regulate some investment and trade issues with Kazakhstan.

The factor of the noticeable presence of transnational actors and civil society obliges to consider this topic from the point of view of liberalism.

Liberalism applauds by the fact that economic relations create conditions for collective enrichment. At the same time, the factor of economic interdependence is a determining factor in relations and reducing conflict potential. Diversification of investments and strengthening of international norms for the protection of national interests are also viewed from the perspective of security and economic dependence.

Liberalism takes very seriously the issue of ‘hospitality’ of investors by individual countries, and how these investors influence the economic policies of host countries, namely, to what extent they are willing to sacrifice their sovereignty in order to create favourable conditions for third countries (Burchill et al., 2005:77). In this context, the author drew attention to how China is trying to use the business practices of Japan and Korea in Kazakhstan in order to reduce the intensity of negative sentiments around Chinese investments.

However, given the geographical location of Korea and Japan, it is difficult to argue that Kazakhstan is fully interconnected with these 2 states (Nau, 2017:351). In addition, individual episodes, such as manifestations of ‘resource nationalism,’ indicate that the CA countries are resorting to various instruments of pressure in order to protect their own interests (Laruelle, 2017:21).

The modern history of Kazakhstan shows that, despite various scenarios that indicated a strong rapprochement of the country with Turkey or Iran, Kazakhstan was able to find its own orienteer at the international scene and largely promote its cooperation with the countries of Europe and Asia.

In particular, Kazakhstan and the EAS were able to develop certain legal and institutional frameworks that allowed them to form the foundation of bilateral relations

and norms that today defining and correcting these relations, as well as solving problematic issues. Moreover, Kazakhstan and the EAS are making tremendous efforts to form new and strengthen existing international mechanisms responsible for multilateral cooperation in the field of security and development.

The author is agree with the opinion of neoliberals that cooperation is not automatic and involves planning and negotiation. At the same time, cooperation is possible if it is sufficiently coordinated by regimes and ruling institutions. Today, most of studied countries are parties to the treaties that perceived by many experts as military-political blocs, e.g. the US-Japan Alliance, the Shanghai Cooperation Organization (SCO) or the Collective Security Treaty Organization (CSTO).

Nevertheless, the CAR and the EAS are showing a desire for cooperation and interaction. In this regard, the liberals' assertion that power politics is a product of ideas, and ideas can change, is salutary. Considering expert opinions and media publications on Kazakhstan, the PRC, and the ROK, including on corruption crimes, as well as violations of human rights and freedoms, it is difficult to argue that these countries fully follow the principles of liberalism. Thus, the author cannot ignore the existing publication that 162 people in Kazakhstan own about 55 per cent of the country' well-being, which in turn creates differentiated opportunities to increase the level of wealth of Kazakhstani citizens (KMPG, 2019:24). Not surprisingly, over 3 waves of privatization, about 90 per cent of state property passed into private hands, including to foreign companies. (Kuttykadam, 2017:138).

It is important for liberals to build a political system capable of protecting the country from external threats, while preserving the fundamental rights and freedoms of the country's citizens. Another important characteristic is the presence of an institutional system of checks and balances between the executive, legislative and judicial branches of government (McGlinchey et al., 2017:23).

The domestic political events in Kazakhstan indicate that Kazakhstani authorities were able to achieve this goal only partially. Today, local demonstrations might be considered as one of the important tools for understanding of the GOK's approach towards liberal values. However, without understanding the norms and ideas

themselves, it is extremely difficult to assert what kind of identity Kazakhstan today holds towards the EAS.

In general, the author sees a strong divergence of liberal values, including on the inner and outer tracks. Nevertheless, the author still intends to use some elements of liberalism in relation to the membership and cooperation of 4 countries in framework of the WTO and other IO of economic nature.

Speaking about the possible rivalry between countries, the Kazakhstani case could be considered from the point of view of *Marxist theories* in the field of IR, despite the fact that the works of Karl Marx and Friedrich Engels did not stake on interstate relations. Such intention could be motivated by the fact that Kazakhstan and China once adhered to similar principles in the economy and relations between the 2 countries began long before the collapse of the USSR.

At the same time, First President Nazarbayev in his numerous publications always mentioned that Kazakhstan had trouble in relations with the Soviet (central) leadership and could not count on sufficient amounts of subsidies from the Centre⁸, received from the sale of resources extracted in the country. It is obvious that at the official level there was a strong departure from the previous ideology and values.

For both China and Kazakhstan, the ideological principle could be considered as the basis of personal relations between the 2 leaders and the 2 countries. However, Karl Marx focused more on the differences between nations. In this regard, Kazakhstan and China, as well as Korea and Japan, since the beginning of their modern history, have adhered to different, but similar development models, where Kazakhstan and China demonstrate the dominance of one political force, and Korea and Japan are examples of political pluralism. The economic model of Kazakhstan's development is also significantly different from the behaviour of the PRC, the ROK, and Japan, which for the most part, but with varying degrees, consider Kazakhstan only as a mean of enhancing their economic well-being.

⁸ In Soviet times, the central government was called the Center, sometimes Moscow or Kremlin. Today, the term Center is widely used in the diplomatic vocabulary of the former USSR countries to refer to the central office of the Ministry of Foreign Affairs.

Taking into account the specifics of economic relations between the 4 states, the work of the most famous follower of Marx--Vladimir Lenin, namely his *Imperialism, the Highest Stage of Capitalism* (1917), seems interesting. In his book, which also provides early descriptions of China and Japan, Lenin argues that the development of capitalism affects the scarcity of raw materials, as well as intensifies competition and the pursuit of sources of raw materials around the world (Lenin Internet Archive, 2005). Yet, the study of the social world to understand the whole process is extremely difficult from the point of view of the history of the 4 countries, philosophical movements, and the construction of civil society, political processes and the entire complex of international relations.

Constructivism, which contains such concepts as the identity, interests and practices of actors in world politics, helps the best to answer research questions (Barnett, 2001:144). In fact, ideas, knowledge, norms and rules as examples of social relationships are important social forces for better understanding the behaviour of a large number of actors, both on the internal and external tracks, especially for such specific direction as investment. As Alexander Wendt said,--“*Anarchy is what states make of it*” (1992).

Pillars of identity such as Self and Others are now actively used to study the foreign policy of Japan, the PRC, the ROK towards the post-Soviet countries (e.g., Buch, 2009; Dadabaev, 2016; Cornell and Engval, 2017; Insebayeva, 2018), which in general speaks about the huge prospects of this theoretical approach. This allows readers to understand the place and role of the Central Asian countries in the politics of the East Asian countries, as well as the main political trends in Korea or Japan associated with the emergence of new initiatives and the departure from old outdated approaches.

Today, based on the versatile reaction of Kazakhstani society to economic projects with the participation of China, including in the field of agriculture and the transfer of Chinese production facilities to Kazakhstan, the reaction of people helps to understand the values and norms, prevailing in Kazakhstan society. Social norms, as a

standard of appropriate behaviour for actors, shape the country identity (Katzenstein, 1996:5).

Drawing a parallel between the well-known comparison by Alexander Wendt about the importance of 500 nuclear warheads of Great Britain and 5 bombs of the DPRK for the US (Wendt, 1995:73), the author decided to ask a similar question about the importance of each investment from the PRC, the ROK, and Japan for Kazakhstan. And, the GOK should take into account such important factors as the purpose of investments, their volumes, conditions, as well as the international obligations arising from such steps, which affect the international behaviour of the country and its perception by foreign partners. As the saying goes, actors behave in certain ways because they believe that it is appropriate (March and Olsen, 1998:951-952).

Accordingly, this theory is extremely important for understanding not the material, but the identical significance of investments, namely the social context of such relations. In this regard, the author is convinced that investments have different meanings for the Government and citizens of Kazakhstan. In the first case, investments allow solving economic and social problems; while citizens have their own vision, namely, they give priority to the quality of all possible investments.

The lack of an open reaction and discussion from the official side may show that the investment policy of Kazakhstan contains certain gaps, which indicate the presence of possible systemic errors that do not allow speaking about the desired success of this strategy. At the same time, understanding of social constructs is extremely important for understanding how these ideas and perceptions are reflected in the official discourse and/or real steps of the Kazakh authorities. Indeed, ideas and beliefs are extremely important in order to understand the interests of countries and to see how they determine the behaviour and multiple identities of countries during the implementation of their investment policies (McGlinchey et al, 2017:37).

At the same time, taking into account the fact that many works have been written about the foreign policy of Kazakhstan and the EAS, adjusting of ideas, beliefs, norms and identities requires rethinking a huge layer and the entire spectrum of their relations with foreign partners.

In order to try to answer the research questions, namely to reconsider the essence of Kazakhstan's investment policy towards the 3 countries of the East Asia on the basis of specific projects, the author is nevertheless decided to use the **post-structuralism**. As Foucault mentioned,--“*we must not imagine that the world turns towards us a legible face which we would have only to decipher*” (1984:127).

The author is convinced that the study of one specific period will help to better understand the Truth and Knowledge about how the investment relations of the 4 countries are built. To do this, the author intends to re-check the hitherto known Facts and Beliefs, and make sure how correctly to apply the established postulates in modern realities (McGlinchey et al., 2017:57).

The *Boston Consulting Group's* report makes wonder if the current dominant view of the East Asia is an artificial and pervasive national representation of certain elites, who benefit most from it. This is evidenced by the fact that many members of the Government and the quasi-public sector are representatives of a professional group of managers, who have been in power for many years and often replace each other, or have close family relationships.

The concept of Conjugation or Connectivity between the state programmes of Kazakhstan, the PRC, the ROK, and Japan, in fact, serve as the incentive. The official authorities of Kazakhstan make the choice in favour of one or other foreign partner based on these 2 popular in Kazakhstan notions. However, the limited nature of the information forces researchers and scholars to question some of the statements, including those concerning Kazakhstan's modern identity and the real level of its sovereignty. In turn, the author offers 3 binary pairs in relation to investment projects--Before and After; in relation to the list of available investment projects--Available and Closed, as well as in relation to investment projects--We and They.

In general, this theory allows the author to focus on 2 important elements, namely the official and public discourses, as well as the tools that today define the relationship between the 4 countries, and understand the boundaries between Natural and Constructed discourse. In this regard, the author uses in his work such strategies as deconstruction and double reading.

Taking into account the fact that information on cooperation between Kazakhstan and these countries in some areas is closed, for example, in the field of nuclear energy, the author does not refuse to use triangulation, which should create the effect of double-checking (O'Donoghue and Punch, 2003:78).

There is lack of Chinese, Korean or Japanese approaches to the IR theories. Therefore, the IR theory in *China* has 2 meanings--an instruction for action or the perspective of perceiving the world. At the same time, the formation of theoretical thought pursued narrow goals, including based on the spread of communist ideals. Today, Chinese science, among other things, is subject to the influence of Western theories and the absence of a theoretical core within the country, including on such key concepts for Beijing as sovereignty and territorial integrity (Qin, 2010:27-36). Nonetheless, Chinese intellectuals use Western discourse to reflect the Chinese context.

In general, the *Japanese* flying geese model can be applied to the study of Japan's relations with the CA countries. However, the example of Central Asia+Japan (CAJ) Dialogue shows that, unlike the ASEAN countries, Japan most often positions itself as a catalyst for intraregional cooperation in Central Asia. That is, Japan sees itself not at the head of a certain movement of Central Asian countries, but nearby, as a supporting country. Respectively, it is not suitable for studying this case. The Japanese approach deserves special attention in assessing the impact of historical processes, including diplomatic history as experiences that may have an impact on a country's foreign policy (Inoguchi, 2010:52).

With the development of international economic relations, *Korean* scholars also used foreign achievements, mostly American studies, to adapt them to the international characteristics around the Korean Peninsula, especially in relation to interdependence and globalization, which made it possible to strengthen the focus on issues of Asian regionalism and others (Chun, 2010:73). At the same time, the focus of Korean scholars is aimed at maintaining the balance of power and improving a safe environment, taking into account the changing realities in the world and the region.

1.4. Methodology

Based on the chosen theoretical framework, the author resorts to the strategy of *deconstruction* as the main method of his work, since it helps to cover both established and oppositional concepts, as well as the relationship between them (Burchill et al., 2005:179). As the saying goes, “*the manifest discourse, therefore, is really no more than the repressive presence of what it does not say; and this ‘not-said’ is a hollow that undermines from within all that is said*” (Foucault, 1969:28).

Deconstruction is the mechanical disassembly of parts and analysis of their origins in order to understand how the whole works. In fact, the author questions those well-established statements about the chosen topic, since the initial review revealed the absence of such important criteria as the content of the projects, the process of their implementation, as well as the added value or significance for the entire complex of bilateral relations between Kazakhstan, the PRC, the ROK, and Japan.

The author believes that the lack of a proper analysis of investment projects is an important element that can call into question the existing statements about the strategic nature of Kazakhstan’s cooperation with the EAS. Nevertheless, this strategy can help shed light on which areas and projects today form the backbone of this partnership, thereby displaying the missing context of these relations. At the same time, the object of deconstruction is Text, but, in fact, it is not. The Text applies to any meaningful Totality that includes everything--practices, institutions, and even structures (Thomassen, 2010:43).

Further, *double reading* is important for understanding how words and subsequent actions relate to each other, namely through a more critical approach to Texts. In reality, the primary reading is a reproduction of intentions, namely what the author wanted to say, while the second or critical reading deconstructs the meanings that were determined during the primary reading (Kakoliris, 2004:283).

This choice is conditioned by the fact that the official statements of Kazakhstani leaders often became the subject of public discussion and additional comments from other officials, but already of a lower rank⁹.

The study is based on numerous case studies of investment cooperation between Kazakhstan and the EAS in various industries. At the initial stage, the number of cases exceeds the average rate. Accordingly, they were reduced following the completion of Phases 1, 2, and 3, which are described below.

At the first stage, the author uses a desk research of official documents, including statistical data and related media publications, as well as content analysis of legislative acts. In 2019-2021, the author also used the opportunities provided by the Foreign Ministry of Kazakhstan to be acquainted with the work of the Foreign Ministry, as well as to get a free access to the legislative acts of Kazakhstan. Moreover, during the COVID-19 pandemic, the author was able to take advantage of numerous opportunities to participate in accessible online conferences by Foreign Ministry of Kazakhstan, TALAP research centre, etc.

At the second stage, discourse analysis was used to scrutinize oral and written statements by officials responsible for the development and implementation of investment policy, as well as other stakeholders involved in joint projects (Bryman, 2012:528).

This process, including a detailed study of the acceptable language, helped to identify political motives and create conditions for assessing the comparative advantage of Central Asia and Kazakhstan. Acceptable language--the author's term, proceeds from the fact that politicians use those phrases and words that should correspond to the status of each country and content of bilateral relations. As a rule, such phrases are used in political or positional documents.

In the third stage, self-constructed interviews and open-ended questions (e.g., personal and informant factual questions; knowledge and belief questions) were applied

⁹ For example, in 2016, First President Nursultan Nazarbayev during his meeting with Japanese Prime Minister Shinzo Abe announced that he intends to visit Nagasaki as part of his fourth official visit to Japan. Later, appropriate news report on the website of the President of Kazakhstan was changed since the former Kazakh leader accidentally confused Hiroshima with Nagasaki.

to verify and clarify previously discovered facts, such as historical dates, names, negotiation positions and additional data. At the same time, conversational analysis to assess the content and value of interview data was used. Taking into account the fact that this analysis includes, among other things, the principle of invitation (Bryman, 2012:526), the author was able to understand at early stage what kind of aspects of investment cooperation are of high interest/rejection among the interlocutors.

In general, these approaches are key and make it possible to collect more new information due to certain difficulties associated with obtaining official data from the government agencies of the PRC, the ROK and Japan.

The author also resorted to the help of written or telephone interviews for those, who found this method the most convenient in terms of time and content. These interviews were conducted during field trips to Kazakhstan, as well as during participation (observation) in bilateral investment events (e.g., road shows, seminars, exhibitions, meetings of joint commissions).

Taking into account the latest trends in Kazakhstan and China on security-related aspects, the author sent official inquiries to all potential candidates with brief outline of the study and questions. It is closely related with the fact that the author had worked at the Foreign Ministry of Kazakhstan in 2005-2017, i.e. before the entering The University of Tsukuba. In order to exclude the biased factors, he intentionally attached his CV to all his requests. Moreover, taking into account the military oath given by the author in 2004 and the agreement he signed on the protection of state secrets in 2005, he sent a separate letter to the Executive Secretary of the Foreign Ministry of Kazakhstan outlining the essence of his research and the content of his interview requests.

Approximate questions: What do you think are the strengths and weaknesses of Central Asia? In what way do you think Kazakhstan stands out among other CA countries? How effective do you think Kazakhstan's cooperation with your country/company is? Could you share some successful or negative examples?

In general, these approaches have achieved the effect of triangulation, namely, crosschecking of various facts and statements (Remler and Van Gyzin, 2011:12).

1.4.1. Limitations

Unfortunately, the author was unable to use sources written in Chinese and Korean. Accordingly, the author relied solely on those sources that were written in Kazakh, Russian, English, and Japanese. This also applies to interviews. In addition, taking into account the visa innovations, as well as the outbreak of the coronavirus that broke out at the end of 2019, the author was unable to make direct trips to the PRC and the ROK; contacts between Kazakhstan and Japan were temporarily interrupted. The author was forced to stay in Kazakhstan in March 2020-March 2021 due to the state of emergency and strict quarantine measures in the country, as well as travel restrictions in Japan and Kazakhstan.

1.4.2. Definitions

The author uses the words Nur-Sultan, Ak-Orda and Republic to describe Kazakhstan and understands by them the Government of Kazakhstan and/or official circles. The names of the previous and current Presidents of Kazakhstan, Nursultan Nazarbayev and Kassym-Jomart Tokayev, have a corresponding meaning.

The author uses a similar technique for China--Beijing, Japan--Tokyo, Kantei, as well as for Korea--Seoul, not counting the names of the top leaders of these countries.

Korean means the Republic of Korea/ROK, and Chinese means the People's Republic of China/PRC within the boundaries that are officially recognized by the GOK.

By investment, the author means assets or items that are acquired in Kazakhstan for generating income or benefits. From an economic point of view, it is the process of acquiring goods intended to create future wealth. From a financial point of view, an investment is an asset that must be profitable or can be sold at a higher price¹⁰. The MFA Kazakhstan understands by investment--*“all types of property (except for personal consumption goods), including financial leasing items, as well as the rights to them, invested by an investor in the authorized capital of a legal entity and an increase*

¹⁰ Section Investments on Investopedia, accessed 16 May 2020, <https://www.investopedia.com/terms/i/investment.asp>.

in fixed assets used for entrepreneurial activity, as well as for implementation of the public-private partnership project, including a concession project”¹¹.

The ‘Investment climate’ includes economic, financial and socio-political conditions, not counting indirect facts that influence the behaviour of individual actors and/or institutions of the PRC, the ROK and Japan to provide loans or purchase a business in Kazakhstan¹². The MFA Kazakhstan understands by investment project--“*a set of measures providing for investments in the creation of new, expansion or renovation of existing production facilities, including production facilities created, expanded or renovated during the implementation of a public-private partnership project, including a concession project*”¹³.

The ‘Business environment’ is the sum of internal and external factors, including measures taken by the GOK, as well as social, market and economic trends that determine the behaviour of companies and business organizations¹⁴.

The above terms have a similar meaning in both Kazakh and Russian, which Kazakh officials use in their daily practice. They have no other traditional meanings, for example, in the Kazakh language.

Analyzing the terms used, readers may notice that, in general, the GOK is attracting foreign investment in order for allow foreign companies to use Kazakhstani assets to increase their profits. Consequently, Kazakhstan has a limited perception of investments and their application on a national scale.

1.4.3. Measurement

In order to assess certain areas of investment cooperation, the author used the following data: (1) statistics on bilateral trade: data on exports and imports, as well as possible deficit or surplus; (2) investment statistics: direct investment; (3) number of

¹¹ From the brochure titled Measures of state support for investments, released in 2020 by the Investment Committee of the Ministry of Foreign Affairs of Kazakhstan. It was obtained by the author on 19 February 2020.

¹² Section Investment Climate on Investopedia, accessed 16 May 2020, <https://www.investopedia.com/terms/i/investmentclimate.asp>.

¹³ From the brochure titled Measures of state support for investments, released in 2020 by the Investment Committee of the Ministry of Foreign Affairs of Kazakhstan. It was obtained by the author on 19 February 2020.

¹⁴ Section Business Environment on Business Dictionary, accessed 16 May 2020, <http://www.businessdictionary.com/definition/business-environment.html>.

joint projects: by industry; completed, unrealized and failed projects; (4) joint ventures: by industry (with stakes) and regions; (5) joint dialogue mechanisms: level of association, composition and level of participants and leadership, regularity of meetings, final documents; (6) joint documents: bilateral government and interstate agreements, action plans, road maps; (7) communications: land, air, river and sea transportation; visa and labour regimes. At the same time, the author did not seek to link measurement and causality.

1.5. Composition of chapters

In general, the topic covers the last decade of First President Nazarbayev's rule. This period is unique because allow readers to understand how the investment policy of Kazakhstan would probably change under the leaders of new generation and new political settings the CA region.

In addition to **main chapter**, below the author provides the main content of the subsequent chapters, which reveal the answers to the research questions and confirm or refute the arguments formed by the author.

Chapter 2 contains the main academic milestones related to the development of national and international studies on Central Asia and the policies of East Asian countries in the CA region. The author also tries to cover this process from the point of view of Kazakhstan, China, Korea and Japan.

Chapter 3 includes the main stages of the investment policy of Kazakhstan, including state institutions, as well as cooperation mechanisms. For the first time, the author tries to categorize all actors interested in this process, as well as to understand their place and role in the attracting of foreign investments.

Chapter 4 is devoted to the development of Kazakhstan-China relations and the main events related to the development of current trade and economic cooperation between the 2 countries. On his part, the author dwells in detail on the analysis of existing dialogue mechanisms, bilateral legal norms and early investment projects.

Chapter 5, by analogy with Chapter 4, is devoted to the development of Kazakhstan-Korea relations and the main events related to the development of trade and

economic cooperation between the 2 countries. **Chapter 6** concludes the analysis of Kazakhstan's trade and economic relations with the EAS, namely with Japan.

Chapter 7 is devoted to the analysis of investment projects between Kazakhstan and the 3 countries of East Asia. **Chapter 8** is the logical conclusion of the dissertation and brings together the key conclusions reached by the author in each separate chapter.

CHAPTER 2. LITERATURE REVIEW



Figure 2.1. Map of Kazakhstan (Bohr, 2019:xii)

As noted in the ‘Introduction,’ during the preliminary research, the author has identified a certain academic gap, which is reflected below. While working on his master’s thesis on the Japanese foreign policy, the author came across many other materials devoted to the analysis of the EAS foreign policies, namely between the PRC, the ROK, Japan, and the ASEAN countries. As a qualitative starting point, the author used a report by the Institute of Developing Economies of the Japan External Trade Organization (JETRO) covering the East Asian cooperation with the Mekong River Basin. The main purpose of the analysis of the report was also an attempt to assess the EAS role and place in Southeast Asia against the background of China’s economic growth (Kagami, 2010:1).

The collapse of the Soviet Union was a big surprise for the international community. Almost all neighbouring countries (Figure 2.1), including former USSR countries themselves, have faced certain difficulties associated with the future foreign policy orientation of the Newly Independent States (NIS). Indeed, external actors had to build their relations with former USSR countries from scratch, while working on the

formation of specific goals and objectives in the CA region. A similar situation also faced the CA countries themselves.

However, in order to understand exactly how relations between Kazakhstan and the EAS have changed over the past decade, it was important for the author to trace the characteristic features that served as the foundation of this cooperation.

For the sake of better understanding, all studied authors were divided into 3 separate groups, whose works are considered in details below:

1. Special attention should be paid to comprehensive works of the first group of authors based on the assessment of the CAR's international cooperation (e.g., Miyata, 1999; Rumer, 2000; Hashida, 2000; Anceschi, 2020). In the 90s, there were strong ideas among the authors that the CA countries should be considered together with the rest parts of the former USSR and, most often, with the Caucasian states. In this regard, the C5 countries were considered at the same level of development, but with different opportunities for future growth. In this regard, there was a strong belief that Muslim countries would play a more prominent role in this environment.

Thus, in *Central Asia* (2006) by IISS, based on earlier works on the historical-political and socio-economic development of the CA countries, European scholars were confident that Central Asia would make a choice in favour of Turkey or Iran. In fact, Kazakh scholars note that Turkey, Iran and other countries of the Persian Gulf are still trying to play a prominent role in Central Asia (Karin, 2015:30).

Central Asia and the New Global Economy (2000), edited by Boris Rumer, allowing to get the most profound understanding of the existed contradictions and key problems in relations between the CA countries, which had a significant impact on their further contacts with third countries. However, this and other earlier books were built on a large number of assumptions about the future development of the CA region. The authors also posed a large number of questions to readers that today are well known to the academia and expert community.

Chūōajia shigen senryaku--sekiyu tennen gasu o meguru ji keigaku (Central Asia Resource Strategy--Geo-economics on Oil and Natural Gas) (1999), by Osamu Miyata, like other later works, focus on the CA countries and Azerbaijan as so-called "the last

frontier” and the object of the “*new Great game.*” Even then, the authors made a detailed review of all possible risks in the region, focusing exclusively on the Islamization of the CA countries and the situation in the neighbouring regions of South Asia, the Middle East and the Caucasus. At the same time, the Chinese direction was considered exclusively as an auxiliary one.

Thus, *Chūōajia shokoku no kaihatsu senryaku* (Central Asian Countries’ Development Strategies) (2000), edited by Tan Hashida, shows that East Asian countries were seen as more successful examples for the development of the CA countries. It is noteworthy that in the CAR there were regular calls by local officials to follow the EAS experience in the field of economic development (Dodonov, 2017:4).

In this regard, the author adheres to such a narrative that the choice of the PRC, the ROK, and Japan is a certain tool that allows the leaders of Kazakhstan and other CA countries to diversify their foreign economic relations and restrain the strengthening of the dominance of other world centres at the level of official discourse. In this situation, relations with China, as well as Korea and Japan are given similar importance in Kazakhstan efforts on the Asian track.

Central Asia and the Caucasus. At the Crossroads of Eurasia in the 21st Century (2011), edited by Werner Hermann and Johannes F. Linn, examines the economic aspects of the development of the CA countries and their multilateral relationships. The authors highlight the rivalry between regional leaders, namely, the rivalry between economic philosophies and leadership styles as one of the serious obstacles for intra-regional integration and the effective solution of regional problems and, accordingly, turning the CA nations into a collective bargaining force.

Obviously, this may also mean competition among the CA countries on the external track, especially in their relations with the PRC, the ROK, and Japan. At the same time, the authors make it clear that the first CA leaders are the first stage of the national formation, which in fact emphasizes the relevance of the selected period. Even then, the authors of the book predicted that significant progress could be achieved with leaders of a new generation. In addition, the authors highlight the strategic importance

of transport corridor development as an important precondition for new investment in soft and hard infrastructure.

Analysing Kazakhstan's Foreign Policy Regime: neo-Eurasianism in the Nazarbaev era (2020), by Luca Anceschi, devoted to the foreign policy of Kazakhstan in the Nazarbayev era, namely the search for Kazakhstan's own place in Eurasia, the formation of economic orientation of foreign policy, as well as the inextricable link between the internal and external agenda of Kazakhstani politics. The book also provides a glimpse into the multilateral efforts of Kazakhstan within the framework of regional integration processes.

2. The second group of authors is inclined to associate the intensification of IR with the CA countries because of the 9/11 events, namely after the appearance of the US and its collaboration in the Afghanistan (e.g., Legvold, 2004; Iwashita, 2007a, 2007b; Olcott, 2005; Faure, 2010).

Thus, *Thinking Strategically: The Major Powers, Kazakhstan, and the Central Asian Nexus* (2004), edited by Robert Legvold, contains one of the first comparisons of the strategies of Japan and China in Central Asia by Western and Kazakh authors, albeit more in the field of security.

At that time, the authors noted the ambitious plans of the PRC to strengthen cooperation with the CA nations to solve domestic problems and transform the PRC into one of the key partners of the CA countries, as well as the so-called 'decent' attitude of Japan towards the C5 countries. In *New Dynamics between China and Japan in Asia* (2010), edited by Guy Faure, it is noted that competition from China's side is exclusively related with the competition for markets and resources.

However, in *Central Asia's Second Chance* (2005), Martha Olcott notes that international engagement in 1991-2001 was focused more on statements rather than on actions (2005:21). Yet, behaviour of the CA countries and their relations with neighbouring states determined the future perception of the CA region. The authors tried to focus the audience's attention exclusively on strengthening the multilateral interaction with the CA countries.

Central Asia Whereabouts: Tug of War between the United States, Russia and China (2003), edited by Hiroshi Kimura and Akira Ishii, and *Eager Eyes Fixed on Eurasia* (2007a, 2007b), edited by Akihiro Iwashita, reveal the key approaches of the great powers in their relations with the CA countries. In addition, these publications allow drawing parallels between the key concepts and principles of the US, Russia, China and Japan in relation to the C5 countries. The book largely determined the author's interest in the search for collective achievements and contradictions that today affect cooperation among the EAS and the CAR.

Islam, Oil and Geopolitics (2006), edited by Elizabeth Van Wie Davis and Rouben Azizian, is a successful attempt to capture the strategic approaches of Russia, the US, China and Japan in Central Asia, including in the energy field and within ROs such as the SCO, CICA and others. The authors have made a lot of effort to present justified positions in relation to the interests of each country. However, they only partially covered several processes that took place in the CAR themselves.

In *Vneshnepoliticheskiye priority Respubliki Kazakhstan* (Foreign Policy Guidelines of the Republic of Kazakhstan), Timur Tokayev (2011), a representative of the young generation of Kazakhstani scholars and the son of the current President of Kazakhstan, gives a clear idea of Kazakhstan's foreign policy goals and objectives under the geopolitical conditions of that time. The author places great emphasis on 3 key areas--IO, the status of the Caspian Sea, and energy cooperation, including with China. At the same time, the author focuses exclusively on the current level and prospects of further cooperation between Kazakhstan and China, bypassing possible criticism and negative forecasts, which is very typical for official scholars from Kazakhstan. Young Tokayev also sidesteps the participation of other Asian countries in the energy sector of Kazakhstan, with the exception of 2 points related to Japan's efforts to develop uranium and gas deals. This approach can be explained by the fact that his father held high positions in the country's leadership and Kazakhstan's international partners could negatively perceive the slightest note of criticism. Moreover, the moderate language and tone of the book are sustained in the spirit of his father's publications.

A more detailed layout of cooperation between the CA countries is contained in *Mezhdunarodnyye otnosheniya v Tsentralnoy Azii: Sobytiya i dokumenty* (International Relations in Central Asia: Events and Documents) (2014), edited by Russian scholar Alexei Bogaturov. The book gives a very deep analysis of the historical and modern relations of the CA countries with Russia and China. The authors place great emphasis on the development of the transport and energy sectors. The book also contains texts of unique bilateral documents between Kazakhstan and China, which provide additional insight into the main goals and objectives of their cooperation. Yet, these texts are presented only in a shortened form, which makes it difficult for scholars to fully analyze them.

The collective Chatham House Report, *Kazakhstan: Tested by Transition* (2019), indicates that Kazakhstan's relations with Russia and China are central to the country's multi-vector policy, based on 3 levels--bilateral cooperation, regional dynamics in Eurasia, and multilateral diplomacy. The authors argue that there are contradictions and rifts behind the façade of good neighbourhood policy (Bohr et al., 2019:vii). This once again prompted the author to the fact that Kazakhstan adheres to a certain level of specialization for its foreign partners. It also suggests that there are might be official restrictions on the participation of specific countries in some strategic economy sectors.

3. The third group of authors uses a comparative approach for a detailed assessment of modern relations between the CA and third countries, especially the EAS (e.g., Kavalski, 2010; Dadabaev, 2014, 2016; Murashkin, 2019). At the same time, at the very beginning, this interest was limited only to an attempt to study new more promising models of public administration (Koulouri and Mouraviev, 2021:20)

Despite the introduction of such an important concept as the experiences of the CAR in *The New Central Asia: the Regional Impact of International Actors* (2010), it must be admitted that the focus of Emilian Kavalski and his colleagues was concentrated on political aspects and security and, to a lesser extent, on revealing the economic component. At the same time, chapters devoted to China and Japan, including those within the framework of the SCO and the CAJ Dialogue, provide only a generalized overview of economic initiatives and projects.

Chūōajia no kokusai kankei (International Relations in Central Asia) (2014), by Timur Dadabaev, allows learning more about the integration processes among the CA countries, as well as their contradictions and regional perspective of their relations with China, Russia, and Japan. In addition, revealing the true nature of the SCO activities, the author describes the organization as an economic, trade and financial instrument. And, this is one of the few publications in Japanese that provides a clear definition of the current processes in the CA region in terms of realism, liberalism and constructivism.

Despite its title *Japan in Central Asia: Strategies, Initiatives, and Neighbouring Powers* (2016), by Dadabaev, this work covers the CA relations with Japan, China, Russia and Korea, including in the framework of the SCO. On his part, the author provides a meaningful overview of the PRC and Japan strategies in the CA region as battle for new frontiers and testing grounds for Beijing and Tokyo (2016:141). In his other book, *Japanese and Chinese Infrastructure Development Strategies in Central Asia* (2018), Dadabaev continues the discussion of delineating roles and niches. The author points out that the PRC is an infrastructure builder and economic partner of the CA region, while Japan acts only as a country that provides assistance and support for the modernization of the existing infrastructure, which also indicates the importance of additional study of the Kazakh case.

Chinese, Japanese, and Korean Inroads into Central Asia (2019), by Dadabaev, reveals the peculiarities of bilateral and multilateral cooperation between CAR, China, Korea and Japan. At the same time, this work is based on a detailed analysis of the existing roadmaps among Uzbekistan, China, Korea, and Japan. The author focuses more on bilateral dialogue mechanisms that form the current trade and economic cooperation agenda, and resolve existing disputes.

The PhD dissertation by a young and promising scholar from Kazakhstan, Sabina Insenbayeva, *Ideas, Interests and Identities: Japanese and South Korean Foreign Policies toward Central Asia* (2018), provides a better understanding of Japan/ROK policies in the CA region based on their regional initiatives, e.g., the 2009 New Asia Initiative (ROK) and the 1997 Eurasian Diplomacy (Japan). Sabina uses a unique

technique of analysis of the existing cooperation schemes through the prism of structural changes in Japan and the ROK. There are many other attempts and angles from which researchers look at Central Asia. For example, there are also attempts to look at the development of the CA region from the side of China and India (Tabata, 2015).

However, it should be understood that such cooperation might be always limited by the capabilities of the foreign countries and the hospitality regime of the CA countries. The economic rise of China cannot but affect the economic ties in East Asia and the transformation of economic relations between China, Korea, and Japan, which are turning into natural competitors (Obashi and Kimura, 2016:1).

These and other publications aim to show the importance of applying different theories and approaches in assessing Central Asia and its relations with international partners and vice versa. In these books, the authors also cite a number of examples of successful cooperation between the EAS and the CAR, which, nevertheless, do not allow talking about the high dynamics and volumes of multilateral relations among them at the present stage.

Japan and Central Asia: Do Diplomacy and Business Go Hand-in-Hand? (2019), by Nikolay Murashkin, notes that Japan and China are still looking for their niches in the region, while the competition between the 2 countries is based solely on commercial gain. The author also points out that the value of CA for Japan is significantly lower than other regions of Asia. Shigeki Hakamada (2018), the well-known Japanese scholar on Eurasian affairs, shares the same point of view¹⁵. However, despite the seemingly use of common truths, the book still suffers from a lack of key empirical references, without which some statements lose their meaning and sharpness for readers.

Analysis of China's Economic Strategy and Foreign Policy in Kazakhstan (2020), analytical research by the TALAP Centre for Applied Research and the Konrad-Adenauer-Stiftung, is one of the most recent and more voluminous works devoted to Kazakh-Chinese relations with great focus on China's OBOR Initiative. Most likely, this choice is because there is still a discourse in the academic environment about what

exactly China needs BRI for--to increase its influence or create new markets and means of return on investment (Schneider, 2021:60). The peculiarity of this book is that it was compiled based on the opinion of 2,500 thousand citizens of Kazakhstan, including local entrepreneurs. The authors, who include well-known IR analysts, note that the Chinese strategy has evolved greatly in Kazakhstan, which confirms the need for a comprehensive study of China's policy in the region.

Almost all scholars agree that PRC, the ROK, and Japan realized the enormous potential of Central Asia, as well as the important role of the CA region in the context of broader regional security, especially in context of economic and energy security. All scholars confirm this notion by the fact that the all 3 countries established its diplomatic relations with the CA countries in a very short time. With the rapid change of situation in and around Afghanistan, the role and significance of Central Asia acquired a higher importance for the international community. As a result, international scholars have witnessed a radical transformation of the CAR attitude towards its external partners.

In general, it can be stated that their focus is still on energy and transport issues, while they regularly omit other important areas that can broaden the understanding of the interests of the EAS in Central Asia. Given the current processes in the CA region, primarily related to the political transit in Uzbekistan and Kazakhstan, the academic literature will increase the need for new publications related to how new regimes will fight for investment flows and how inter-elite conflicts will affect investment attractiveness of the CA region.

2.1. Kazakhstan's Prospective

Kazakhstani scholars, including representatives of the Kazakhstan Institute for Strategic Studies (KazISS), which has provided analytical support to the Kazakhstani officials for many years, focus more on the overall picture of Kazakhstan's investment cooperation with foreign countries rather than on the analysis of specific projects or specific country-based approaches (e.g., Dodonov, 2019a; 2019b).

¹⁵ The interview was recorded in 2018 during the preparation of the author's master thesis at the University of Tsukuba.

For them, the investment policy considered as an integral part of Kazakhstan's economic development model and its external efforts. Accordingly, the success of certain sectors of Kazakhstani industry today is unwittingly associated with the efficiency of the state apparatus in attracting foreign investment (Dodonov, 2019:24). Researchers agree that after the USSR collapse, the Kazakh economy was in a vulnerable position and needed modernization (Peck, 2004:61).

Moreover, it is believed that the adoption of specific legislative acts in the field of investment is aimed at creating a favourable business climate by abandoning the Soviet model of development, including changing the traditions of the legislative process (Dosmukhamedov, 2002:55). In this regard, the author intentionally omits deeper historical essays on the investment experience of Kazakhstan under the rule of the Russian Empire or the Soviet Union (Dosmukhamedov, 2002).

At the same time, the foreign policy of Kazakhstan has always differed from the policy of its neighbours. This is because Kazakhstan is closest country to 2 gravity centres, i.e. Russia and China. And, it is believed that the country should constantly demonstrate simultaneous proximity to the US and the EU member states in order to protect its national interests (Rumer, 2000:24).

Therefore, in Japan, scholars believe that Kazakhstan is interested in developing close relations solely for the purpose of balancing the interests of 3 powers, namely Russia, China, and the US, as well as playing the role of a buffer zone between Russia and China (Uyama, 2015:268). Others believe that Nur-Sultan's desire to play the role of a global player lies behind these efforts (Bohr et al., 2019:vii). China was also seen as a counterbalance to the growth of the US and a possible confrontation between Russia and the US in the CA region (Laumullin, 2009:31). China's future role in international affairs, including its rivalry with the US and Japan for trade communications and markets, will continue to influence development of the CA countries (Karin, 2015:6).

However, Kazakh officials, especially the First President, have repeatedly stated that Kazakhstan is not a player on a global scale and the efforts of diplomacy should be aimed at solving practical problems, primarily economic ones. Despite this, over the

past 10 years, Kazakhstan has not abandoned its large-scale international political initiatives, which only proves the opposite.

The choice in favour of the PRC, the ROK, and Japan can be seen as part of the efforts of the Government of Kazakhstan to move away from influence from Russia (Bohr et al., 2019:vii). In this case, China, as Kazakhstan's closest neighbour, can be viewed as an element of Nur-Sultan's strategy to minimize Moscow's influence. In this case, cooperation with the ROK and Japan can be viewed as a strategy for the most advantageous for Kazakhstan scenario of China's further advancement in Central Asia ('controlled advancement'). And, consideration of previous and present investment projects should help refute or confirm such statement.

According to Yerlan Karin, the present Aide-to-the-President, Kazakhstan understands that Central Asia is important for China, but far from being a priority (2015:15). This means that in order to achieve its goals, Kazakhstan needs to make all possible efforts to maintain economic interest from all 3 countries, including through the introduction of such important for Kazakhstan notion as 'conjugation/connectivity.' This may mean that current economic planning policy in Kazakhstan is automatically take into account the interests of the national strategies of other countries and, first of all, China.

Another important factor is Kazakhstan's interest in the geopolitical situation in the East Asian region, namely, the normalization of relations among the key countries of the region (Kim, 2012a:311). Unsurprisingly, Kazakhstan does not slacken its attempts to make Japan a full member of the CICA, which includes China and Korea. At the same time, Kazakhstan does not make any intermediary efforts to solve the existing key problems in the region. It is clear that the transfer of current economic relations to a purely political domain could negatively affect relations of the 4 countries. Therefore, in 2006, Kazakh leadership rejected the appeals of several Kazakh diplomats to join the Six-party talks on the North Korean nuclear program¹⁶.

2.2. China's View

Kazakhstan has always been assigned a special role in China's foreign policy. With the collapse of the Soviet Union, China received additional opportunities to transform its policy towards the CA countries, which is primarily based on security and economic issues (Sun, 2007:44).

China's increased interest in Kazakhstan in most cases is indicated by the geographic proximity of Kazakhstan to the Xinjiang Uygur Autonomous Region (XUAR), which is part of Chinese core interests (Syroezhkin, 2003:565). It is believed that the successful development of the XUAR is a determining factor in the successful integration of the PRC with the CA region and the formation of the PRC as the Central Asian power (Clarke, 2010:122). This behaviour reminds the Japan's behaviour as a third neighbour in relation to Mongolia, next to Russia and China.

In addition, scholars associate this interest with the creation of the SCO and the fight against three evils, i.e. religious extremism, ethnic separatism and international terrorism, which pose a threat to China's security and integration (Dadabaev, 2016:145).

Nevertheless, it must be admitted that China and Central Asia have a common border and cross-border cooperation, in one way or another, would exist. Given the geographical location of the C5 countries, Central Asia opens up transport corridors to Europe for China, providing them in return with safe transportation of goods to the Pacific Ocean and vice versa (Sun, 2007:42). Kazakh scholar Murat Laumulin believes that Kazakhstan plays the role of a gateway for Chinese interests in Central Asia (cited in Sultanov, 2012:121). In this context, it is important for China that the CA countries pay increased attention to their relations with Western countries, especially with EU institutions and member states. Nevertheless, relations between the PRC and the CA nations should be inseparably viewed in the context of the PRC general strategy in greater Eurasia (Laumullin, 2009:156).

It is obvious that Kazakhstan is also trying to make the most of the growth of China, including in the framework of joint membership in the SCO and the WTO (Sultanov, 2012:24). This is despite the fact that China very late came to realize the

¹⁶ Interview with an anonymous representative of the key government agency in Kazakhstan, May 16, 2020.

enormous potential of multilateral diplomacy, including the possibilities of eradicating the negative perception of China as a threat (Ikenberry and Matsunduno, 2003:72).

It is believed that China provides enormous political and economic benefits to Central Asia in exchange for supporting Beijing's actions in the XUAR (Clarke, 2010:135). However, recent events prove that fears persist among the local communities as to what this might lead to (Bohr 2019:99).

Speaking about China's policy, experts also highlight 2 important aspects. First, the creation of the SCO is seen as a major innovation in the diplomatic history of the PRC in Central Asia (Shi, 2007:165). Another important aspect is the role of state corporations in the IR, as well as in the national discourse on the PRC economic status and its role in the world. Despite the flexible approach to the work of state corporations, in recent years their activities have become the subject of increased attention and criticism (Shi, 2007:168).

Scholars like to point out that in ancient times Central Asia and China were connected by the Great Silk Road. The legacy of this international communication artery is still alive in the historical and cultural memory of peoples. That is why the theme of the revival of the Silk Road runs through all stages of the development of CA relations with China.

In the short term, China is expected to be active in the following areas: (1) a safeguard against hegemonism; (2) a safeguard for the rights and interests of the Third World; (3) a positive force in the IO; (4) an accelerator of the world's economy development. With this in mind, Central Asia should play the following role: (1) the focal point of Eurasia; (2) a counter balance to the great powers; (3) establishment of a Eurasian security system; (4) environmental protection (Sun, 2007:46).

At the same time, the PRC fundamental policy in Central Asia is based on such concepts as: (1) peaceful and good-neighbourly relations; (2) mutual benefit and common prosperity; (3) non-interference in the internal affairs; (4) respecting independent sovereignty and regional stability (Sun, 2007:47). However, in recent years individual Western countries try to change these approaches through the manipulation of the CAR behaviour. Thus, Western politicians and local activists have been forcing

the Kazakh authorities to transform their political dialogue with the PRC on such sensitive for Beijing topics as status of ethnic Kazakhs in the PRC and activities of Chinese re-education camps in the XUAR.

Dadabaev notes that with the advent of BRI, China has made efforts to integrate all previously implemented projects in Asia into a new initiative (2018:5). And, these projects do not aim to impose Chinese model of behaviour. Hillman believes that the BRI is a tool that helps to understand how China learns to become a great power. (2020:8). And, it became very common to find comparisons between BRI and the American Marshall Plan for Europe, which China itself opposes, consider the American project a product of geopolitical struggle (Lew et al., 2021:9).

The GOK considers that this initiative opens up new opportunities for strengthening Kazakhstani cooperation with ASEAN countries and, accordingly, strengthening intraregional integration in Central Asia (Suleimen, 2018:25).

With the establishment of the EAEU, Chinese experts started talking about the possible ‘conjugation’ of the OBOR and the EAEU. This idea had received full support among the Kazakh top leadership in the form of the First President’s initiative--3Ds or Three Dialogues (Liu, 2016:159). However, the actual implementation of this programme has not yet found support from Kazakhstan’s European partners. Kazakhstan also understands that Russian policy and European sanctions have created serious obstacles to new economic opportunities and prospects of EAEU-EU-PRC dialogue¹⁷.

To understand the thematic areas of Chinese diplomacy, it is also necessary to understand the theoretical foundations of the Chinese strategy. Thus, *Chinese Perspectives on International Relations* (1999), by Gerald Chan, introduces the concept of Comprehensive National Power (CNP). This concept is based on 4 abilities: (1) to maintain the population; (2) to support economic growth; (3) to maintain conditions for development; (4) to cover long-term military spending (Chan, 1999:32). 3 of the 4 points address issues of economic development. In this context, an interesting statement by Deng Xioping that China will never be a hegemonic or a superpower, but at the

same time will become a major economic power (1999:37). Indeed, China has repeatedly attempted to place economic interests, including regional cooperation and development, at the forefront of its national interests (1999:81).

Chinese Foreign Policy: Pragmatism and Strategic Behaviour (2004), edited by Suisheng Zhao, reveals various aspects of the formation and development of the PRC foreign policy as a world power. At the same time, the book reveals certain restrictions that allow the PRC to understand what rights and responsibilities the country undertakes. One of these approaches is the formation of a favourable economic environment for China's integration into world relations. Accordingly, the relationship will be determined not only by the level of bilateral dependence, but also by the expectations of the foreign partners for future cooperation (Li, 2004:38). In this regard, a high level of trade is beneficial for China as it maintains internal stability, national unity, territorial integrity, and regime survival and security (2004:43).

As noted above, China prefers to work bilaterally. Participation in multilateral mechanisms is considered a priority if it serves the interests of the dominant power (Wu, 2004:64). For example, China did not support Japan's idea of creating an Asian Monetary Fund in 1997, believing that this could strengthen Japan's position (2004:65). Another important aspect in Chinese foreign policy is the concept of a hierarchy of cooperation (Cheng and Wankun, 2004:186), which also coincides with the concept of priority/order in the Japanese diplomacy (Kawato, 2015)¹⁸.

China's behavior resembles behavior of Japan in the 1960s and 1970s, including Beijing's desire to ensure uninterrupted supplies of mineral resources, gain access to growing foreign markets, a focus on bilateral relations and non-interference in the internal affairs of other countries (Inada, 2021).

¹⁷ Interview with an anonymous employee of the Ministry of Foreign Affairs of Kazakhstan, November 27, 2020.

¹⁸ Video Report *Japan's Relations with Central Asia* by Mr Akio Kawato, former Japanese Ambassador to Uzbekistan and Tajikistan, and General Manager of the Japan and World Trends Website at the Foreign Press Center Japan on 19 October 2015, accessed 2 June 2020, <https://fpcj.jp/en/worldnews-en/briefings-en/p=36134/>.

2.3. Korea's stance

During the last years of the USSR existence, South Korea showed great interest in development of trade and economic ties with the Soviet Union. The Soviet authorities viewed Korea, namely South Korean investment and technologies, as an important tool for solving economic problems (Kim, 2012a:59). Even after the collapse of the Soviet bloc, countries of the former Soviet Union tried to use the same political vision towards Seoul. The ROK perception was based on Seoul relationships with other nations and its role in world politics.

In the academic literature and mass media, there are strong claims about Korea as pragmatic balance pursuing middle power (Bae, 2007:445). At the same time, Lee believes that for the formation of middle power (*junggyun-guk* diplomacy) requires, at least, pursuing the corresponding goals and objectives in foreign policy (2012:1). According to Bae, the CAR or stans have been at the centre of Korean regional considerations for many years. They are distinguished by the fact that they possess huge reserves of mineral resources and are home to ethnic Koreans (2007:450-451).

As in the case of Japan, Korea's foreign policy interest in Central Asia had a multi-stage format. The ROK policy towards Central Asia began to take shape most clearly in the 2000s, when Seoul was able to become one of the main partners for the CAR (Fumagalli, 2012:72). Then, experts started writing about the transformation of South Korea into a regional power (Shimn and Flawn, 2012:6).

In 2009, the ROK Government launched the New Asia Initiative (NAI) that called for expansion of Seoul's presence in Central Asia as part of an overall effort to raise own international status. At the same time, Seoul relied on a country rather than a regional character, which was due to the economic attractiveness of Kazakhstan and Uzbekistan for Seoul.

Interest was also fuelled by the presence of a large Korean Diaspora in Central Asia (*Koryo saram* or *Koryoin*) (Fumagalli, 2012:76), which were seen as bridges of possible friendship. It is noteworthy that such 'bridge' notion also exists in Kazakhstan-China and Kazakhstan-Japan relations, i.e. ethnic Kazakhs in China and historical memory about Japanese prisoners of war in the CAR.

Kazakh political scholar Satpayev points out that it was the representatives of the Korean Diaspora, including close friends of President Nazarbayev--Vladimir Ni (former aide to Nazarbayev) and Vladimir Kim (President of *KazMinerals*), who provided a significant lobby for the penetration of Korean business into Kazakhstan (2019:177).

Another important fact is that the different roles of Korea and the CAR, namely consumer-supplier relationships act as a complementary factor (Fumagalli, 2012:82). In addition, some scholars tend to see that Seoul attempts to act as a 'bridge' between developed and developing countries (Shim and Flamm, 2012:10). In this context, Seoul's actions should help to weaken the Sino-Japanese confrontation (Bowring, 2009) and contain the expansionist aspirations by Russia and China (Calder and Kim, 2008:1).

Nevertheless, there is clear understanding that Kazakhstan-Korea cooperation is limited only to those areas that are of high interest to Seoul. For example, scholars are usually making parallels between the Silk Road Energy Mission of former Japanese Premier Koizumi and the Energy Silk Road of former Korean President Lee Myungbak (Calder and Kim, 2008:2).

2.4. Japan's approach

Despite claims that Japan has no foreign policy as such (Ikenberry and Matsunduno, 2003:10), along with the US and the EU, scholars tend to see Japan's efforts as an attempt to act as a catalyst of intra-regional cooperation that can help the CA nations to achieve autonomy and higher levels of integration (Calder and Kim, 2008:10). For Japan, self-determination of the CA partners is one of the important criteria.

Today, Korean industrial groups (*chaebol*) and their Japanese counterparts (*keiretsu*) see their exceptional role in financing and supplying advanced technologies and capital to Central Asia. Such opinion is also prevailing in academic literature and mass media, and readers get the impression that this logic is important. At the same

time, such facts are omitted as far as this cooperation corresponds with the specific goals and objectives of the CAR themselves.

The collapse of the Soviet Union and the emergence of new CA nations created additional opportunities for the Japanese leadership (Ferguson, 2008:147). This primarily includes the fact that Japan, like other countries, has a chance to turn around their previous relations with Russia and launch completely new relations with several new states at once. In Japan and the CAR, there were high expectations from cooperation (Dadabaev, 2016:1). At the same time, Japan's cooperation with the CAR began to develop in the period that followed the collapse of the bubble economy (*baburu keiki* in Japanese), i.e. not in the most favourable conditions for Japan. Nonetheless, Japan's foreign policy continues to rely on economic instruments to gain energy and influence, including through foreign aid, contributions to IO, and investment (Green, 2001:5).

Back in the 90s, Japanese scholars pointed out that Japan should create channels to provide access to the CAR resources. Japanese scholars noted the importance of the stable development of the C5 as an important criterion for Japanese involvement in the CA region (Miyata, 1999:269). Unsurprisingly, Japan views stability in Central Asia as inseparable from security in the entire Asian region (Shimizu, 2007:111). The opening of Central Asia was also in line with the idea of several Japanese politicians to achieve Pan-Asian security based on a Single Economic Space (Reznikova, 2000:244).

Later, Japanese diplomacy will take into account the Russian factor in its policy towards Central Asia. Experts tend to associate the emergence of Eurasian diplomacy by Ryutaro Hashimoto with the formation of the Russian card in the Japanese foreign policy in order to demonstrate proactive diplomacy on both domestic and foreign tracks (Green, 2001:146). However, Japan should also take into account China's growth and its impact on IR in the CA region (Hughes, 2015:442). As a result, this lead to Japanese attempts to strengthen its economic positions in Asia, including in the CA region.

In his book, *Kazafusutan--sōgen to shigen to yutakana rekishi no kuni* (Kazakhstan--a country of grasslands, resources and rich history) (2007), Toshio Tsunozaki, one of the former Japanese ambassadors to Kazakhstan, gives a meaningful

layout of investment projects between Kazakhstan and its foreign partners, e.g. the PRC, the ROK, and Japan. However, as noted, these projects have a narrow focus and are mostly limited to the energy sector. At the same time, the author emphasizes that Japan does not have any ambitions in the region (2007:16).

Chūōajia o shiru tame no 60-shō (60 Chapters to Know Central Asia) (2010), edited by Tomohiko Uyama, reveals a comprehensive picture of the CAR formation and the history of their relationship with international partners. Prof. Uyama also shows several important trends that had a negative impact on the development of CA-Japan relations--the capture of Japanese hostages in Kyrgyzstan (1999); the murder of Dr. Yutaka Akino, a former associate professor at the University of Tsukuba (1998), and the corruption scandal around political heavyweight Muneo Suzuki (2002).

Kazafusutan o shiru tame no 60-shō (60 Chapters to Know Kazakhstan) (2015) is an independent book dedicated to the history, culture, traditions and modern development of Kazakhstan. The authors also tried to reveal the essence of the ‘multi-vector policy’ through Kazakhstan’s cooperation with the US, Russia, China, Japan and various IO. At the same time, taking into account the concept of ‘60 Chapters to Know...’ series, the authors refrained from more deep analysis of Kazakhstan’s IR. Nevertheless, the Japanese policy in the CA region continues to be *terra incognita* for the CA countries, as well for Japanese and international audience (Dadabaev, 2016:13).

Pascha’s *Belts, Roads, and Regions: The Dynamics of Chinese and Japanese Infrastructure Connectivity Initiatives and Europe’s Responses* (2020) is an extremely important paper in terms of assessing the EAS competing strategies and approaches. It allows assessing economic diplomacy and, accordingly, the behaviour of the European Union (e.g., Connecting Europe and Asia: Building Blocks for an EU Strategy & EIB), China (e.g., Belt and Road Initiative & AIIB), and Japan (e.g., Partnership for Quality Infrastructure & ADB) and international financial structures controlled by them in Eurasia, especially through the prism of their Central Asian programmes.

2.5. Academic gap and contribution to the field

In overall, readers can see numerous attempts that focus exclusively on general aspects and often omit important details concerning the CA nations and their external relations. On the one hand, it helps to interpret the EAS actions in the CA region. On the other hand, it shows that new academic angles and research methods could reveal new aspects of the CA development.

At the same time, without a complete picture, no one can draw conclusions about the whole complex of CA relations with their foreign partners. For example, the above-mentioned authors ignore the overlap effect, namely, how the desires, capabilities and intentions of the parties are correlated with each other.

Therefore, the thesis focuses exclusively on the study of the economic component of relations between Kazakhstan, China, Korea and Japan. This allows to leave political and security issues aside and focus on the study of investment projects, that is, on more practical and tangible for research results of this cooperation.

A review of previously published literature also reduced the amount of current research on Kazakhstan and focused on finding only those empirical data that could reinforce or disprove early findings on other CA countries, i.e. Uzbekistan and Turkmenistan.

CHAPTER 3. KAZAKHSTAN'S INVESTMENT STRATEGY

After the collapse of the USSR, a political vacuum was formed in Central Asia. The emergence of the vacuum was associated with the inability of Russia to become the main unifying force during the 90s, as well as with failure of the CA nations to form effective regional associations (Kavalski, 2010:10). As a result, the CA countries tried to follow independent models of political and economic behaviour, which also affected their relations with foreign partners.

In the 90s, the CAR, including Kazakhstan, were distinguished by the following characteristics: (1) ossification of the ruling regimes; (2) primitivization of the economy; (3) reliance upon natural resources as the main source of economic growth; (4) a lack of rational improvements in the industry; (5) the incapacity of domestic investments; (6) the increasing limitations on the ability to attract FDI; (7) the growth of foreign indebtedness; (8) the use of agriculture as a donor to support other sectors of the economy (Rumer, 2000:50).

During the USSR era, the economy of Kazakhstan was integrated with enterprises, located primarily in the European part of modern Russia and Western Siberia. Access to markets of third countries, such as China, has been limited due to the lack of adequate transport infrastructure. At the time of the collapse of the communist bloc, Central Asian goods were of low quality and high cost (Dannreuther, 1994:20).

At the beginning, it was expected that the resource-rich countries would show the greatest achievements. However, at that time, the attention of scholars was drawn to whether these countries could avoid the negative lessons of the countries of Africa and the Middle East (Dannreuther, 1994:22). The ability of the C5 countries to attract and retain FDI was highlighted among the important economic challenges. Despite the risks, the First President of Kazakhstan was able to create the necessary basic conditions for attracting FDI.

In fact, all IR were built from scratch, including due to the lack of own diplomatic missions and a shortage of national professional staff (Yuasa, 2004:132). Another not unimportant fact is the constant search for the right system of public

administration, capable of solving important problems (Baimenov and Liverakos 2019:127-128).

The peculiarities of Kazakhstan's development are continuously connected with the name of the First President, who for many years was at the head of the republic's leadership and, in fact, determined the main directions of its development on the domestic and foreign tracks (Seguillon, 2010:86). That is why the author of the PhD dissertation intentionally used his numerous publications as a primary source, including his memories on why and how certain political decisions were made¹⁹.

Analysis of Nazarbayev's speeches shows that the factor of foreign investment was one of the main criteria for assessing successful economic growth and modernization of Kazakhstan, and the coherence of all state bodies without exception. Back in 1989, Nazarbayev noted that, despite its colossal natural wealth, Kazakhstan had turned into a subsidized republic, unable to solve social issues at its own expense (2009a:121). Then, in 1989, Nazarbayev believed that Kazakhstan should strengthen the instruments of self-government and self-financing. He believed that Kazakhstan should have a test ground to build up the necessary skills and experience (2009a:99).

It can be considered that the first years of independence, when the country had to solve the serious tasks, became the real test ground. Later, these experiments led to the formation of numerous institutions based on various foreign governance models, which, according to Kazakhstani political scholar Dossym Satpayev, resemble the *Frankenstein Syndrome* and are based on concepts such as *Corporatism* and *Oligarchic pluralism* (Laruelle, 2017:7). In fact, the *Frankenstein Syndrome* is associated with a constant search for new most successful models of political and economic behaviour and thus casts doubt on the existence of the so-called Kazakhstan way or Nazarbayev's model of state building (Chebotarev, 2015:382).

A year before independence, Nazarbayev pointed out that the rail connection between the USSR and the PRC could become a new trade artery that could bring enormous benefits to Kazakhstan. Even then, Nazarbayev noted the increased interest

¹⁹ During the literature review, the author noticed that many of Nursultan Nazarbayev's publications have similar content. Typically, new books of the First President include his key messages from all his previous speeches, articles, and books.

of foreign business circles in the country's natural resources (2009a:272). The author is sure that the Kazakh leadership understood the importance of attracting foreign investment for the development of the national industry and transport communications.

Nazarbayev notes that before the collapse of the Soviet Union, Kazakhstan had little experience of cooperation with foreign investors. The country registered only 35 joint ventures, 16 foreign economic associations and 876 enterprises that were directly involved in foreign economic activities. Proceeding from this, Nazarbayev understood that Kazakhstan had good prospects for cooperation with the countries of Europe and Asia, as well as real incentives to attract external funds not only from one destination, as earlier from Moscow, but also from other countries and regions.

Nazarbayev also realized that foreign investors require consistent attitudes and other important reasons for investing in Kazakhstan, such as high international ratings (2009a:401-403). This condition in no way better reflects the current philosophy of modern Kazakhstani investment model, namely the increased focus or obsession with international ratings (e.g., *Doing Business*²⁰) and the success stories that are most often associated with large foreign companies and individual projects.

However, serious adjustments were made to Nazarbayev's plans, instead of transforming economic relations between the Centre and the Union Republic, Kazakhstan received full independence. Kazakhstan also inherited an unbalanced economy built on the principle of a raw material appendage of the planned economic system. The collapse was accompanied by unemployment, shortages, hyperinflation, and destruction of economic goals, which undoubtedly created serious obstacles to the plans of the country's leadership (2009b:12).

One of Nazarbayev's closest associates, the former head of the Senate and the National Security Committee of Kazakhstan, Nurtay Abykayev, noted that the First President paid special attention to strengthening economic independence and expanding economic ties of Kazakhstan (MID, 1998:36). "*Economy first, then politics*"--this was the main formula for Kazakhstan's development (Nazarbayev, 2017:19).

²⁰ *Doing Business*, a World Bank Group flagship publication, presents quantitative indicators on business regulations and the protection of property rights that can be compared across 190 economies--from Afghanistan to Zimbabwe.

Thus, in May 1992, during a visit to the World Economic Forum (WEF), Nazarbayev noted, “*Kazakhstan is experiencing an acute investment crisis ... the most severe and dangerous in its consequences*” (1996:27). In addition to traditional industries--oil and gas, metallurgy, chemical and agro-industrial--he was already trying to attract new investments in other promising sectors, referring to the fact that Kazakhstan produces 290 types of goods that are exported to 80 countries. Investment was also seen as an important tool for solving domestic social hardships (Cohen, 2007:11).

In April 1993, Nazarbayev added that promising forms of investment cooperation for Kazakhstan are direct and portfolio investments, as well as credit agreements (1996:27). As for the foreign investments’ role, it was emphasized that they are an important condition for the redistribution of domestic resources among different industries. Moreover, investments and joint production should have given an impetus to the development of domestic production (Nazarbayev, 1996:130-132).

In 1992, in his vision of the country’s future development, Nazarbayev identified 5 priority regions for economic cooperation, namely: (1) the Commonwealth of Independent States (CIS); (2) Asia and the Pacific (Beijing, Seoul, and Tokyo); (3) Asia (Turkey, the Middle East, and Western Asia); (4) Europe (Germany and the European Economic Union); (5) America (US, Mexico, and Latin America) (1992:54-55).

The EAS selected for the present study were among the most priority foreign countries for Kazakhstan in terms of the potential for economic cooperation. At the same time, Nazarbayev believed that Kazakhstan’s entry into the world community should be built based on partnerships with the US, Japan, and the Western Europe. This thesis was repeated in his later works, including those published in 1994 (1994:61) and 2000 (2000:57-58).

On October 7, 1996, in his annual Address-to-the Nation, Nazarbayev stated that one of the main directions of the Government’s work would be attraction and efficient use of foreign investment. Nazarbayev clearly understood that the country would have to enter a competitive environment with the former USSR countries, Eastern Europe and other promising regions, which, in fact, determined the aggressive nature of the

country's external behaviour. The leadership of Kazakhstan understood that the real state of affairs in the country, including the level of service and infrastructure, still made it uncompetitive. In this context, the primary tasks were the simplification of bureaucratic procedures, the widespread introduction of the English language, and the development of transport infrastructure. In turn, the country was ready to provide land, real estate and other important subsidies to foreign investors (Nazarbayev, 2009c:222-223).

Globalization has made significant adjustments to the policy of Kazakhstan. Against the background of the economic crisis in Asia, a reorientation of foreign policy towards solving economic problems based on political pragmatism took place. The primary tasks, for example, were identified as the definition of the legal status of the Caspian Sea, the promotion of the export of raw materials and the delimitation of the state border (Tokayev, 2001:14).

The concept of multi-vector foreign policy is also a reflection of the economic interests of Kazakhstan. According to the definition of President Tokayev,-- "*multi-vector [policy] is the absence of a rigid dependence of the foreign policy course [of Kazakhstan] on the behaviour of foreign partners and situations in particular regions*" (2001:14). And, Kazakhstani diplomacy set extremely clear economic objectives, 4 of which are in one way or another related to investments: development and diversification of export potential; rationalization of the import structure; promotion of international investment projects; formation of a rational system of international transport communications; liberalization of foreign economic activity; providing access to foreign funding sources; attraction of the FDI.

Despite the unsuccessful efforts of the CA countries to create effective RO, they nevertheless were able to influence the political steps of external actors and, accordingly, together or separately, regulate their level and volume of advancement in the region (Kassimeris, 2009:94). From 1993 to 2000, Kazakhstan attracted USD 14.7 billion investments, which is 1/3 of foreign investments attracted by the CIS countries or about 80 per cent by the CAR (Nazarbayev, 2001:62). This is despite the fact that the

level of attracted investments in these years was subject to strong fluctuations and did not show steady growth (Figure 3.1).

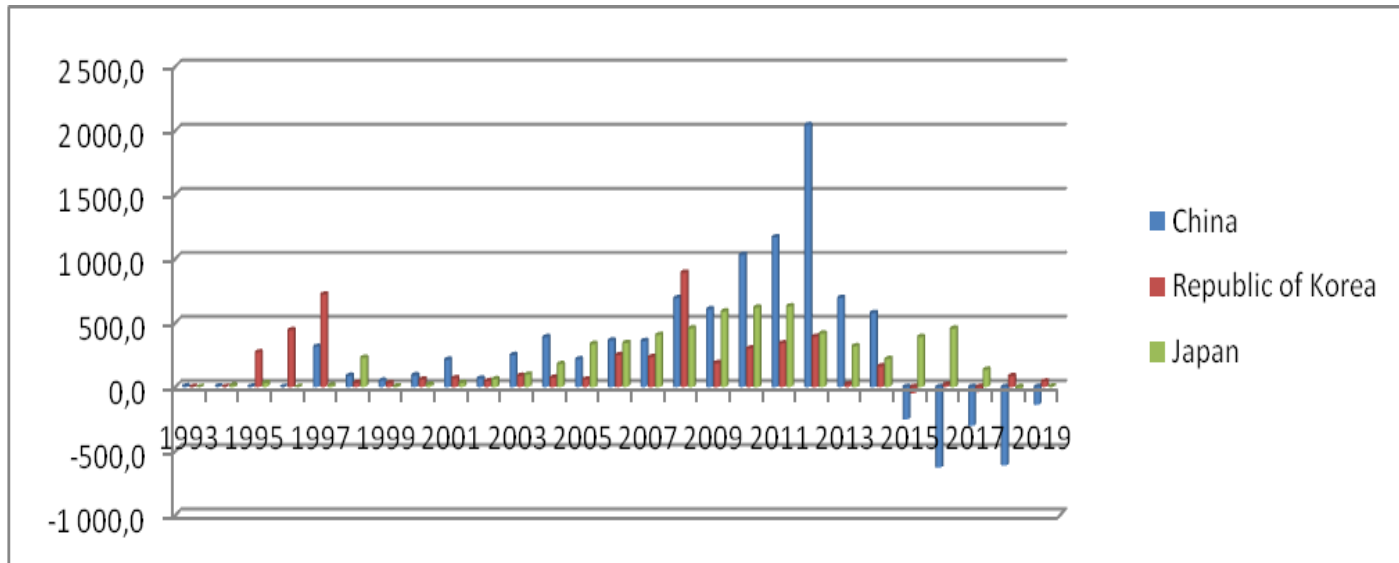


Figure 3.1. Gross inflow of FDI to Kazakhstan by foreign countries, USD millions (National Bank of Kazakhstan, 2020).

In the 1990s, FDI grew at an average annual rate of 34.9 per cent. In the early 2000s, it dropped to 23.6 per cent, and in 2011-2017 it slowed down to 8.9 per cent. The largest volume of gross inflow in history was recorded in 2012--USD 28.9 billion, then in 2011--USD 26.5 billion and in 2018--USD 24.3 billion (Nikitin, 2019:10). After the peak of the decline (2008) and a 5-year period of stabilization, a sharp decline in FDI inflows began in 2013 (Dodonov, 2019:28-29). Since 2014, Kazakhstan has sought to restore economic growth to pre-crisis levels amid persisting low oil prices, high volatility for its commodities (oil, copper, ores) and deepening domestic banking crisis (BTI, 2020:3).

Efforts by local authorities to expand the geography of exports of national products bring variable success (Figure 1.3). For example, in 2020, Kazakhstani products were exported to 117 countries. The geographical structure of the export basket is dominated by 6 countries, i.e. China, France, Italy, the Netherlands, Russia, and Switzerland. At the same time, the export of Kazakhstani goods and services reached a peak only in 2012, amounting to USD 91.3 billion (Figure 3.1).

Due to the prevalence of oil and gas condensate in the structure of Kazakhstani exports, its value is highly volatile and correlates with prices for hydrocarbons. For example, in 2015, the value of Kazakhstani exports dropped by 42 per cent at once compared to 2014. A similar sharp drop in exports was observed in 2009. In 2016, exports continued its decline and its volume fell below the 2007 level.

According to Kazakh diplomats, today Kazakhstan has a **complex ecosystem** for attracting foreign investment, which is divided into 3 levels: external, central and regional. Kazakhstani embassies constitute the external level. Many Kazakhstani diplomats, as representatives of other Kazakhstani government agencies note, *“Compared to Uzbekistan, our [diplomats] do not always make efforts and desire to perform unusual functions”*²¹. The central one consists of the state bodies of Kazakhstan, and the regional one includes exclusively local (oblast) authorities.

What are the features of this ecosystem?

1). Kazakhstan became an associate member of the OECD Investment Committee and the 48th state to join the OECD Declaration on International Investment and Multinational Enterprises (2017)²². Kazakhstan signed 47 bilateral and one multilateral (within the EAEU) agreement on the promotion and protection of mutual investments²³, which form the fundamental priorities and norms of Kazakhstan’s investment policy. Domestic procedures are underway to conclude draft agreements with Brazil, the Democratic Republic of the Congo, Qatar, Turkey and Turkmenistan.

2). In 2017, the national company in charge of investments, *Kazakh Invest*, was established. Its main duties include the function of the ‘single negotiator’ on behalf of the GOK, and its focus mainly on Kazakhstan’ partnership with TNCs. Considering the above facts, it can be argued that the Kazakh investment environment is aimed at supporting the interests of large business, which puts representatives of foreign SMEs in a less advantageous position.

²¹ Interview with an anonymous representative of the Presidential Administration of Kazakhstan, July 27, 2020.

²² Ibid.

²³ The website of the Prime Minister of Kazakhstan, accessed 3 June 2020, <https://primeminister.kz/ru/news/reviews/investicii-kak-klyuchevoy-drayver-rosta-kazahstanskoy-ekonomiki-novye-predpriyatiya-peredovye-tehnologii-i-sozdanie-rabochih-mest>.

3). To support joint projects with foreign companies, the Kazakhstan Direct Investment Fund *Kazakhstan Investment Fund for Development* was created (KZT 370 billion through the allocation of a targeted transfer from the National Fund) (Baimanov, 2019), which, however, has not yet shown any progress yet.

4). Operational problems are resolved through the Institute of Investment Ombudsman, whose functions are now performed by the Prime Minister. Under the PM's leadership, a Coordinating Council has been established to jointly discuss issues of foreign investors with the participation of all state bodies²⁴. In each ministry and akimat (local government's office), appropriate focal points in charge of foreign investments are identified at the level of the Deputy Ministers and Deputy Akims (deputy governors). In addition, regional front offices were created to support foreign investors on the ground.

5). Together with the experts of the World Bank (WBG), Kazakhstan developed and adopted the National Investment Strategy for 2018-2022 (Kassymova, 2017). The main goal of the Strategy is to create a favourable investment climate and attract investments aimed at increasing the efficiency of the national economy. At the same time, there was no clearly articulated investment policy in the country until 2010, and the problems of the investment climate, as a rule, boiled down to the provision of individual tax preferences to investors (Nikitin, 2019:11).

Goal setting was rarely carried out on a systematic basis; on the contrary, many programs were interrupted and/or replaced with new ones before their expiration date or simply due to the introduction of old goals into new documents. The Government's ability to prioritize and properly implement such policies was clearly insufficient. Normative performance evaluations have been extremely rare and strategic planning has usually been short-term and inconsistent across line ministries (BTI, 2020:28).

Nevertheless, the GOK programs have become increasingly clear-cut, namely, they began to contain information about current problems in each industry, reflecting their strengths and weaknesses, as well as possible ways to solve new challenges,

including through the introduction of specific parameters. Analysis of these documents shows that investment activity is considered, most often, as a state service to support the national economy; the recipients of which are primarily the regions and large enterprises. Below, the author lists the main elements and milestones associated with the formation of the mentioned ecosystem:

3.1. National Strategies

According to Kassymkhan Kapparov (2021), the official investment policy of Kazakhstan is aimed more at attracting foreign investment. However, it focuses to a much lesser extent on Kazakh investments in other countries. Foreign investments in Kazakhstan are mainly directed to the production and export of mineral resources, mainly in the oil sector. At the same time, the mining and smelting sectors are not a priority due to the existing restrictions on obtaining licenses for the extraction of metals. Agriculture is another promising sector for attracting foreign investment in Kazakhstan; however, it is limited by the lack of private ownership of agricultural land and built-up value chains. The main recipient of the benefits of foreign investment is the GOK that receives income in the form of taxes and shares within the framework of PSA contracts.

In this regard, based on Figure 3.2, the author gives the priority order of the state programmes that identify the investment policy of Kazakhstan. It is noteworthy that in the process of working on the first strategies, Kazakhstan relied on the Chinese experience of long-term planning of economic reforms, since Kazakhstan understood all the pros and cons of Soviet planning (KazISS, 2005:47). This process can explain the fact that over time Kazakhstan began to adapt its reforms to the economic needs of its neighbours.

²⁴ The website of the Prime Minister of Kazakhstan, accessed 3 June 2020, <https://primeminister.kz/ru/news/reviews/investicii-kak-klyuchevoy-drayver-rosta-kazahstanskoy-ekonomiki-novye-predpriyatiya-peredovye-tehnologii-i-sozdanie-rabochih-mest>.



Figure 3.2. Priority order of national investment-related strategies (by author).

First group: In 1997, in first major *Strategy Kazakhstan 2030*²⁵, Nazarbayev noted that foreign investment (priority no. 3), energy resources (no. 5) and infrastructure (no. 6), as 3 of the 7 main national priorities, play an important role in recovery and growth of the Kazakh economy. Even then, it was noted that Kazakhstan could achieve serious progress in certain industries at the level of Canada and/or Australia.

At that time, Kazakhstan viewed itself as a production site that capable in occupying its niches in Russia, China, Central Asia, and the Middle East. In the long term, it was expected that Kazakhstan could follow the development model of China, Malaysia and/or Singapore (Nazarbayev, 2009c:361-364). These comparisons also pursued domestic goals. Comparison with such developing countries should also have left a positive mark on the minds of ordinary Kazakhstanis, who should have been sympathetic to temporary difficulties.

It is obvious that investments are one of the important conditions and tools for the formation of the country's identity, as well as the search for the role and place of Kazakhstan in the IR system. The choice of the above countries was not accidental, since it was also supposed to help Kazakhstan to form a positive and recognizable perception of the country among foreign partners. With this in mind, Nazarbayev

²⁵ The text of the Strategy is available on the website of the legal portal Adilet, accessed 4 April 2020, http://adilet.zan.kz/rus/docs/K970002030_.

outlined the importance of creating a liberal economic space, or rather a warm and tolerant climate for attracting long-term investments.

To achieve this goal, the State Investment Committee was created as the only government body with the right to conduct policies in support of direct investment. Moreover, the need to adopt an Industrial Technological Strategy was raised for the development of the oil and gas production sector (the main industry of the country), the extractive industry, light and food industries, infrastructure, chemistry and petro chemistry, mechanical engineering, science-intensive industries, services and tourism.

In this regard, the Kazakhstan-2030 Strategy was divided into 4 stages: 1997-2000--the preparatory stage; 2000-2010--the first stage; 2010-2020--the second stage; 2020-2030--the third stage. Upon the completion of third stage, Kazakhstan, as was planned, should join the group of developed countries. Later, in the *The Era of Independence* (2017), Nazarbayev outlines a clearer framework (2017:489): 1990-1995--the formation of independence; 1995-2000--strengthening of the statehood; 2000-2010--development through the global crisis; 2010-2020--an established state in a new global reality.

Current President of Kazakhstan Tokayev, in one of his early books, identifies several other stages of Kazakhstan's development (2001:41-46): 1991-1993--the entry into the world community as a subject of the international law; 1994-1997--formation of mechanisms to protect national interests; 1997-2001--adaptation to new geopolitical realities. Accordingly, Kazakhstan had to create by 2010 all possible instruments that were supposed to provide international support to the republic's development efforts.

The Strategy assumed 3 development scenarios, depending on the reserves and prices of energy resources: optimistic, basic and pessimistic. It must be said that in subsequent years the level of oil prices even exceeded the indicators of the optimistic scenario, i.e. USD 18 per barrel. For comparison, in 2000 the price of oil was USD 28.2, and in 2006 the average price of one barrel was USD 60 (Nazarbayev, 2006:31).

In 2012, the *Kazakhstan-2050* replaced Kazakhstan-2030 as official Strategy of the GOK²⁶. Nazarbayev indicated that the Kazakhstani model of a market economy should play an active role in attracting foreign investment. According to his formula, the country should act as a single **Kazakhstan Corp.**, and the state apparatus as its management team.

It can be assumed that through such efforts, Kazakhstan planned the development of large (national) corporations (SOEs), which were supposed to determine the economic growth and development of the country in the long term. It can be argued that these companies were supposed to replace the state bodies in the formulation of the main goals and objectives of the GOK. One of the main tasks was to join the group of 30 most developed nations in the world by 2050. And, Kazakhstan should become a regional magnet for investments. In this regard, the idea of the revival of the New Silk Road, i.e. creation of the main transport corridor Western Europe-Western China can be considered as one of the important pre-conditions presented in the document. A separate block is occupied by (1) the attraction of an external personnel reserve, e.g. from China and Japan, and (2) the creation of industrial transport and logistics facilities outside of Kazakhstan.

At the same time, Nazarbayev emphasized the importance of such concepts as profitability and return of investments, as well as export promotion. It means a new level of FDI perception by the GOK leadership. The Strategy states that Kazakhstan's priorities are unchanged--the development of partnerships with Russia, China, the CAR, as well as the US, the EU and Asian countries. The economic rapprochement with the countries of Asia and the Pacific region, as indicated in the document, is aimed at obtaining economic dividends and strengthening the balance in foreign policy.

Second group: According to former Deputy Minister of Foreign Affairs of Kazakhstan Yermek Kosherbayev²⁷, in order to ensure the required rate of economic growth, Kazakhstan needs to ensure an inflow of foreign investment by 2024 at the

²⁶ The text of the Strategy is available on the website of the Administration of the President of Kazakhstan, accessed 4 April 2020, https://www.akorda.kz/ru/official_documents/strategies_and_programs.

²⁷ The text of his speech was handed over to the author by an employee of the Ministry of Foreign Affairs of Kazakhstan on September 2, 2019.

level of USD 3-4 billion per year. By 2027, the number of announced projects in priority sectors with the participation of foreign investors should reach 124 with a total amount of USD 5 billion. Thus, the growth of investment in fixed assets in the manufacturing industry, in turn, from 2020 to 2027 should be 109.8 per cent per year.

Such ambitious goals are built based on specific GOK programs that are adopted under the influence of Kazakhstan 2030 and Kazakhstan 2050 targets. In 2015, Kazakhstan adopted the *Nurly Zhol* (The Bright Path) State Infrastructure Development Program for 2015-2019 (the second 5-year plan), which provided for a combined domestic investments and borrowed funds by international financial institutions (e.g., EBRD, ADB, and IsDB) for USD 8.97 billion. The program was aimed at creating a single economic market in Kazakhstan by forming large macro-regions in the country. The cities of Almaty, Nur-Sultan, Aktobe, Shymkent and Ust-Kamenogorsk, located in different regions of the country (Figure 2.1), were identified as national and international hub cities. It was determined that the Khorgos-Eastern Gates free economic zone together with the Zhetygen-Korgas railway (the second railway crossing between Kazakhstan and China) and the Western Europe-Western China automobile corridor would form a powerful industrial and logistics hub capable of providing the shortest access for goods to Europe and Asia.

5 years earlier, in 2010, Kazakhstan adopted the first 5-year plan--the State Programme for Accelerated Industrial and Innovative Development for 2010-2014²⁸. Under this programme, it was planned to develop the Industrialization Map of Kazakhstan for 2010-2014 and the Rational Allocation of Production Facilities Scheme until 2015. According to Hon. Albert Rau, MP of the Parliament of Kazakhstan, the adoption of 5-year plans is an important condition and instrument for financing the country's industrial initiatives. This approach also provides funds to the promising

²⁸ The text of the Program is available on the legal portal Adilet, accessed 4 April 2020, http://adilet.zan.kz/rus/docs/U100000958_#z13.

industries in order of priority and, as readers will see below, to support joint projects with foreign partners²⁹.

The focus of the first program was aimed at attracting of FDI in the creation of new export-oriented high-tech industries, as well as overcoming the consequences of the Dutch disease. Moreover, the document said that Kazakhstan was able to win the position of a global mediator among Asian and the CIS nations, e.g. Russia, Central Asia, China, Iran, and India. It is meaning that Kazakhstan considered itself as a ‘catalyst’ of intra-regional cooperation and growth.

Speaking about the importance of the program, it must be noted that the implementation of several project related to Kazakhstan-China oil pipelines (CPC), including Atasu-Alashankou and Kenkiyak-Kumkol projects (Figure 3.3), as well as the expansion of the throughput the capacity up to 20 million tons per year were indicated in it.



*Figure 3.3. Unified map of pipelines in Kazakhstan
(Screenshot from the website of Kazakhstan-China Pipeline LLP)
(Red lines--operational, black lines--designed)*

²⁹ Materials of the online conference by the Institute of World Economy and Politics (Kazakhstan) and the Whiteshield Partners consulting company on ‘New incentives for the economy. Industrialization. Post-industrial society,’ which was held on May 13, 2020, via Zoom.

Moreover, the **Industrialization Map**³⁰ provided opportunities for the implementation of 62 projects, including the construction of the Infrastructure of the International Centre for Cross-Border Cooperation *Khorgos* (no. 21) and the creation of the production of South Korean brand cars *Ssang Yong* at the *SaryArka-Auto-Prom* facilities (no. 29).

The Rational Allocation of Production Facilities Scheme³¹ included such republican and regional projects as construction of the third gas processing plant of *CNPC-Aktobemunaigas* JSC and reconstruction of the *Sinoil* LLP oil depot in Aktobe region. The efforts of the GOK were concentrated on the development of the following priority sectors of the economy:

- Traditional: oil and gas sector, mining and metallurgical complex, nuclear and chemical industries;
- Demand of subsoil users, national companies and the state: mechanical engineering, construction industry, pharmaceuticals;
- Non-resource and export-oriented sectors: agro-industrial complex, light industry, tourism;
- The Future Economy sectors: information and communication technologies (ICT), biotechnology, alternative energy, space activities.

It also provided opportunities for the use of certain measures to stimulate FDI in priority industries and in the SEZ territories. In order to attract investments in non-resource sectors, the institution of direct talks with potential investors was also introduced. To implement such unique approach, it was envisaged to improve the institutional mechanisms for interaction with foreign investors:

- Strengthening of the MFA's Investment Committee as a single coordinating body;
- Creation of a network of foreign representative offices by *Kaznex Invest*;
- Using the mechanism of Kazakh trade representatives abroad;

³⁰ The content of the Map is available on the legal portal Adilet, accessed 6 April 2020, <http://adilet.zan.kz/rus/docs/P1800000522>.

³¹ The content of the Scheme is available on the legal portal Online Zakon.kz, accessed 6 April 2020, https://online.zakon.kz/Document/?doc_id=30656897#pos=0;0.

- Using all possible diplomatic means abroad, including honorary consuls and seconded to the MFA Kazakhstan Investment Counsellors;
- Creation of the permanent Commission on Foreign Investments under the Prime Minister.

The GOK must select the largest investment projects based on all possible benefits and preferences indicated in the bilateral investment agreements. In addition, the GOK should promote an attractive investment image of Kazakhstan through the preparation of the PR events, e.g. creation of the Internet portal for foreign investors; assisting in B2B matching; achieving the synergy of previous lessons. In fact, the model chosen by Kazakhstan envisaged an increased focus on ‘industrialization’ as the main argument for attracting FDI (Dosmukhamedov, 2002:95).

Third group: Investments were considered as one of the main supporting elements for the successful implementation of numerous state programs, for example, the Business Support and Development Programme Business Road Map 2020, which was adopted in August 2018. The program provided a large list of preferences, including in the field of credit policy.

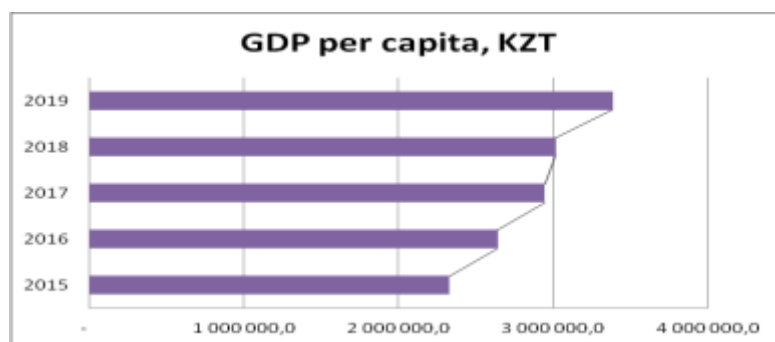


Figure 3.4. Effect of the National Investment Strategy of Kazakhstan³²
(Ministry of National Economy of Kazakhstan, 2020).

Another important document along with the National Investment Strategy is the National Export Strategy for 2018-2022 (Figure 3.4)³³. In the document, the following **priority trade partners** for Kazakhstan were identified, as follows:

³² The website of the Committee on Statistics of the Ministry of National Economy, accessed 22 April 2020, <http://stat.gov.kz/official/industry/11/statistic/8>.

³³ The content of the Strategy is available on the legal portal Adilet, accessed 24 April 2020, <http://adilet.zan.kz/rus/docs/P1700000511>.

- Priority export partners: China and Russia;
- High export partners: Belarus, India, Iran, Kyrgyzstan, Turkey, Ukraine, Uzbekistan;
- Moderate export partners: Afghanistan, Armenia, Azerbaijan, Georgia, Latvia, Mongolia, Netherlands, Poland, Tajikistan, Turkmenistan (trade relations are possible in the future);
- Long-term export partners: Finland, France, Germany, Italy, Japan, South Korea, Switzerland, UK.

The Investment Strategy was focused on not only attracting new investors, but also, for the first time, on retaining existing investors and stimulating re-investment. The Strategy identified **36 priority investment partners**, including 11 developed countries: China, France, Germany, Italy, Japan, Russia, South Korea, Turkey, UAE, UK, and the US that required development of individual approaches and action plans.

Fourth group: In 2018, the First President approved the third **Strategic Plan of Kazakhstan's development until 2025**, which, in fact, is supplement to Kazakhstan-2050³⁴ and aimed at stimulating export-oriented production.

As for measures to achieve the main goals and objectives of the Plan, the implementation of systemic reforms in the field of economic diplomacy and investment was indicated, including the expansion of powers of Kazakhstani regions on investments; creation of Kazakh trade offices in the countries of priority and high export interest; attraction of highly qualified specialists from abroad, including foreign subjects and citizens of Kazakhstan (headhunting); adherence to proactive economic diplomacy. The level of the OECD countries and the UN SDGs were indicated as indicators of future growth. The plan also outlined 3 scenarios. The second one--An Open World--called for deeper integration into the New Silk Road project.

The second Strategic Plan until 2020³⁵ was adopted in 2010 to strengthen Kazakhstan-2030 in terms of diversifying the Kazakh economy and increasing its

³⁴The text of the Plan is available on the website of the Administration of the President of Kazakhstan, accessed 6 April 2020, https://www.akorda.kz/ru/official_documents/strategies_and_programs.

³⁵ The text of the Plan is available on the legal portal Adilet, accessed 4 April 2020, http://adilet.zan.kz/rus/docs/U100000922_.

competitive advantages, for example, through the reduction of the doing business' cost. At the same time, foreign investments in non-resource sectors, including in energy, infrastructure, finance and telecommunications were identified as one of the key elements of Kazakhstan's post-crisis development. Thus, the plan stipulated that by 2020 the share of FDI in GDP would increase by ten percentage points. The document also aimed to diversify investments from ten major investor countries, including the PRC, the ROK, and Japan, with a share of each country of 5 per cent or more. By the way, the Plan also set the goal of Kazakhstan's first NPP construction until 2020.

The first Strategic Plan until 2010³⁶ was adopted back in 2001 to improve the quality of state planning during the implementation of Kazakhstan-2030. The experience of leading foreign companies and commercial organizations was taken as a basis. It is not surprising, but one of the central focuses of the Plan was the creation of Kazakhstan's TNCs and building partnership network with foreign TNCs. In this action, readers can find echoes of Kazakhstan's desire to create the 'Kazakhstan Corp.' on the example of the Chinese, Korean, and Japanese TNCs.

The plan emphasized that the rapid development of the East Asian region over the past 30 years would lead to a new alignment of forces, namely the formation of 4 developed economic centres: the US, the EU, Japan, and China that form for Kazakhstan the most preferred centres of cooperation. The first Plan is more ambitious, as it posed such tasks as bringing national companies to the regional and global level, as well as economic expansion in the post-Soviet space. The Plan noted that the volume of investment in fixed assets at that time was no more than 18-19 per cent of GDP, while the country needed investments 2 times higher than 18 per cent.

In general, these documents emphasized that the expectations of the Kazakh authorities regarding the foreign investment and the modernization of processing industries did not come true. In fact, foreign capital did not contribute to the development of the manufacturing sector, since it was entirely directed to the extractive sectors, i.e. to the oil and metallurgical industries. In addition, the analysis of the

³⁶ The text of the Plan is available on the legal portal Adilet, accessed 4 April 2020, http://adilet.zan.kz/rus/docs/U010000735_#z543.

investment structure shows that foreign investors invested most of their money in working capital or fixed assets of short-term use.

The policy of stimulating the inflow of foreign investment led to the fact that domestic and foreign investors were placed in an unequal playing field. There are several reasons behind this, as follows: low business activity at the local market; unclear legislation and regulatory measures; low liquidity of financial resources; sharp shortage of reliable information; the weak role of the GOK led to the spread of corruption and abuse, non-fulfilment of contractual conditions; intellectual property rights are not protected.

The following tasks are noted as possible priority forms of solutions: improvement of the GOK role in the FIDs attraction in order to support real sectors of the national economy; creating conditions for the formation of the stock market; providing an organized movement of financial flows from investors to borrowers; activation of banks' lending activities in the real economy; stimulating the inflow of foreign investment, while respecting the national interests of Kazakhstan and creating favourable conditions for attracting foreign and domestic investors to priority sectors of the economy.

Fifth group: In 2020, Deputy Minister of Foreign Affairs Almas Aidarov has instructed Kazakh Embassies abroad to form the first drafts of so-called **Country-based Investment Passports for 2020-2022** for each country, including the PRC, the ROK, and Japan.

Each document contains basic data on each country, as well as possible proposals for attracting new investments, especially from companies included in the Forbes' *Global 2000* or *Fortune 500* lists. In fact, these passports are not new. Even earlier, government agencies of Kazakhstan practiced the so-called Cluster meetings for Kazakh diplomats in selected regions in order to improve and regulate joint activities at the external track.

An Investment passport for **China** is only 8 pages long. Among the most promising industries for Kazakhstan are metallurgy, agriculture, industry, construction, transport, logistics and renewable energy sources. In each industry, there is a list of

potential partners, to whom Kazakh officials could present its ideas and specific projects.

Korea's Investment Passport consists of 23 pages. Among the priorities are mechanical engineering, agriculture, petro chemistry, metallurgy, geology, medicine, pharmaceuticals, information and communication technologies, transport, logistics, finance, nuclear energy. The document also contains a reference to problematic issues that hinder the development of bilateral relations and have a negative impact on investment prospects.

The **Japanese** passport fits into 27 pages. Among the promising areas are digital technologies, finance, infrastructure, transport, logistics, energy, medicine, pharmaceuticals, agriculture, metallurgy and tourism. At the same time, several problematic blocks stand out at once, which hinder the economic ties of the 2 countries-geography, infrastructure, and business climate. The further success at the Japanese direction is associated with the possible intensification of close relations between the EAEU-Japan and Kazakhstan-China.

In 2020, the Ministry of Foreign Affairs of Kazakhstan has developed new criteria for assessing the effectiveness of its diplomatic missions on the FDI attraction (Table 3.1)³⁷. It was proposed to evaluate the activities of the diplomatic missions by 7 specific criteria (100 points). For example, the PRC, the ROK, and Japan are included in the first category of countries along with other 18 nations. The second category of countries includes 19 countries, e.g. Uzbekistan and Malaysia. The third category consists of 26 countries, including Israel and Turkmenistan.

³⁷ The document was presented during the online meeting with the participation of Deputy Prime Minister-Minister of Foreign Affairs of Kazakhstan Mukhtar Tleuberdi with the heads of Kazakhstani diplomatic missions and the leadership of *Kazakh Invest* on March 10, 2021.

№	Title of criteria	Points
1.	Number of interested investors 1 st category--5 investors (each investor--5 points) 2 nd category--3 investors (1--5 points, 2--15 points, 3--25 points) 3 rd category--1 investor (1--25 points)	25
2.	Acceptance and implementation of target indicators in accordance with the country-based passport (91-100 per cent--25 points; 81-90 per cent--20 points; 71-80 per cent--15 points; 61-70 per cent--10 points; 51-60 per cent--5 points)	25
3.	Short List Processing 1 st category--25 meetings (25--10 points, 15--5 points) 2 nd category--15 meetings (15--10 points, 10--5 points) 3 rd category--5 meetings (5--10 points, 3--5 points)	10
4.	Long List Processing (81-100 per cent--10 points, 51-80 per cent--5 points, 0-50 per cent--0 points)	10
5.	Processing investor requests (81-100 per cent--10 points, 51-80 per cent--5 points, 0-50 per cent--0 points)	10
6.	Preparation of analytical reports (4--10 points, 3--5 points, 0-2--0 points)	10
7.	Country-based passport progress (transition of a project to the next phase--5 points)	10

*Table 3.1. Evaluation criteria of Kazakh diplomatic missions
(Ministry of Foreign Affairs of Kazakhstan, 2020)*

3.2. Investment Institutions

In Figure 3.5, the author lists the key authorities responsible for the development of the investment strategy of Kazakhstan according to their importance.

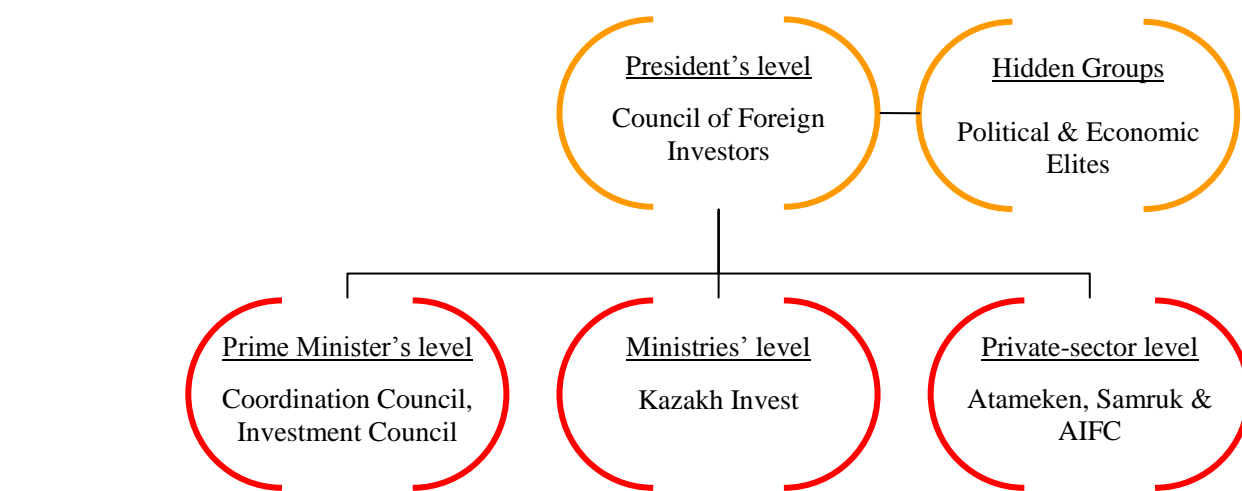


Figure 3.5. Priority order of national investment-related institutions (by author).

First group: In 1998, the first meeting of the Council of Foreign Investors under the President of Kazakhstan (FIC) was held. Kazakhstani experts compare the FIC's

creation with the establishment of the main mechanism for protecting national interests in relations with foreign TNC.

Today, the FIC is the main advisory body under the President. The Chairman of the Council is the President. The main task of the Council: development of new recommendations and proposals on the further investment policy; improvement of the investment climate and the regulatory legal framework. In fact, the FIC is dealing with strategic issues to ensure the necessary investment climate. At the same time, the MFA's Investment Committee fulfils functions of the Council's secretariat, not the Presidential Administration.

Currently, the FIC includes members of the GOK, heads of national and over 30 multinational companies and IO, 5 foreign observers representing the real sector, as well as investment and consulting firms. In fact, the FIC includes representatives from the 2 Japanese companies, i.e. *Mitsubishi Corporation* and *Marubeni Corporation*; 1 from China--*China National Petroleum Corporation* and a Vice President of the Asian Development Bank (ADB). Technical support to foreign members is provided by a separate association, which also includes Japanese *INPEX*, which has the observer status³⁸.

Foreign observers, who had studied the FIC activities before, believe that the GOK-TNC communications under the FIC umbrella is not always effective (Nikitin, 2019:11). According to Edward Convey, the most effective FIC mechanisms, which itself remind a 'theatre' rather than the dialogue platform, are its 4 Working Groups. Members of these WGs could meet and discuss the most interesting issues for foreign investors, including issues concerning frequent legislative innovations by the Government of Kazakhstan (Laruelle, 2017:12). The Council is also a strong PR tool that allows Kazakh leaders to demonstrate the willingness of Western partners to cooperate and invest into the Kazakh economy (Aitken, 2007:218-219).

Second group: 1). The **Coordination Council for Attracting Investments** is an advisory body under the GOK and the main core of investment policy. In fact, the Council replaced the previously existed Headquarter for the Improvement of

Investment Climate, chaired by the Prime Minister. The Chairman of the Council is the Prime Minister, and the working body is the Ministry of the National Economy (MNE). The main goal of the Council is to develop proposals on attracting investments, including: improving the investment climate; increasing the efficiency of interaction between central and local executive bodies, as well as representatives of the quasi-state sector. In fact, the Council is vested with the authority to provide special conditions for the implementation of strategic investment projects (Nikitin, 2019:11).

2). The **Council for Improving the Investment Climate** is an advisory body under the Government of Kazakhstan³⁹. The Chairman of the Council is also the Prime Minister, and the working body, as in the first case, is the MNE. The main goal of the Council is to implement a unified investment policy that meets the priorities of economic development, to assist in attracting and effectively using domestic and foreign investments.

Among the practical tasks of the Council's activities, as follows: determination of a unified strategy for the development of investment activities based on the OECD practices; creating a favourable investment climate at the legislative level, including the protection of the rights and interests of foreign investors; solution of problems that block foreign investments. The documents obtained by the author show that the Council's meetings also attended by foreign diplomats, businesspersons, and representatives of international financial institutions, including the American Chamber of Commerce, OECD, EBRD, *Royal Dutch Shell* and *Deloitte*.

3). In addition, meetings of the **Export Policy Council** (2017) and the **Competitiveness Council** (2016) are regularly held under the leadership of the Prime Minister. The Prime Minister is also assumed the functions of the **Investment Ombudsman** in charge of the protection of the rights and interests of investors. Meetings of the **Interdepartmental Commission on Foreign Trade Policy and Participation in International Economic Organizations**, e.g. the WTO and the EAEU (2017); the **Commission on Determining the Limit of the External Debt of**

³⁸ The website of the Foreign Investors Council, accessed 4 June 2020, <https://fic.kz/ru/fic/members/foreign>.

the Quasi-Public Sector (2018) are usually held at the level of the Deputy Prime Ministers.

The foreign economic strategy of the First President of Kazakhstan, Nursultan Nazarbayev, was very different from the approaches used by the leaders of Turkmenistan and Uzbekistan. At the same time, the frequent change of Prime Ministers, relevant ministers, foreign advisers and other key persons indicates that the Kazakhstani investment model has been subject to frequent revisions and adjustments. Perhaps one of the reasons is that many investors in Kazakhstan continued to invest mainly in the oil and gas sector and metallurgy (Zhukov, 2000:159).

Third group: First President Nazarbayev, speaking at the collegiums of the Foreign Ministry of Kazakhstan in 1995, 1996, and 1998, identified as one of the main goals and objectives of Kazakhstani diplomacy the mobilization of large-scale investments from the developed countries of the West, Asia, and the Middle East (Tokayev, 2001:29). Against this background, the Foreign Ministry, in one way or another, is involved in attracting foreign investment.

1). The Interdepartmental Council for Attracting Investments (Investment Headquarter) is an advisory body under the Foreign Ministry of Kazakhstan. The Foreign Minister chairs the Council, and the working body is the MFA's Investment Committee. The main goal of the Council is to develop proposals and recommendations aimed at stepping up work with potential investors within the framework of a unified investment policy. At the same time, the author concluded that at the level of the Investment Headquarter there is a primary analysis of all appeals and proposals to the country's leadership to improve the investment climate, as well as to resolve problematic issues. Accordingly, the Foreign Ministry makes its recommendations and proposals, taking into account the global context and the level of cooperation with foreign partners. The effectiveness of the Headquarter is closely related with participation of local experts from relevant government agencies and national companies.

³⁹ The website of the Prime Minister of Kazakhstan, accessed 24 April 2020, <https://primeminister.kz/ru/government/advisory>.

2). Back in 1992, Nazarbayev signed a law establishing the **National Agency for Foreign Investment** (Tokayev, 2001:424). The transformation of this key structure in the FIC activities helping to assess how important the investment focus was in the GOK activities. In 1993-1994, the popular in those years young economist Oraz Zhandosov became the first Chairman of the National Agency, who later left politics due to his participation in the creation of one of the main opposition parties in Kazakhstan. In 1996-1998, Akhmetzhan Yessimov became the Chairman of the State Investment Committee, who for many years worked in the team of the First President. In 1998-1999, Oraz Zhandosov again became the Chairman of the State Committee for a short time. In 1999, Anuar Saydenov was appointed as new Chairman of the State Committee, who later became the head of the National Bank of Kazakhstan.

In 1999-2000, in connection with the reorganization, a professional diplomat, former Ambassador of Kazakhstan to Austria, India, and Israel Dulat Kuanyshev became the Chairman of the National Agency for Foreign Investment. In 2001, economist and banker Tilek Alzhanov was appointed as the Chairman of the MFA's Investment Committee, who was replaced in 2002 by another diplomat, Vadim Zverkov. In the same year, diplomat Yerlan Abildaev was appointed as the Chairman of the Investment Committee, but under the Ministry of Industry and Trade. In 2003-2006, economist Yerlan Arynov became the Chairman of the Committee, who was later replaced by another economist Timur Nurashev in 2006-2010. In 2010, Timur Zhaksylykov became the Chairman of the Investment Committee of the Ministry of Industry and New Technologies, in 2010-2012--Asylkhan Serikov. In 2013-2014, Erlan Khairov, who is now the Ambassador-at-Large of the Foreign Ministry, was appointed as new Chairman of the Investment Committee of the Ministry of Industry and New Technologies, and in 2014-2016 of the Ministry for Investment and Development. In 2018-2019, before the transfer of the Committee to the Foreign Ministry, he was also the Chairman of the Committee.

In 2016-2017, Saparbek Tuyakbayev became the Chairman of the Investment Committee at the Ministry of Investment and Development. In May 2019, Bakhyt Batyrshayev, a well-known Arabist in Kazakhstan, was appointed as the Chairman of the

MFA's Investment Committee, who was later replaced by Rustam Isatayev at the end of 2019. In 2020, another Arabist Askar Shokybaev was again appointed as the Chairman of the Committee. It is noteworthy that in 2020 new Deputy Minister of Foreign Affairs in charge of economic diplomacy Almas Aydarov, who worked for 3 years at senior positions in *Kazakh Invest*, took over the patronage of the MFA's Investment Committee. Moreover, in January 2021, the current Foreign Minister of Kazakhstan, Mukhtar Tleuberdi, was promoted as new Deputy Prime Minister-Foreign Minister.

3). In April 2019, it was decided to transfer the state shares in the National Company *Kazakh Invest* to the Foreign Ministry, which made it possible to strengthen the MFA's role and coordination in attracting foreign investment. The history of the creation of this structure dates back to 2003, when the *Centre for Marketing and Analytical Research* was created based on the Ministry of Economy and Budget Planning. The main tasks of the Centre were to analyze the competitive advantages of Kazakhstan. 3 years later, the Centre was transferred to the *Kazyna* Sustainable Development Fund, which was responsible at that time for the effective corporate governance of national development institutions. At the same time, *Kazyna* was subordinate to the Ministry of Industry and Trade. In 2006-2007, the Centre was reorganized into the *Corporation for the Development and Promotion of Exports*, and in 2008, it became known as the Corporation for the Development and Promotion of Export *Kaznex*. The main areas *Kaznex* activities were identified as the assistance in the development of export capacity of local enterprises; institutional capacity development; export of Kazakh products, and market research.

In 2009, *Kaznex* was transferred to state ownership and became subordinate to the Ministry of Industry and Trade. A year later, *Kaznex* was renamed into the National Export and Investment Agency *Kaznex Invest*. The company was entrusted with the functions of promoting Kazakhstani non-resource exports and attracting FDI to priority sectors of the national economy. The Kazakh side planned to turn *Kaznex Invest* into a kind of analogue of the Korea Trade-Investment Promotion Agency (KOTRA) and the Japan External Trade Organization (JETRO). Later, during the launch of its own

foreign aid agency (KazAID), Kazakhstan will again turn to the experience of Japan's JICA and Korean KOICA (Insebayeva, 2020a, 2020b). It is obvious that the behaviour of Japanese and Korean organizations in Kazakhstan not went unnoticed by the Kazakh authorities and convinced them in the effectiveness of the advanced foreign experience of the East Asian partners.

4). The **Foreign Trade Chamber of Kazakhstan** (FTC) was established in 2014 as a 100 per cent subsidiary of the ***Atameken* National Chamber of Entrepreneurs**. The main task that was set before the FTC was to represent the interests of Kazakhstani business community abroad. At the same time, *Atameken* is a non-profit organization created on the example of similar structures of Germany and France to strengthen the negotiating power of business with the Government and state bodies. Accordingly, the participation of the FTC is limited to the practical interests of the members of the National Chamber of Entrepreneurs. Most often, FTC representatives accompany Kazakh official delegations abroad in order to find new promising partners and lobby for beneficial contracts and MoUs. At the initiative of the Foreign Ministry, a **Diplomatic Business Club** was also created based on the Chamber with the aim of bringing Kazakh entrepreneurs closer to foreign diplomats accredited in Kazakhstan (Satpayev, 2019:411). According to the knowledge of Kazakhstani diplomats, the Chamber was not able to prove itself and turn into an effective force for attracting foreign investments.

5). The *Samruk-Kazyna* National Welfare Fund plays a huge role in attracting foreign investment and financing national modernization programmes. At present, it is this fund that finds the so-called anchor investors, who help Kazakhstan to develop certain industries together with large foreign companies. For example, in 2019, *Samruk-Kazyna* portfolio companies helped to attract 31 per cent of all FDI in Kazakhstan (USD 3,9 billion out of USD12,6 billion). Among the partners of the fund are such institutions as Japanese *INPEX*, Chinese *CNPC*, *HydroChina*, etc. Along with Moscow and London, the fund also has an office in Beijing. *Kazakh Invest* has 2 of its representatives in Beijing and only one representative in Singapore, which also covers the ROK and Japan.

6). In 2020, based on Uzbekistan and Israel models, local authorities in Kazakhstan selected the pool of 235 industry experts under the Prime Minister of Kazakhstan to develop export-oriented projects in eleven sectors of the economy. Most of these people are top managers of international and Kazakhstani companies who agreed to work on a gratuitous basis⁴⁰.

Obviously, all above-mentioned institutions can be divided into 2 blocks, depending on their role, namely (1) those that are aimed at attracting investment and (2) those that are responsible for solving the problems of foreign investors. However, the Kazakh economist Timur Isayev believes that such a complex system of institutions creates only obstacles for investors because of its command culture. He is confident that the GOK is “*a poor analyst of markets and investment projects,*” despite its large administrative resource (Satpayev, 2019:412).

Historically, the energy sector has attracted most of all FDI, resulting in structural underinvestment and uncompetitive pricing in non-extractive industries (BTI, 2020:26). The only two influential interest groups that can really influence decision-making process in Kazakhstan are **the Kazenergy Association of Large Energy Enterprises** and the *Atameken* National Chamber of Entrepreneurs. Both are led by President Nazarbayev’s son-in-law, billionaire Timur Kulibayev, who stepped down as Chairman of the *Samruk-Kazyna* National Welfare Fund, following protests in Zhanaozen in 2011 (BTI, 2020:14).

Fourth group: Well-known Kazakhstani political scientist Dossym Satpayev notes that after the collapse of the USSR, there was a merger of industry groups with the bureaucratic apparatus in Kazakhstan. Financial groups headed by so-called *Aga-shki*⁴¹ or Godfathers privatized some sectors of the Kazakh economy (2019:107). These people, for example, also belong to such groups as the Old guard (members of the First President’s team) or Family (family members or relatives of the First President) (2019:123). Accordingly, these persons, through national companies, business empires

⁴⁰ ‘Fond Yelbasy podgotovil ‘transformatsionnyy spetsnaz’,’ YouTube, accessed 9 February 2021, <https://www.youtube.com/watch?v=YKI7GYTsyy0>.

and industry associations (141!), determine the development of a particular industry, and most often, the extractive sector. In addition to *Kazenergy*, these actors include-- Association of Mining and Metallurgical Enterprises, Union of Manufacturing Industry, Association of Financiers of Kazakhstan, Union of Transport Workers of Kazakhstan and others.

Satpayev points out that these associations have close ties with local media, experts and bloggers, who help them to promote their interests in the domestic field. For example, national exporters of raw materials, who receive their income in foreign currency, could be associated with the devaluation of the national currency in 2015 (2019:111). Given the close relationship between investment and the development of the national economy, it can be argued that this lobby is also involved in the process of attracting and distributing foreign investment. In this regard, local independent experts compare the economy of Kazakhstan with a luxurious house with a beautiful fashionable door and a back exit. This comparison related with the GOK efforts to create attractive conditions for attracting foreign investors; however, Kazakhstani businesspersons are withdrawing money from the country to acquire lucrative assets abroad.

In 2021, the Foreign Ministry proposed to re-establish the Investment Headquarters under the Prime Minister, as well as introduce the practice of ordering investment services in order to optimize the MFA efforts to find potential investors for Kazakhstani enterprises⁴².

3.3. National legislation

National legislation is an interesting source of information, as it allows understanding the main directions and principles of Kazakhstan's attitude to investment and their impact on economic relations with foreign countries. The author deliberately

⁴¹ Aga in the Kazakh language means uncle or elder brother. In modern language, this also means influential family friend, patron or shuggar daddy. At the same time, there are 2 Aga groups in Kazakhstan--Aksakals (old Aga-shki) and Young Aga-shki.

⁴² The website of the Prime Minister of Kazakhstan, accessed 7 February 2021, https://primeminister.kz/ru/news/zaprosy-investorov-budut-rassmatrivatsya-s-uchastiem-predstaviteley-prokuratury-sudov-i-gosorganov-m-tleuberdi-215816?fbclid=IwAR1uA2PTz2VdABZJYiS7_bnbZ0edP_PeTkoGDNXsR1ylBc8husdBHBHYwWI.

omits numerous laws that were adopted in relation to foreign investors during the rule of the Russian Empire and the USSR.

Nevertheless, during the last years of the Kazakh SSR existence, such important legal acts as the Law on Foreign Investment (Dec. 7, 1990), the Law on Basic Principles of Foreign Economic Activity (Dec. 15, 1990), the Law on Free Economic Zones (Nov. 30, 1990), the Law on Freedom of Economic Activity and the Development of Entrepreneurship (Jan. 15, 1991), the Law on Enterprises (Apr. 1, 1991) and others laid the foundation for investment legislation and the first contacts with foreign investment partners (Dosmukhamedov, 2002:54).

By the way, these laws limited government interference in private affairs of foreign investors and foreign activities of local entrepreneurs. According to the country's leadership: *“the scheme of cooperation with investors was fraught with serious risks, but the rescue of the country's backbone enterprises required urgent measures”* (Nazarbayev, 2017:70). In fact, Kazakhstani experts understood that Kazakhstan was entering a very difficult competition for investments that could be attracted only by adhering to the most flexible approach--the free entry model (Dosmukhamedov, 2002:94).

The early 1990s laws viewed foreign investors as an important element of the national economy and became part of the domestic legal culture. There was a debate in the country that also envisioned options for following the Uzbek or Turkmen models, which included full control over resources (Seguillon, 2010:94). Over time, these laws began to be divided into 2 groups, aimed exclusively at regulating the activities of investors or partially affecting their interests (Dosmukhamedov, 2002:57). The first category includes the Law on Foreign Investment (1994) and the Law on State Support of Foreign Direct Investment (1997). The second category includes the Constitution, the Civil Code, the Tax Law, and the Land Code.

In fact, the 1994 Law on Foreign Investments was no exception⁴³. It assisted in the creation of the first independent regime for foreign investors. Thus, article 6 of the

⁴³ The text of the Law is available on the legal portal Adilet, accessed 6 April 2020, http://adilet.zan.kz/rus/docs/Z940009000_#z0.

Law provided that 10 years after the investment, the investor is subject to the legislation in force at the time of the investment. For investments made under long-term (over 10 years) contracts--this regime would be preserved until the end of the contract. Article 7 stated that foreign investment could not be nationalized, and expropriated. Article 9 stated that damage resulting from war or other armed conflict, including revolution, state of emergency or civil strife is compensated by the provision of favourable investment treatment and damages.

The 1997 Law on State Support for Direct Investments in Kazakhstan⁴⁴, despite differences in name and content, only expanded the existing system of incentives for foreign investors. Foreign investors were protected from the adoption of unacceptable acts or decisions by the state bodies; compensation was guaranteed in case of nationalization. Under the Law, the Institute of the Investment Ombudsman was also created.

The rate of income and land taxes, as well as the rate of property tax was significantly reduced: in the first 5 years from the date of the contract--by 100 per cent, in the next 5 years--by 50 per cent. The law also provided for the complete and partial exemption of imported equipment, raw materials and materials necessary for the implementation of investment projects from customs duties (Nazarbayev, 2017:137).

The main goal of the investment policy was identified as creating a favourable investment climate for the development of the economy and stimulating investment in the creation of new, expansion and renovation of existing industries using modern technologies, improving the skills of Kazakhstani personnel, as well as environmental protection.

The 2003 Law on Investments⁴⁵ became invalid due to the adoption of the Entrepreneurial Code⁴⁶ dated October 29, 2015. The 2003 Law introduced the priority of sectoral laws in the investment area, as well as international agreements between

⁴⁴ The text of the Law is available on the legal portal Adilet, accessed 6 April 2020, http://adilet.zan.kz/rus/docs/Z030000373_#z0.

⁴⁵ The text of the Law is available on the legal portal Adilet, accessed 6 April 2020, http://adilet.zan.kz/rus/docs/Z030000373_#z24.

⁴⁶ The text of the Code is available on the legal portal Adilet, accessed 6 April 2020, <http://adilet.zan.kz/rus/docs/K1500000375#z1255>.

Kazakhstan and foreign states (Torero, 2004:15). At the same time, the Code provided a number of tools for monitoring the fulfilment of obligations under investment contracts, as follows:

a). National company in the field of attracting investments and its offices: conduct analytical research to improve investment attractiveness; provide support for the activities of investors, including form and maintain a database of current and prospective investors, assist investors in solving emerging issues; monitor the implementation of official agreements reached as a result of negotiations with investors; monitor the industrial and innovative projects implemented with the participation of investors; interact with investors based on the one window principle.

b). National development institute in the field of export development and promotion: analyze foreign markets; provide assistance in promoting domestic processed goods and services to foreign markets; provide information and consulting services to domestic exporters; interacts with domestic, foreign and IO; create overseas offices to promote exports.

c). RO are responsible for attracting investment at the regional level. They are created by the decision of local bodies.

In general, as readers can see, Kazakhstan has built a multi-level and multidimensional toolkit for working with foreign investors. However, even these mechanisms are not effective for retaining foreign investors. For example, the political peculiarities of the country's development have led to the fact that since independence capital flight from Kazakhstan is exceeding USD 140 billion. *Global Financial Integrity*, a US-based think-tank, ranks Kazakhstan 18th worldwide for illicit financial flows (Bohr, 2019:17).

CHAPTER 4: INVESTMENT COOPERATION WITH EAST ASIA: CHINA

Today, Kazakhstan is the leader among the CA nations in terms of trade and investments (Figures 4.1, 4.2, 4.3 and 4.4). At the same time, a huge role in this process belongs to China, which occupies a key place in the foreign economic strategy of Kazakhstan. Local experts, speaking of China's geographic location, highlighted the importance of building close relations with Beijing as a vital necessity (Kuttykadam, 2017:360). Accordingly, with the economic growth of China, Kazakhstan will be more and more involved in economic relations with this country. However, the author tried to understand below whether this process is of equal importance for China and how relations between the two countries actually develop.

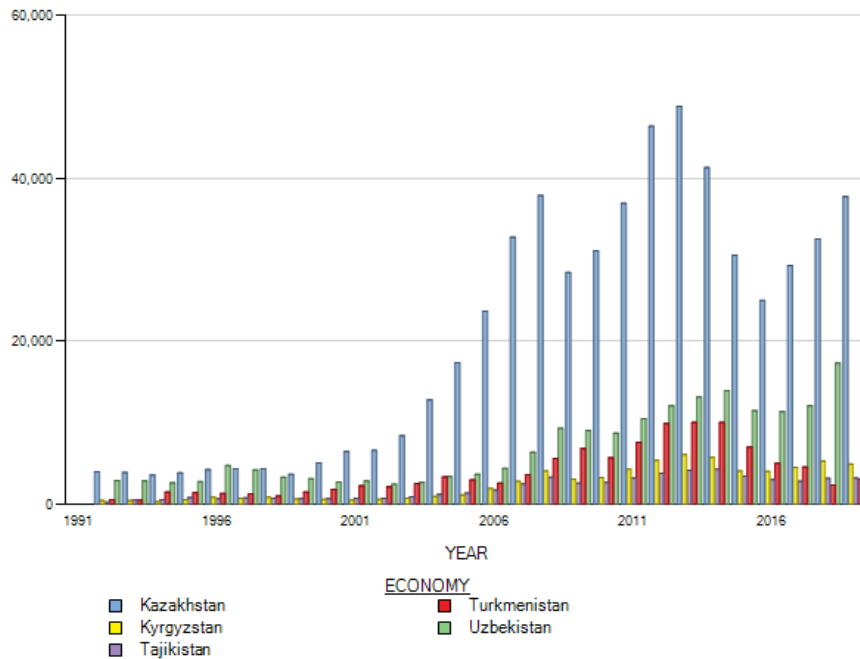


Figure 4.1. World trade (import), USD millions (UNCTADstat, 2020).

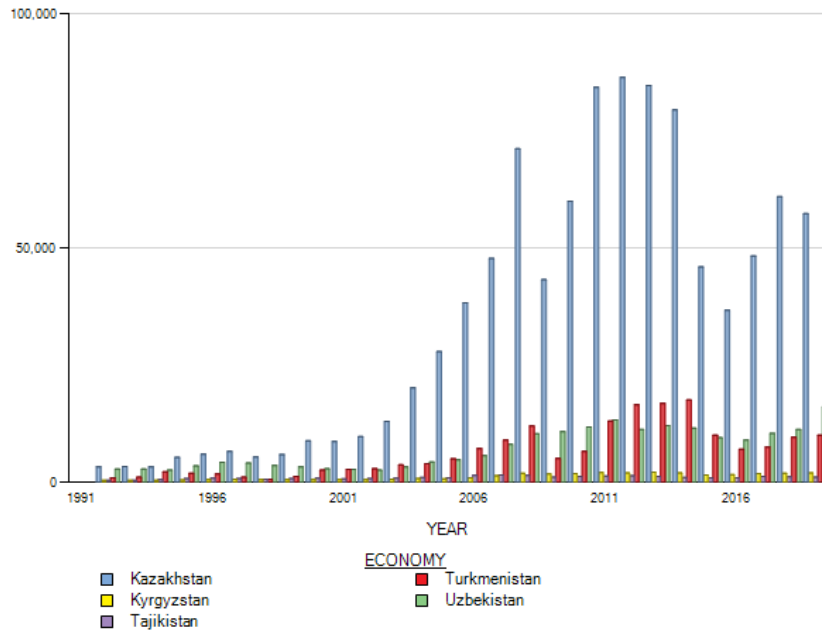


Figure 4.2. World trade (export), USD millions (UNCTADstat, 2020).

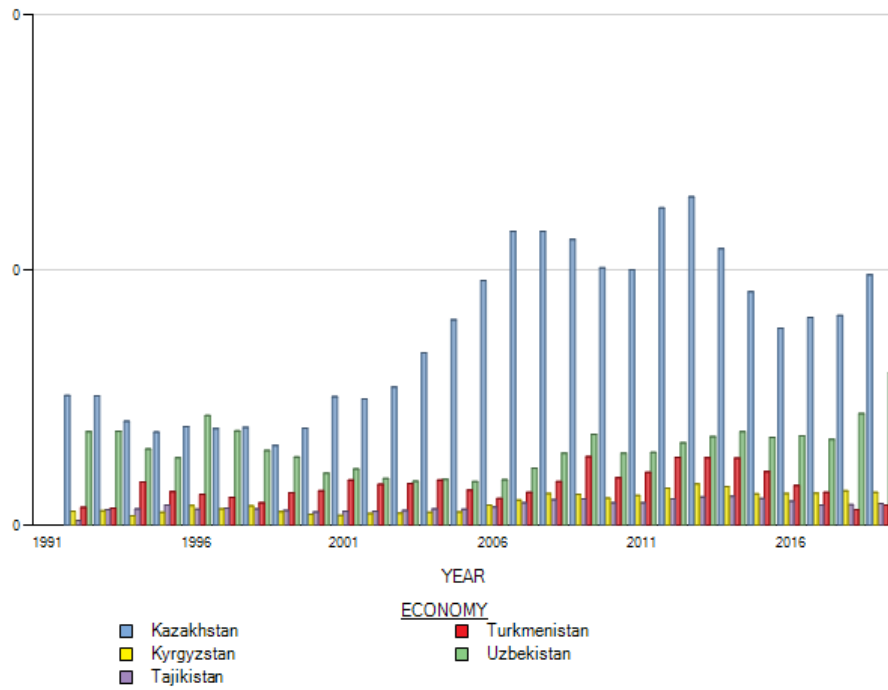


Figure 4.3. World trade (import), percentage of total world (UNCTADstat, 2020).

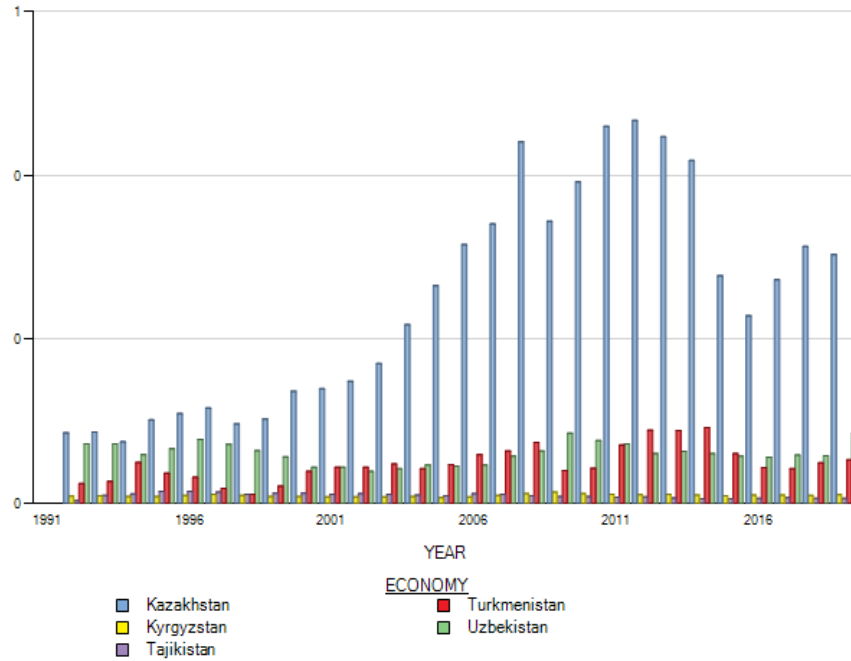


Figure 4.4. World trade (export), percentage of total world (UNCTADstat, 2020).

In 1995, speaking at a foreign policy meeting, President Nazarbayev said that “regional thinking would significantly narrow the scope for manoeuvre; limit the attraction of foreign investment, without which it would be difficult to count on the effective development of natural resources” (MID, 2005:9). At that time, President Nazarbayev saw the role of Kazakhstan as a link between Europe and Asia. That is why he believed that China, along with Russia, is the ‘gateway’ to world communications for Kazakhstan, especially to Japan and South Korea. Indeed, the Asian countries were considered as source of capital, technology, and industrial products (Chebotarev, 2015:69). The West believed that economic interest in Central Asia was a consequence of China’s intentions to address its energy needs and create a security buffer (Nag et al., 2015:2). At the same time, Central Asia continues to be a place where the interests of China and Russia clash (Kroenig and Cimmino, 2020:62).

The economization of Kazakhstani foreign policy intensified in 2000-2009 (Tokayev, 2011:36). During this period, Kazakhstani diplomats were tasked to enhance trade, economic and investment cooperation with foreign partners. One of the main foreign policy was the creation of a mechanism to prevent possible negative consequences of the geopolitical struggle in the region. In this case, Kazakhstan’s

actions were based on mutual consideration and balance of interests. This approach, as was designed, should allow Kazakhstan to avoid the unilateral strengthening of certain powers that could affect the interests of other nations (Tokayev, 2011:90).

An analysis of the FDI distribution by type of economic activity suggests that the main motivator for foreign investment is access to markets and resources. First, FDI is directed to industries that are rich in resources. For Kazakhstan, this is the mining industry. This trend is also typical for the PRC, the ROK, and Japan. In general, in the historical dynamics, more than 70 per cent of all FDI is concentrated in industry, then in trade and construction. In turn, investments in fixed assets occupy a large share in those industries where there are large inflows of FDI (Samat, 2019:14-15).

In 2017, Kazakhstan approved its first Investment Program ‘National Investment Strategy’ for 2018-2022⁴⁷, which was developed with the participation of the WBG experts. The reason for the adoption of such an important document was the positive and negative lessons of Kazakhstan’s investment policy. The data for all previous years has shown that FDI flows to Kazakhstan are sensitive to changes in world commodity prices. Since Kazakhstan’s economy is closely tied to resource-oriented investment, i.e., in the extractive industries, the country will continue to be exposed to high risks associated with insufficient diversification (Nikitin, 2019:11).

Against this background, reinvestments are also showing great volatility. The low share of reinvested income indicates problems with retaining existing foreign investors, which negatively affects their ability to continue and expand their activities in the country. It should be noted that a decrease in investment volumes took place, including in industries, where there is significant government participation. Nevertheless, government participation is not always a guarantee of the success of investment projects.

The Strategy defines the list of the most priority countries for Kazakhstan according to such criteria as assets (investments), trade turnover and the number of joint ventures. Only 3 countries stand out for Asia--the PRC, the ROK, and Japan. At the

⁴⁷ The text of the Strategy is available on the legal portal Adilet, accessed 17 April 2020, <http://adilet.zan.kz/rus/docs/P1700000498>.

time of the development of the Strategy, China was ranked eighth in terms of investments, third in terms of the number of foreign enterprises and third in terms of foreign trade. Japan took ninth, 47th and 12th places, while Korea ranked 10th, 8th and 9th, respectively.

In 2010s, Kazakhstan tried to develop the *Asian Vector* or *Eurasian Bridge* Programme, which was supposed to repeat the success of another ambitious State Programme *Path to Europe* (2009-2011) in order to promote its foreign policy and economic goals in Asia. Tokayev always noted that the integration of Kazakhstan with Asia and the Pacific is an important condition for the development of active trade with these regions (Tokayev, 2001:157).

The *Asian Vector* was designed for 2012-2017 and was aimed at promoting the idea of interstate integration in the following areas: trade; transit and transport; energy; science, technological and innovative interaction; climate change, healthcare and education; agriculture and food security; development of SMEs, and finance. It was believed that the implementation of the program would allow: to determine the strategy of cooperation with Asian countries; improve transport and logistics networks between Europe and Asia; to strengthen trade and economic cooperation; unify tariff rates and standards for financial and monetary operations; promote political dialogue between leading regional associations; improve practical mechanisms for countering international challenges. However, the rejection from this program showed that Kazakhstan's foreign policy still cannot rely on uniform models of behaviour towards the Asian countries and, accordingly, must develop individual approaches for each of them (Dissyukov, 2020:96).

The author does not exclude that, based on the strategic level of cooperation of Kazakhstan with the PRC, the ROK, and Japan, as well as the GOK traditions of strategic planning; Nur-Sultan has separate confidential documents related to these countries. Kazakh scholar Satpayev (2018) notes that external risks for Kazakhstan are: (1) pressure on the national currency of Kazakhstan (exchange rate with the Russian rouble); (2) sanctions pressure on Russia, including within the EAEU; (3) reorientation of trade relations between the US and the PRC; (4) destabilization of the

economic/financial situation in Russia and China. Therefore, Kazakhstan cannot but pay increased attention to its balanced cooperation with the PRC⁴⁸.

4.1. China's policy in Central Asia

According to Niva Yau, initially the PRC strategy was based on solving 2 tasks--strengthening regional security and supporting the CA countries on the most important issues for Beijing, including Taiwan and the situation in the XUAR. Over time, these interests began to include the use of the CA direction to strengthen land communications from and to the PRC⁴⁹.

With the emergence of new independent countries in Central Asia, China began to calculate more substantively the dividends from trade, economic, and investment cooperation with the CA countries. However, the CA region is not the only centre for attracting Chinese investments. In general, the growth of investment activity corresponds to the stages of development of the other 2 economies of Japan and South Korea (Romei, 2013). Nevertheless, there are strong opinions among local experts that China is seeking to increase its presence in Central Asia, turn the region into its 'strategic backyard' or even create a 'buffer' from it, in order to reorient the region from Russia to China (KazISS, 2008:122).

In Kazakhstan, very often in the conversations of ordinary citizens, one can hear fables and jokes about how China can economically swallow Kazakhstan, including by increasing its investments and attracting Chinese labour to Kazakhstan. Today, films can also be added to these stories, where there are elements of a conspiracy between Kazakh officials and Chinese businesspersons⁵⁰. However, these trends are especially strong against the background of the growth of Kazakhstan's external debt (Figures 4.5 and 4.6). It is not surprising, but international financial institutions still predict possible debt problems for countries participating in the BRI (Gruebler, 2020:12-13).

⁴⁸ This opinion was voiced on December 4, 2018, in Tokyo at the forum by the Japan External Trade Organization (JETRO) titled New era of Eurasia: Changes in Central Asia; Russia and China.

⁴⁹ Speech was delivered during the online conference entitled China-Central Asia Relations: A Reality Check organized by the OSCE Academy in Bishkek on March 9, 2021.

⁵⁰ As an example, readers can watch the short film GOK (*Russian abbreviation for a mining and processing plant*) released in 2020, YouTube, accessed 6 February 2021, <https://www.youtube.com/watch?app=desktop&v=WH412bIDoQI&feature=youtu.be>.

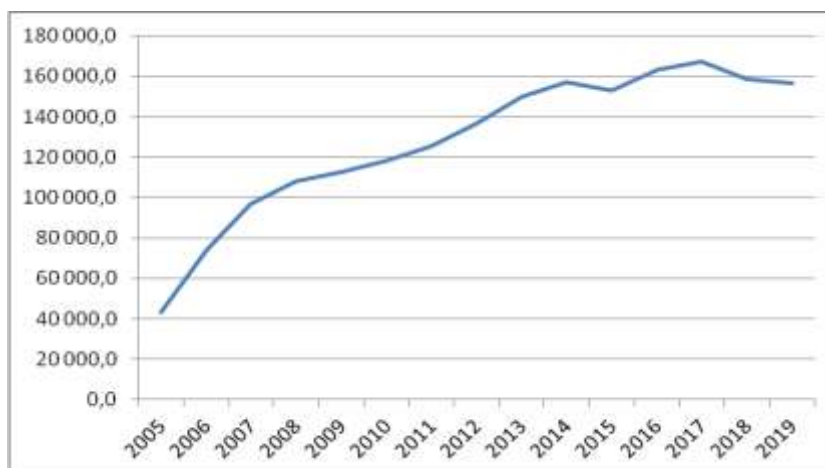


Figure 4.5. Foreign Debt of Kazakhstan, USD millions (National Bank of Kazakhstan, 2020).

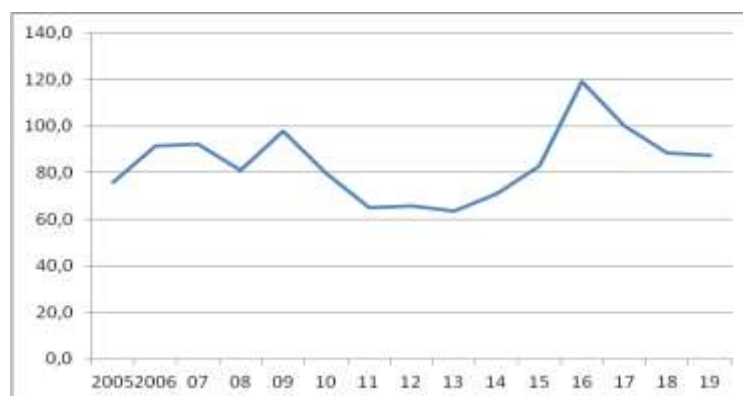


Figure 4.6. Foreign Debt of Kazakhstan, percentage to GDP (National Bank of Kazakhstan, 2020).

Most experts are unanimous that the PRC is currently demonstrating not only a growing interest in raw materials and capacious markets in the region, but also increasing its political and economic influence on hem, including through the SCO structures (TALAP, 2020:20). Other well-known Kazakh experts Anton Bugaenko and Askar Nursha, on the contrary, believe that China cannot fully promote its economic initiatives within the SCO, relying more on bilateral relations⁵¹.

However, the development of Chinese policy in Central Asia is associated with the attempts of the country's leadership to equalize the socio-economic development of China. The collapse of the USSR gave the Chinese leadership to bring its western

⁵¹ The discussion was recorded during the broadcast of the radio programme Radio Mediametrix on June 29, 2020, accessed 8 February 2021,

regions closer to the newly independent countries. The favourable attitude of the CAR also allows China to focus its attention and efforts on other countries and regions. (RAND, 2020:19). It is believed that with the integration of China into the world economy, Beijing seeks to create around its borders “communities of common interests, shared responsibility and a common future,” including with Central Asia (Jiang and Yang, 2018:24).

Dossym Satpayev suppose that China is important for the CAR for the following reasons: (1) a counterbalance to Russia and other players; (2) source of investment and loans; (3) Chinese investments are under government guarantees and have a wide range of applications; (4) China’s adherence to the principles of non-interference in the internal affairs of other countries⁵².

Since the 1990s, China has been paying increased attention to Asia (NIDS, 2019:iv). Today, China is one of the key partners of Kazakhstan. Kazakhstan’s policy towards China began to take shape long before its actual independence. First President of Kazakhstan Nazarbayev, during the last years of the USSR, held high positions in the Kazakh SSR hierarchy and was well aware of tensions between the two countries, including the 1969 border conflict at Lake Zhalanashkol (*Tielieketi* in Chinese). In fact, there are claims that the fear of China was one of the main reasons why President Nazarbayev considered the possibility of retaining nuclear weapons (Dannreuther, 1994:63).

The Chinese factor is primarily related to the fact that Kazakhstan was involved in the border conflict between the USSR and the PRC. After gaining independence, one of the main tasks for Kazakhstan was the solution of potential problems, including the border issue. In April 1994, Kazakhstan and China signed an agreement on the delimitation of the Kazakh-Chinese border (1,700 km). The disputed plots were divided by an additional agreement in July 1998. Of the total area of 944 sq. km, Kazakhstan got 537 sq. km, and China--407 sq. km.

https://www.youtube.com/watch?v=F3E8yRh1mqk&fbclid=IwAR3OHpD7vOgZ_dsk9tEPxcitkIzXFhYo0GQ9FIdT_vpy0pGp_TJbo576uU.

⁵² The speech was delivered on December 4, 2018, in Tokyo at the forum by the Japan External Trade Organization (JETRO) titled New Era of Eurasia: Changes in Central Asia; Russia and China.

In December 1999, Kazakhstan and China signed a border agreement, which formalized the passage of the Kazakh-Chinese border along its entire length. In May 1999, Kazakhstan, China and Russia signed an agreement on the definition of the point where the borders of the 3 states meet. In the same year, a trilateral agreement was signed on the junction points of the borders of Kazakhstan, Kyrgyzstan and China (Bogaturov, 2014:257). As a result, there has been a shift between the countries from discussing border issues to creating a zone of stability (Liu, 2007:2019).

The first impression of China was also formed during Nazarbayev's personal visits to the PRC. Nazarbayev was a member of the Soviet delegation that visited China in September 1985. He also visited China in July 1991 as the President of Soviet Kazakhstan (Tokayev, 2001:120-121). According to Nazarbayev, the meetings with Jiang Zemin, Li Peng, as well as visits to free economic zones made a strong impression on him (Nazarbayev, 2003:200-201). In Beijing, Nazarbayev for the first time met his future successor at the Soviet Embassy. It is noteworthy that Tokayev, who knew Soviet/Russian diplomacy and China well, becomes in the future Minister of Foreign Affairs, Prime Minister and then President of Kazakhstan (Tokayev, 2004:357).

The Foreign Ministry of Kazakhstan believes that the main political achievements in Kazakhstan-China diplomatic relations are the provision of security guarantees by China⁵³ and the final settlement of the border issue⁵⁴. In 1996, then-President of the People's Republic of China, Jiang Zemin, addressed the Parliament of Kazakhstan. In his speech, he noted the strategic level of cooperation with the CA countries. Noting the existence of common interests, he emphasized the importance of developing cooperation based on good neighbourhood, friendship and partnership (Sun, 2007:47).

3 years earlier, in 1993, speaking at the APEC Summit in Seattle, Jiang Zemin declared that the PRC would not interfere in the internal affairs of other countries and would not allow others to interfere in theirs (Chan, 1999:78). In 1994, Chinese Prime

⁵³ The Statement of the PRC Government is dated of 8 February 1995.

⁵⁴ The Joint communiqué is dated of November 23, 1999; the Agreement on the Kazakh-Chinese state border is dated of 26 April 1994; the Protocol on the demarcation of the Kazakh-Chinese state borderline is dated of 10 May 2002, and the Agreement on the regime of the Kazakh-Chinese state border is dated of 20 December 2006.

Minister Li Peng outlined the basic principles of Chinese cooperation with Central Asia (Sun, 2007:50) (Aoyama, 2013:127): (1) equality and mutual benefits acting according to economic laws; (2) diversifying the types of cooperation; (3) proceeding from the actual situation and making full use of local resources; (4) improving the conditions of communication and transportation, building a New Silk Road; (5) providing modest economic aid as expression of friendship; (6) developing multilateral economic cooperation.

Even before the 9/11 events, China considered the importance of revising Beijing's foreign policy approaches towards Central Asia, including the creation of the SCO in 2001, and transition from careful individual negotiations with the countries of the region to building business relations (NIDS, 2019:v). During that time, China started to rely on financial mechanisms that were probated in other Asian countries, and which include concessional loans for certain economic projects. Thus, the PRC acts in relation to Kazakhstan and other CA countries as a creditor, buyer and supplier (Sultanov, 2012:125).

In 2004, then-President of the PRC Hu Jintao, speaking at the Parliament of Uzbekistan, reaffirmed the PRC's commitments to maintain stability and promote the development of Central Asia. He also suggested the following directions: (1) deepening good neighbourhood and political trust through regional cooperation mechanisms and exchanges at high political level; (2) expanding cooperation in the field of security and maintaining regional stability, including through the SCO; (3) adherence to the principles of mutual benefit and trust for the development of pragmatic cooperation, including through investment; (4) development of cultural and people-to-people exchanges (Sun, 2007:47-48).

At the same time, it is believed that China is using the XUAR as a base for successful integration with the CA economies. And, Chinese investments in the development of infrastructure, linking the XUAR and Central Asia, pursue exclusively economic interests (Garver, 2006:1). The volume of such trade is due to the geographical location of individual countries to the borders of the PRC (Wu and Chen,

2004:17). In this regard, China considers Kazakhstan as one of the main suppliers of raw materials and fuel resources for its economy.

In 2013, Xi Jinping, speaking at Nazarbayev University, said that the PRC would not claim a dominant role in regional affairs and influence other countries. In his speech, he for the first time announced the idea of creating a Silk Road Economic Belt to strengthen ties between Europe and Asia through Central Asia and Russia. Nazarbayev believes that the idea of creating a new initiative belongs to him. In May 2012, at the FIC meeting, he proposed to jointly create a fundamentally new transport system—the New Silk Road between China and Europe through Kazakhstan. This discussion continued in May 2014 at the CICA Summit in Shanghai, where the central thesis of Nazarbayev’s speech was connected to the idea that new Silk Road, connecting Asia and Europe, will become the largest transport system in the world (Nazarbayev, 2017:393).

In fact, historic railways and highways were built in Central Asia to connect it with the European regions of Russia. During the USSR era, the CA transport network was closed to the all-Union system of communications from the Soviet western borders to the Pacific coast. Accordingly, at the time of the collapse of the USSR, all the main railway and road routes on the CA territory served for communication with Russia and ran mainly in the northern direction. The collapse of the Soviet Union was a huge shock and challenge for the CA countries, which was also caused by significantly increased prices for transportation. Unsurprisingly, a number of experts in the West believed that Central Asia’s main threat to globalization is the ‘non-integrating gap,’ i.e. the lack of sufficient connections (Cooley and Heathershaw, 2017:14).

In 2014, at the APEC Summit in Beijing, the PRC President announced the creation of a USD 40 billion Silk Road Fund to support BRI (*Yidai, yilu* in Chinese). At the same time, Beijing went further and came up with the idea of creating an AIIB in 2013. In 2017 and 2019, Beijing hosted the Belt and Road Forum for International Cooperation, which showed that the BRI is a tool to improve global economic governance (NIDS, 2019:3).

However, with the development of the BRI and the AIIB, China was drawn into important economic processes that led to discussions about China's future role as a 'Eurasian power.' BRI and AIIB are elements of the PRC's global vision for transforming the international order. These initiatives help to strengthen the economic and political influence of the PRC in Asia (NIDS, 2018:3-9). The CA countries are considering joining this initiative through the prism of creating additional incentives for economic growth and development, especially in the field of investment, infrastructure development, attracting hi-tech and creating export-oriented industries (Samad and Abbas, 2020:9).

OBOR has changed the traditional perception of the possibilities of the Silk Road. The concept of linking is evidence that, through this process, the expansion of the Chinese economic model among developing countries would take place further (Mihr, 2020:77).

It is possible that this strategy should consolidate China's role in CAR and the CA region's place in Beijing's foreign policy. At the same time, it does not aim to replace the existing concepts of foreign countries in relation to Central Asia, e.g. by the US, the EU, the ROK or Japan, on the contrary, to fill the voids they have missed (Jiang and Yang, 2018:30).

In 2014, at the CICA Summit, the Chinese leader made it clear that the Asian countries themselves should take part in the shaping Asian future, including in the field of security⁵⁵.

4.2. Kazakhstan-China relations

The beginning of the Kazakh-China cooperation coincided with the formation of a vacuum that was formed as a result the USSR collapse and transformation of Russian foreign policy. At the same time, building up economic and investment potential is an important attribute of the PRC's attraction to Central Asia. In turn, Kazakhstan, as

⁵⁵ Speech by Prof. Yuichi Hosoya, Senior Fellow at the Nakasone Peace Institute, during the webinar titled The Indo-Pacific: A privileged space for enhanced EU-Japan geostrategic cooperation, hosted by the Elcano Royal Institute on 9 March 2021. Retrieved from

considered, accept and honour China as a power, while showing its regional neighbours the pros and cons of economic partnership with China (Aitken, 2007:182). Kazakh Ambassador to China Shahrat Nuryshev notes that Kazakhstan cannot but use China's growth for joint growth (MID, 2018:19).

On January 3, 1992, the countries established diplomatic relations, and 3 days later Nazarbayev received Minister of Foreign Economic Relations and Foreign Trade Li Lanqing. According to Tokayev, at the initial stage the focus was concentrated on the transfer of bilateral relations into the legal domain, as well as on the establishment of high-level political dialogue (MID, 1998:19).

In February 1992, Prime Minister Sergei Tereshchenko had visited the PRC. Following the visit, the parties established an Intergovernmental Commission on Trade, Economic, Scientific and Technical Cooperation, and agreed to open the first checkpoints. In addition, Kazakhstan and China signed an agreement on rail transportation. And, the PRC has reconstructed its section of the Almaty-Khorgos-Urumqi highway to develop passenger and freight traffic between Kazakhstan and China. According to Tokayev-father, during Tereshchenko's visit, China made it clear that it was interested in a stable environment. In addition to that, for the first time the parties began to talk about the importance of introducing the 'principle of complementarity' between the 2 countries and economies (1997: 194-195).

In 1992, an agreement was signed on the promotion and mutual protection of investments; the principle of resolving bilateral disputes were discussed (Tokayev, 2001:120-123). In September 1997, during negotiations between Jiang Zemin and Nazarbayev, the President of the PRC stated, "*China will never do what could harm Kazakhstan*" (Tokayev, 2001:129).

In September 1995, during Nazarbayev's visit to the PRC, the 2 countries signed an agreement on the use of the Chinese seaport of Lianyungang (Jiangsu province) (Figure 4.7) for the transportation of Kazakhstani goods (Tokayev, 2001:460). It is noteworthy that during his visit to China in 1993, Nazarbayev actively promoted the

idea of Kazakhstan's access to Chinese ports in the Pacific Ocean and the creation of a continuous transport artery from the Pacific Ocean to the Mediterranean (Tokayev, 1997:199-211). By the end of 1997, the PRC had opened 9 land ports for commercial use by CAR (Sun, 2007:51). On the one hand, this allows Kazakhstan to use the opportunity provided by China to develop trade relations with the countries of East Asia. On the other hand, China gains control over Kazakhstan's trade communications with Asian countries, including Japan and South Korea. In fact, it turns out that in the West trade is under the supervision of Russia, and in the East under the supervision of China.

In August 2007, President of the PRC Hu Jintao paid a visit to Kazakhstan. The parties approved the Programme of cooperation in non-resource sectors (Nazarbayev, 2017:318). In 2009, China provided Kazakhstan with a tied loan of USD 10 billion to address social and economic issues, 5 of which were intended for *KazMunayGas* (acquisition of *Mangistaumunaigas*, modernization of refineries), and 5 for the Development Bank of Kazakhstan. The parties did not disclose the terms of the agreement. These funds are believed to have become an important milestone in the development of the Kazakhstani oil and gas sector, and also allowed to launch new projects to connect the main areas of oil and gas production in northwest Kazakhstan (Beineu-Bozoi-Akbulak gas pipeline) (Tokayev, 2011:88).

As the First President of Kazakhstan stated in his annual Address-to-the-Nation on March 1, 2006: "*Kazakhstan proceeds from the fact that there is no alternative to mutually beneficial relations with dynamically developing China.*" For a long time, China has been viewed in Kazakhstan as a solvent consumer and a major investor (Tokayev, 2011:52). In fact, it turns out that China and Russia are 2 indispensable pillars of Kazakhstani diplomacy. In both the first and second cases, the official authorities highlight the special role of the two countries, which were and will be inextricably linked with the development of Kazakhstan's statehood.

One of the important China-related documents for Kazakhstan became the Concept for the Development of Economic Cooperation and the Programme of

Cooperation in the Non-Primary Sectors of Economies, which were adopted in December 2006 and August 2007 respectively.

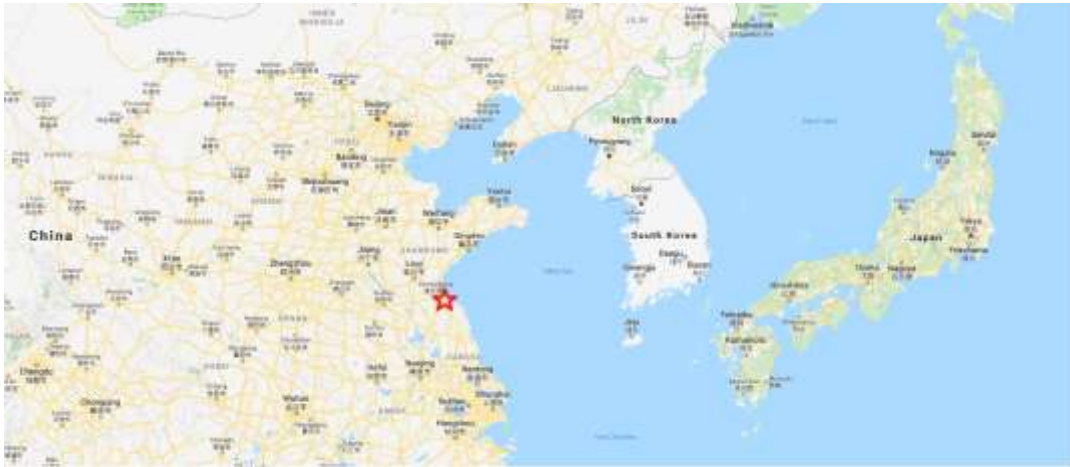


Figure 4.7. Location of the Lianyungang (red star) (Google Maps, 2017)

In June 2010, President of the PRC Hu Jintao visited Kazakhstan and put forward 5 proposals for the development of strategic partnership: (1) strengthening strategic mutual trust; (2) expanding business cooperation and achieving common interests; (3) activation in the humanitarian sphere and strengthening of friendship; (4) maintaining regional stability; multilateral interaction and protection of joint interests (Nazarbayev, 2017: 319).

In 2014, President Nazarbayev stated that the *Nurly Zhol* NEP is linked to the BRI (NIDS, 2019:12). The infrastructure investments associated with the BRI met Kazakhstani goals of becoming a main transport and financial hub connecting East and West, while facilitating its potential integration with the rest of the CA region (Bohr et al., 2019:70).

Nevertheless, many see that cooperation with China plays into the hands of elites (Dadabaev, 2016:124). It is related with the fact that Kazakhstan is trying to actively get involved in the implementation of this initiative, despite domestic resistance (Bohr et al., 2019:viii). This may be because China continues to build up its ‘soft power’ in the region in order to weaken anti-Chinese sentiments and avoid China phobia in the future (Satpayev, 2019:396).

4.3. Bilateral instruments

In accordance with international practice, the Intergovernmental Commissions are a recognized instrument of bilateral cooperation between countries. As of May 20, 2020, Kazakhstan has 136 structures, including 62 intergovernmental commissions, 22 sub commissions and 52 working groups in a number of economy sectors. As a rule, these commissions are assigned with the following functions: 1) determine priority areas and joint activities of bilateral cooperation; 2) promote the implementation of bilateral treaties and agreements; 3) drafting of bilateral treaties; 4) promote bilateral trade, economic, scientific, technical and cultural ties; 5) submit proposals to the GOK on bilateral cooperation issues.

In accordance with the order of the Foreign Minister of Kazakhstan dated January 20, 2020 (based on the Government Decree No. 1304⁵⁶), the following platforms exist between Kazakhstan and China:

1. Kazakh-China Committee for Cooperation at the level of the First Deputy Prime Minister. This structure, which unites all the following institutions, is assigned to the Ministry of Foreign Affairs.

a) The Subcommittee on Transport Cooperation is assigned to the Ministry of Industry and Infrastructure Development or MIID.

b) The Subcommittee on Cooperation in the Field of Railway Transport is assigned to the MIID.

c) The subcommittee on Cooperation between Checkpoints and in the Field of Customs is assigned to the Ministry of Finance.

d) The Subcommittee on Trade and Economic Cooperation is assigned to the Ministry of Trade and Integration. The Working Group on Agriculture and Cooperation under the Subcommittee is assigned to the Ministry of Agriculture.

e) The Subcommittee on Financial Cooperation is assigned to the National Bank.

f) The Energy Cooperation Subcommittee is assigned to the Ministry of Energy.

⁵⁶ The text of the decree is available on the legal website Adilet, accessed 6 February 2021, http://adilet.zan.kz/rus/docs/P020001304_.

g) The Subcommittee on Scientific and Technical Cooperation is assigned to the Ministry of Education and Science.

h) The Subcommittee on Cultural and Humanitarian Cooperation is assigned to the Ministry of Culture and Sports.

i) The Subcommittee on Security Cooperation is assigned to the Ministry of Foreign Affairs.

2. The Kazakh-China Joint Commission on the Use and Protection of Transboundary Rivers is assigned to the Ministry of Ecology, Geology and Natural Resources.

3. The Kazakh-China Commission on Cooperation in the Field of Industrialization and Investment.

4. Since 2013, the Kazakh-China Business Council has been functioning. The Council is a dialogue platform for representatives of the business circles of Kazakhstan and China, as well as an effective tool for stimulating trade, economic and investment interaction between the 2 countries. In general, the format assumes the exchange of information between representatives of business circles in order to develop bilateral cooperation in various sectors of the economy and establish new contacts.

5. Kazakhstan attaches particular importance to its cooperation with the PRC within the framework of the Shanghai Cooperation Organization. In Kazakhstan, they believe that the strengthening of China's role will lead to a change in the geopolitical balance of power, including in Central Asia. Kazakhstan proceeds from the assumption that maintaining a peaceful international situation is one of the main priorities of Beijing for the successful modernization of China (Tokayev, 2011:52).

According to Shu Kenei (2003:34), for China, the SCO is a regional organization aimed at promoting multilateral cooperation, including economic. Thus, on September 14, 2001, during a meeting in Almaty, the parties discussed the issues of regional economic cooperation and signed a MoU on the main goals and areas of regional economic cooperation and the launch of a process to promote trade and investment.

In 2002, the institutional foundations of economic interaction were laid. On September 23, 2003, the Plan of Multilateral Economic and Trade Partnership was

adopted, which laid down the algorithm for joint actions (Sun, 2007:59). In June 2006, the SCO Summit led to the creation of a USD 900 million fund to establish the SCO Business Council and the SCO Interbank Association. In general, the SCO has helped to intensify trade relations between the participants, including through the development of transport systems, encouraging the activity of Chinese companies and the allocation of funds (Jia, 2007:116).

However, a number of scholars tend to regard the economic component as declarative (Olcott, 2011:30). In many ways, this approach was associated with the limited agenda of the PRC, lack of sufficient funds and opportunities (Jia, 2007:123). At the same time, the SCO has enabled the C5 countries to collectively improve the effectiveness of their cooperation with China and Russia (Olcott, 2011:29).

6 In 2020, the Ministers of Foreign Affairs of China and the CAR or C+C5 countries held their first meeting in the China+Central Asia format. A huge block of issues was devoted to the economic agenda, e.g. creating fast channels for personnel exchange and green corridors for freight traffic, expanding the scale of trade, building healthy and digital Silk Roads, strengthening agricultural cooperation, ensuring food security, and creating digital economic partnerships.

4.4. Bilateral agreements

According to Adilet legal web-portal, the total volume of bilateral documents between Kazakhstan and China is more than 255, i.e. 11 interstate, 111 intergovernmental and 133 interdepartmental acts. In particular, there are about 50 bilateral agreements in such areas as energy, protection of transboundary rivers, climate change, the nuclear industry, and space industry. Among the most important signed bilateral documents Kazakh diplomats usually point out one Treaty on Good Neighbourhood, Friendship and Cooperation (2002, Beijing); 4 Joint Declarations on the Establishment and Development of Comprehensive Strategic Partnership (2005, 2011, 2013 Astana; 2015, Beijing), and two Joint Summit Statements (June 2017/2018, Astana and Beijing).

The GOK, according to Tokayev, tried to reduce the intensity of passions around the legal documents signed by the country with China, realizing the political importance of the documents themselves (Kuttykadam, 2017:320). Accordingly, the analysis of foreign strategies begins precisely with the documents that define today's legal framework of Kazakhstan's bilateral cooperation. Obviously, the main interest should lie with the EAS themselves. Author believes that these agreements act as the protection of the interests of foreign investors, as well as the readiness and openness of the Kazakh side to invite new investors from the PRC, the ROK, and Japan.

Thus, the first 5-year intergovernmental Agreement between Kazakhstan and the PRC on the Promotion and Mutual Protection of Investments⁵⁷ was signed on August 10, 1992, in Beijing. This is one of the first agreements that are distinguished by their brevity (12 articles). The Agreement covered all forms of investment that have been accounted by the PRC in Kazakhstan since 1985. According to Kazakh diplomats, Kazakhstan currently has 48 investment agreements, 26 of which were signed before 2000 and require significant modernization, including with the PRC and the ROK.

The Convention for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income and Capital was signed between Kazakhstan and China on September 21, 2001, in Astana⁵⁸. Elimination of double taxation is a procedure when each of the contracting states provides the taxpayer with the opportunity to pay tax only once. At the same time, the competent authorities of the 2 countries agreed to exchange of appropriate information.

In 2010, in Astana, an intergovernmental Agreement was signed between Kazakhstan and the PRC on Cooperation in the Peaceful Use of Atomic Energy⁵⁹, based on the principles of mutual respect for sovereignty, non-interference in each other's internal affairs, equality and mutual benefit. In the same year, a similar agreement was signed with Japan.

⁵⁷ The text of the Agreement is available on the legal portal Adilet, accessed 17 April 2020, http://adilet.zan.kz/rus/docs/B940001300_.

⁵⁸ The text of the Convention is available on the website of the State Revenue Committee of the Ministry of Finance of Kazakhstan, accessed 19 April 2020, <http://kgd.gov.kz/ru/content/konvencii-ob-izbezhanii-dvoynogo-nalogooblozheniya-i-predotvrashchenii-ukloneniya-ot>.

⁵⁹ The text of the Agreement is available on the legal portal Adilet, accessed 21 April 2020, http://adilet.zan.kz/rus/docs/P100000547_

In 2018, in Beijing, Kazakhstan and China signed an intergovernmental Agreement on Military-technical Cooperation, which provides the possibility of creating joint ventures in this field. Kazakhstan does not have such an agreement with Korea or Japan. For example, the interagency memorandum between the defence ministries of Kazakhstan and Japan covers only bilateral interaction in the field of policy and education⁶⁰. In 2019, the first ever meeting of the Joint Committee between Kazakhstan and Korea on military-technical cooperation was held.

In 2019, at the BRI forum, Nazarbayev said, *“China never dictates its own terms, never says: “Live as we [Westerns] live,” as the West always teaches us. China does not say, “We [West] will help you [CAR], and you will become like us,” this policy of China is pleasant and attractive.”* In all likelihood, it was just a compliment towards China. At the same time, this phrase suggests that Kazakhstan, at the highest level, is reacting critically to Western pressure on human rights and the rule of law. Here readers can also follow the message that China, most likely, conducts its business in Kazakhstan, as it is convenient for the local authorities, which is, accepting all its positive and negative aspects.

4.4.1. EUAU factor

In 2019, the Agreement on Trade and Economic Cooperation between the Eurasian Economic Union and its member states, on the one hand, and the People’s Republic of China, on the other hand, entered into force⁶¹. The Agreement is not a free trade agreement--its provisions do not provide for the reduction or elimination of import customs duties. However, the Agreement provides the basis for the creation of sectoral dialogues, which should urge business representatives of the EAEU member states and the PRC to discuss and eliminate specific trade barriers, as well as help to implement joint investment projects.

⁶⁰ The text of the Memorandum is available on the website of the Ministry of Defense of Japan, accessed 10 May 2020, https://www.mod.go.jp/j/approach/exchange/area/docs/2017/07/24_memo_kz_j.pdf.

⁶¹ The text of the agreement is available on the website of the Eurasian Economic Commission, accessed 8 February 2021, <http://www.eurasiancommission.org/ru/act/trade/dotp/Pages/%D0%A1%D0%BE%D0%B3%D0%BB%D0%B0%D1%88%D0%B5%D0%BD%D0%B8%D0%B5-%D1%81-%D0%9A%D0%B8%D1%82%D0%B0%D0%B5%D0%BC.aspx>.

According to Andrey Slepnev, member of the Board (Minister) for Trade of the Eurasian Economic Commission, the EAEU pairing with China, on the one hand, and with Europe, on the other hand, is the key idea of the Greater Eurasian Partnership. At present, China remains the main strategic and trading partner of the EAEU member states in Asia, ranking first in terms of foreign trade turnover parameters⁶².

At the same time, Russia is the key driving force aimed at promoting the economic dialogue between the EAEU and the PRC. Therefore, it can be assumed that the Russian side is aiming at creating a new framework that will control the economic cooperation of the Union member states with the PRC, and, accordingly, protect Russian economic interests in the region. According to current Member of the Parliament of Kazakhstan, a well-known political scientist Aidos Sarym, “*China acts as the guarantor of Kazakhstan’s security and independence in relations with Russia ... Russia does not like the growth of China’s influence in the region, but it cannot agree to a complete break in relations with the PRC*” (Kalashnikova, 2020).

For example, Kazakhstan traditionally reacts negatively to the emergence of a single EAEU currency, which is seen as one of the key factors in the loss of national sovereignty. At the same time, the *Astana International Financial Centre* (AIFC) cooperates with PRC financial institutions in order to create an offshore Renminbi (RMB) centre and launch a clearing and settlement centre for operations in yuan.

In 2020, the issue of RMB bonds by the *Construction Bank of China* could contribute to the further development of this instrument in Kazakhstan, as well as to help the form the *AIFC Astana International Exchange* as the main centre for listing and trading RMB securities for the CA countries.

In this regard, in 2020, the *AIFC* leadership held several meetings with the Silk Road Fund and the *Shanghai Stock Exchange*. The parties agreed to continue to advance the issue of creating a settlement and clearing centre for conducting RMB transactions at the *AIFC* site and strengthening interaction within the BRI, as well as joint development of the capital market in Kazakhstan and the CA region.

⁶² The website of the Eurasian Economic Commission accessed, 8 February 2021, <http://www.eurasiancommission.org/ru/nae/news/Pages/27-10-2020->

Together with the *Construction Bank of China*, the *Development Bank of China* and the *China Union Pay*, the Kazakh side is interested in possible placement by local financial institutions of bonds in the PRC domestic market (panda bonds) for subsequent financing of the construction of infrastructure projects in Kazakhstan, dual listing on the *Astana International Exchange* of the participants of the new STAR Market exchange, as well as the joint development of the free economic zone *Khorgos*.

4.5. Investment gains and losses

Since 2005, the value of the PRC investment and construction combined exceeds USD 2 trillion. And, Chinese investments and contracts in Kazakhstan are estimated at USD 34.12 billion, i.e. energy--22.92 billion, transport--4 billion, chemicals--3.9 billion, metals--2.3 billion, agriculture--240 million, finance--110 million (American Enterprise Institute, 2021).

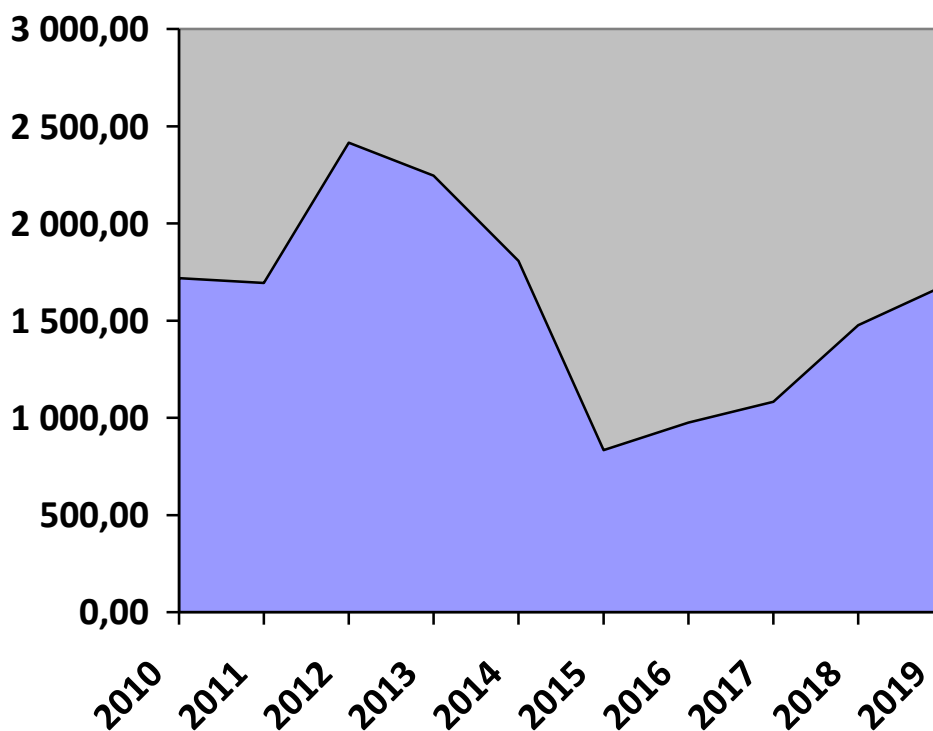


Figure 4.8. Gross FDI of China in Kazakhstan, USD millions
(Embassy of Kazakhstan in China, 2020)

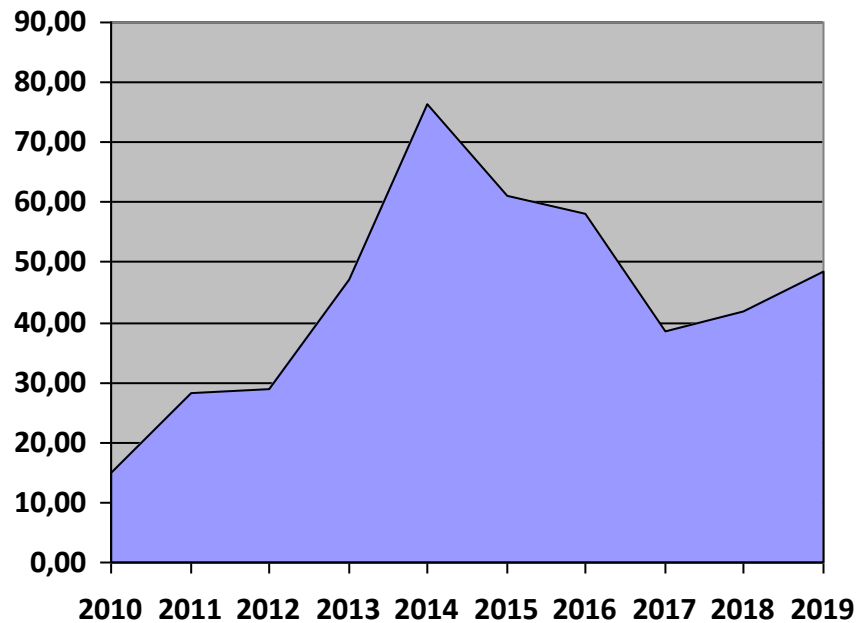


Figure 4.9. Gross FDI of Kazakhstan in the PRC, USD millions
(Embassy of Kazakhstan in China, 2020)

According to Kazakhstani experts, the authorities of the CA have always supported the Chinese approach of “*less politics, more economy*”⁶³. Today, the 2 countries demonstrate high rates of economic cooperation (Figures 4.8 and 4.9). However, despite all the attempts of the Kazakhstani authorities to strengthen their share, it is obvious that the low level of Kazakhstani investments reflects the content of such relations, that is, export-import operations are being built more. The presence of Chinese business is also evidenced by the *Beijing Palace*, located in the centre of Kazakhstan’s capital, near the Ministry of Defence and the Headquarter of the National Security Committee (Figure 4.10).

⁶³ The website of the Center for the Study of China, accessed 9 February 2021, https://chinastudies.kz/ru/publications/central_asia/354/?fbclid=IwAR0bvvgnlKkGiNcFpzHsuf83WEdmx2oz0DJqDhFIGEvO92p2bpsz5qKX8M8.



*Figure 4.10. Beijing Palace Building in Nur-Sultan
(from the author's personal archive, 19 May 2020).*

It is noted that trade imbalances are also related to the lack of reliable connectivity infrastructure and the absence of most CA countries in the WTO (Rabbaland and Andresy, 2007:242-3). At the same time, China is using a combined approach to open up and establish itself in new countries. This approach in most cases relies on the activities of large state corporations and the simultaneous development of diversified trade relations. Indeed, companies act as the main driving force, able to independently determine the level of cooperation with local governments and form the basis for further expansion of the economic presence.

According to TALAP, the PRC economic interests in the C5 region can be divided into 3 top-priority groups: (1) foreign trade--economic cooperation between countries; (2) investment activity--an opportunity to influence the economy of the CAR (oil, mining and chemical, telecommunications, transport infrastructure); (3) use of the transit potential of the region (2020:20-21).

Satpayev (2018) notes that the PRC investment policy aimed at the stability and consolidation of its positions at the C5 markets⁶⁴. His Chinese colleague Xin Zhang (East China Normal University) identifies the following reasons associated with these

⁶⁴ This opinion was voiced on December 4, 2018, in Tokyo at the forum by the Japan External Trade Organization (JETRO) titled New era of Eurasia: Changes in Central Asia; Russia and China.

trends: (1) the impact of domestic growth and structural changes; (2) changes in trade and investment content; (3) connecting the SCO, the Silk Road Fund and the AIIB; (4) potential for cooperation with Russia, Japan, and Korea. He also describes several important risks to Chinese commercial interests: (1) political and social stability; (2) lack of infrastructure; (3) nationalization; and (4) currency control.

Following Nazarbayev's visit to the XUAR in September 2004, an agreement was reached on the establishment of the *Khorgos International Centre for Cross-Border Cooperation* (Nazarbayev, 2017:318) (Figure 4.11). However, in Kazakhstan, there are strong voices among the public that the Chinese side still receives the greatest dividends from the *Khorgos* functioning. When viewing objects from a bird's eye view (Google maps), readers can see a high concentration of buildings in the Chinese part (right) and fragmentary built-up areas on the Kazakhstani part (left).

In 2007-2015, Khorgos has repeatedly been the focus of local media. This is because this place has often become the site of scandals involving law enforcement officials in charge of customs and economic issues, including large-scale corruption offenses and illegal smuggling of goods (Karpova, 2016).





Figure 4.11. Bird's-eye view of the Kazakh-Chinese border near Khorgos. (Google Maps, 6 February 2021).

Today, Chinese companies are actively operating in the Kazakhstan market. For example, 99.7 per cent of Kazakhstan's solar panel imports come from China (Shalabayev, 2019:28).

In 1995, Nazarbayev and Jiang Zemin agreed to discuss the possibility of building pipelines, connecting western Kazakhstan and the eastern coast of the PRC (Forsythe, 1996:27). In 1997, *China National Petroleum Company* acquired the Kazakh companies *Aktobemunaigaz* (60.3 per cent) and *Uzenmunaigaz* (60 per cent). In 2003, *CNPC* increased its stake in *Aktobemunaigas* up to 85.42 per cent.

In 2001, the National People's Congress of China adopted a resolution on the Program for the Tenth 5-year plan of China National Economic and Social Development. This plan has identified energy as well as the development of the Western China as one of the key areas of the plan. China's need for energy resources related with the country's high rates of economic development.

The main factor that provided Chinese business huge advantage in the competition with Western and Russian players for the oil and gas resources was the credit line opened by Beijing in the midst of the global financial and economic crisis and amid falling world energy prices, when Kazakhstan was in dire need of liquidity (Sultanov, 2012:122).

Kazakhstani oil is attractive for China because it is delivered by land. While this route may be more expensive, it reduces dependence on shipping. China views control of overseas energy assets as an important element of international politics.

Strengthening China's role in one country automatically reduces opportunities for energy acquisitions from third countries. Accordingly, dominance in the energy sector logically leads to an increase in political influence and strategic advantages *vis-à-vis* the US and Russia.

In 2003, *CNPC* completed the construction of the 449-kilometer Atyrau-Kenkiyak oil pipeline (USD 160 million). At the same time, the efforts by Chinese companies to buy 16.67 per cent of *BG Group* shares in Kashagan were blocked by the efforts of members of the *OKIOC* (Offshore Kazakhstan International Operating Company N.V.) consortium (Olcott, 2007:18).

However, this has not stopped Chinese investors (Cohen, 2007:66). In 2005, the *PetroKazakhstan* company, which owns the Kumkol field, came under Chinese control. In 2005, the construction of the Atasu-Alashankou oil pipeline (988 km) from Kazakhstan to the Chinese border with a throughput capacity of 10 million tons was completed. Subsequently, in 2006, *CITIC Group* acquired the Karazhanbas field in the Western Kazakhstan. In 2009, the company acquired 50 per cent of *Mangistaumunaigas* shares (15 fields). In 2006, China also signed an agreement to launch the export of 30 billion cubic meters of gas a year, starting from 2009.

In this regard, the idea arose of building a gas pipeline parallel to the Atasu-Alashankou oil pipeline. In 2007, *KazMunayGas* and *CNPC* signed an agreement on the basic principles of construction and operation of the Kazakhstan-China gas pipeline. In October 2009, *Sinopek Engineering* received a contract for the construction of a complex for the production of aromatic hydrocarbons at the Atyrau Refinery. In December 2009, the first stage of the Turkmenistan-Uzbekistan-Kazakhstan-China gas pipeline was commissioned.

Cooperation in the nuclear field with China, as in the case with Japan and Korea, is carried out in the following areas: development of uranium resources, supply of natural uranium, supply of fuel pellets, transit transportation of uranium products, production and supply of fuel assemblies.

In 2014, *Kazatomprom JSC* and *CGNPC* entered into an Agreement on the organization of the production of fuel assemblies in Kazakhstan. In 2017, a decision

was made to build a plant for the production of these assemblies. In 2015, *Kazatomprom JSC* and *China Nuclear Energy Industry Corporation* signed an Agreement on the temporary storage and transit transportation of uranium concentrates through the territory of China. The agreement provides for the possibility of deliveries of Kazakhstani uranium from the Alashankou station to the seaport of Shanghai, with subsequent transportation to the western coast of North America until 2024.

Energy projects have led to the development of land transport projects as a safe alternative to maritime communications (Liu, 2016:161). The largest road project in Kazakhstan is the international transport corridor Western Europe-Western China (Lianyungang-Zhengzhou-Lanzhou-Urumqi-Khorgos-Almaty-Kordai-Taraz-Shymkent -Kyzylorda-Aktobe-Orenburg-Kazan-Moscow-St.Petersburg). This corridor with a total length of 8,000 kilometres made it possible to speed up road transport from China to the EAEU, and then the delivery of goods to Europe. At the end of 2016, traffic on the Kazakh section of the corridor was opened.

In May 2014, Nazarbayev and Xi Jinping opened a Kazakhstani logistics terminal in the Pacific port of Lianyungang (PRC). The result of large-scale cooperation has been the organization of regular container trains on the China-Kazakhstan-Russia-Belarus-Europe route in 12-15 days. If the delivery of goods from China to Europe by the Southern Sea Route takes 45-60 days, the Northern Sea Route--33-35 days, then along the new transport route--only 18-20 days (Nazarbayev, 2017:394-395).

According to Chinese diplomats in Almaty, Kazakhstan has become a steel caravan stabilizing the regional production and supply chain (Liping, 2020). Local experts also associate the success of container transportation with the activities of the information system for tracking goods and services *Nomad*, which significantly reduces corruption risks (Baimukhanbetov, 2018:54).

In 2015, the Chinese company *China National Vehicles Import & Export Corporation* and the Kazakh *Allur Group* signed the first cooperation agreement. Under the agreement, the Chinese side made a decision to enter into the capital of *Allur Group*. Based on this agreement, *SaryArka-Auto-Prom* LLP (a joint venture of *Tobol JSC* and

Allur Group) is implementing a project for the production of *JAC* cars using the small-unit assembly method (Figure 4.12)⁶⁵.



Figure 4.12. Chinese JAC car with Kazakhstan-made logo in Nur-Sultan (from the author's personal archive, 19 May 2020).

In 2017, the production of *ANKAI* buses was launched. In 2018, the launch of the production of *JAC S3* car, including welding and painting of bodies; *JAC T6* pickup truck, as well as equipment for the collection and transportation of solid household and industrial waste based on the *JAC* chassis. In 2019, the production of *Yutong* passenger buses was also launched.

Today, *SaryArka-Auto-Prom* LLP is the largest car-building enterprise in Kazakhstan, within the framework of which welding, painting and assembly of cars are carried out. The range of products is represented by such brands as *JAC*, *ANKAI*, *Yutong*, *Iveco*, *MAN*, *Hyundai*, *Ravon*, *Chevrolet Niva*, and *UAZ*. On December 11, 2018, a share purchase and sale agreement was signed between the *Consortium C&J Ned Auto B.V.* (*China Machinery Import and Export Corporation* and *Anhui Jiangqi Investment Co., Ltd*) and *Allur Group*. In 2019, under the agreement 51 per cent of the shares were transferred to the Chinese side.

⁶⁵ Investment portal of Kostanay oblast, accessed 24 April 2020, <http://investinkostanay.kz/ru/success-stories/4>.

Since 2015, Kazakhstan and China have signed protocols on phytosanitary requirements for entering the Chinese market of 14 types of Kazakh agricultural products (wheat, equine animals, soybeans, wheat bran, honey, fish products, beef meat, lamb meat, rapeseed meal, alfalfa, barley, corn, flour). Against this background, the export of agricultural products from Kazakhstan to China is gaining momentum further; more than 570 Kazakh enterprises have received permission to export their agricultural products to China (Liping, 2020).

4.5.1. 55 Projects

In 2019, First President Nazarbayev participated in the Second Belt and Road Forum for International Cooperation in Beijing. During his visit to China, both sides agreed to implement 55 projects for Kazakhstan worth USD 27.2 billion. This event caused mixed feelings in Kazakhstan: on the one hand, officials received a powerful incentive for the development of the national economy; on the other hand, it strengthened the anti-Chinese sentiments in the society, which was afraid of the transfer to Kazakhstan of harmful and polluting industries.

For example, in 2018, Kazakhstani public figures expressed their concern to the President over the high share of Chinese participation in the country's oil and gas sector. They offered to return strategic objects and deposits to the country's ownership, as well as obtain public consent for ongoing projects (Satpayev, 2019:398).

Other concerns are related to the possible influx of Chinese workers. According to the Ministry of Internal Affairs of Kazakhstan, in 2019, more than 4,500 Chinese citizens carried out labour activities in Kazakhstan. During the same period, over 2,200 Uzbek citizens officially worked in Kazakhstan; about 1,900 people from Turkey; 2,000 people from India; 1,500 people from the UK. In general, in 2019 the number of foreigners officially working in Kazakhstan was only 0.54 per cent of the total number of employed (Zakon.kz, 2019).

After that, the state authorities announced the content of 27 projects. Later, according to Nazarbayev's long-time associate, Ermukhamed Yertysbayev, the available list was expanded up to 33 projects: These projects include: (1) Modernization

of the polypropylene powder production unit; (2) Production of *JAC* passenger cars using SKD methods; (3) Production of rice oil; (4) Dry port in *Khorgos*; (5) Production of dry mare and camel milk; (6) Production of staple fiber; (7) Reconstruction of the *Shymkent refinery*; (8) Development of a diversified car assembly cluster; (9) Construction of a glass factory; (10) Access by the *Shanghai Stock Exchange* and the *Silk Road Fund* into the *AIFC*; (11) Production of cement; (12) Construction of a solar power plant; (13) Organization of the production of tractors; (14) Production of large diameter welded steel pipes; (15) Production of polypropylene; (16) Production of calcined salt; (17) Construction of a 60 MW power plant; (18) Modernization of the *Turgusunskaya HPP-1*; (19) Construction of a 100 MW wind farm; (20) Production of industrial explosives; (21) Production of ceramic products; (22) Construction of a solar power plant; (23) Construction of a produced water desalination plant; (24) Construction of an oil extraction plant; (25) Redemption of shares in enterprises for the production of solar cells; (26) Production of mobile drilling rigs; (27) Construction of a 50 MW wind farm; (28) Processing and production of products from natural stone; (29) Production of carbon black; (30) Production of cable products; (31) Construction of mining, chemical and metallurgical complex in the *Zhambyl* region; (32) Industrial development of tungsten ore deposits; (33) Production of complex alloys⁶⁶.

As was mentioned the rest of the projects are still at the preparatory stage (an electrolytic manganese plant, processing of hazardous oil waste, a complex for processing agricultural crops, the creation of a biochemical cluster, the construction of a thermal power plant and others). A review of these projects suggests that many of these facilities or industries could have been established much earlier. It is not excluded that local authorities feared a possible leak of information and that these projects could be taken over by other neighbouring countries of Kazakhstan.

Back in 2018, *Baiterek Holding* and China's *CITIC Eurasian Capital Limited* signed a document on the establishment of a joint Kazakh-Chinese fund *Eurasian Nurly Investment Fund*. The main investments will be directed to the implementation of

⁶⁶ The website of the Akimat of the City of Shymkent, accessed 26 April 2020, <https://www.gov.kz/memleket/entities/shymkent/press/news/details/o-kazahstane-kitae-i-ne-tolko-k-vizitu-prezidenta->

projects in Kazakhstan in various sectors, including the development of infrastructure, processing of natural resources, logistics, ICT, manufacturing industry and the agro-industrial complex (Exclusive, 2018). In 2020, the leading business television channel of Kazakhstan, *Atameken Business*, together with Chinese partners, launched the *Salem Kazakhstan* TV project, which is dedicated to Kazakhstani entrepreneurs working in China (Inbusiness.kz, 2020). In 2021, during an interview with the famous Russian blogger Yuri Dud, members of the Kazakh creative team *Irina Kairatovna* named *Salem Kazakhstan* as a propaganda tool for the leading political party in Kazakhstan, *Nur Otan*⁶⁷.

However, Chinese experts note that the Chinese authorities, after the implementation of their numerous projects under the BRI, especially based on the EPC model, are not interested in the subsequent profitability of the facilities they have built (TALAP, 2020:17). In addition, there are fiscal risks associated with public investment in infrastructure. This is due to the fact that higher investment could lead to a deterioration in the current account (Kunzel et al., 2019:41).

In 2021, the leadership of the MFA Kazakhstan identified for itself several important messages that Kazakhstan intends to address in order to create a solid foundation for progressive cooperation with China, namely: “*the threat of the loss of political sovereignty [of Kazakhstan],*” “*economic dependence [of Kazakhstan] on China,*” “*the establishment of China’s domination over Kazakhstan,*” “*plunging [Kazakhstan] into a debt hole,*” “*the desire to seize the land [of Kazakhstan],*” “*obtaining ownership of mineral deposits [of Kazakhstan],*” opposing them “*the active work of third forces*” (Nuryshv, 2021).

4.6. Chinese Kazakhs

In the European discourse of Kazakhstan, the factor of national or ethnic connection of Kazakhstanis with individual ethnic groups of European countries always prevails, which is associated with the fact that large diasporas of Germans, Poles and

Balts lived on the territory of Kazakhstan for many years. The successful experience of cohabitation helps Kazakhstanis to form a favourable basis for cooperation in the European direction. Similar elements can also be traced in Kazakhstan's efforts with Koreans and Japanese, despite the fact that Koreans were forced to resettle in Kazakhstan, and the Japanese were in the country as prisoners of war.

Kazakhstan is also well aware of the large Kazakh Diaspora in China. According to the Foreign Ministry of Kazakhstan, currently the number of the Kazakh Diaspora in China is about 1.6 million people, the bulk of them live in the Xinjiang Uygur Autonomous Region (about 1.58 million people), where a system of national autonomous formations has been created (Nuryshv, 2021). Therefore, since 2017, there have been difficulties in the departure of Chinese citizens--ethnic Kazakhs from China to Kazakhstan in connection with the tightening of the migration regime and the fight against terrorism in the XUAR.

As experience shows, Kazakhs unwittingly begin to portray the events in Xinjiang, connected with possible claims of ethnic Kazakhs in the XUAR, on themselves. Kazakhstanis see this as China's desire to reduce the religious and ethnic identity of the Turkic peoples in the XUAR. It is believed that these phobias may intensify as the Muslim population in Central Asia grows (Satpayev, 2019:398-399).

For example, in 2019, a huge scandal erupted in Kazakhstan around a criminal case against the activities of the *Atazhurt Eriktileri* (Volunteers of the Fatherland) association and its leader Serikzhan Bilash, who were among the first to raise the problem of oppression of ethnic minorities in Xinjiang in Kazakhstan. Then the conflict and negative public sentiments were avoided thanks to the mediation efforts by the President's representative (Radio Azattik, 2019). However, in 2020, Sairagul Sauytbay, Kazakh woman, was awarded with the U.S. State Department's International Women of Courage Award "*for providing firsthand details of the human rights situation in the camps*" (Kashgarian, 2020).

⁶⁷ Irina Kayratovna--novyye zvezdy iz Kazakhstana, YouTube, accessed 1 June 2021, <https://www.youtube.com/watch?v=skLv0JCNJK>.

It is these phobias that form the so-called rifts for Kazakhstan and China at the bilateral level (Bohr et al., 2019:viii). However, these fears appeared long ago and from time to time were reflected in folk art. For example, readers can look at the famous poem *Batyr Bayan*^{68 69} by the famous Kazakh poet, Magzhan Zhumabayev:

In Kazakh
 Алыстан орыс,
 қытай ауыр салмақ
 Жақыннан тыныштыпайды,
 қалың қалмақ.
 Арты--ор, алдында--көр,
 жан-жағы жау
 Дағдарған Алаш енді қайда бармақ?

Translated part
 There is China in the south;
 from the north--Russia
 A lot of Kalmak worries us
 Enemy from all sides;
 and ahead of the grave
 The abyss is behind,
 where will the Kazakh go?

According to Kazakh diplomats, Kazakhstan actively uses the model of the OSCE High Commissioner for National Minorities, namely the principles of so-called quiet diplomacy in order to settle urgent issues. As was noted by Aidos Sarym, issues of national minorities are traditionally a sensitive topic for China and Beijing will not allow external interference in this area. He also notes that representatives of civil society are paying increased attention to the PRC, while ignoring the problems of Russian Kazakhs who are experiencing difficulties with the development of their culture and language in Russia (Kalashnikova, 2020).

Moreover, the authorities of Kazakhstan and China are looking for ways to demonstrate positive examples of cooperation to the Kazakh public. In 2019, ‘The Composer’ film was released in Kazakhstan, based on the story of friendship between two famous musicians from Kazakhstan and China during the World War II⁷⁰.

4.7. Protests

Currently, the strongest anti-Chinese sentiments are observed in Kazakhstan and Kyrgyzstan. One of the reasons is the historical perception of China by nomads. It is

⁶⁸ Magzhan Zhumabaev’s *Batyr Bayan* poem (in Kazakh), Massaget.kz, accessed 20 February 2021, https://massaget.kz/okushyilarga/uy_tapsyirmasyi/58343/.

⁶⁹ Magzhan Zhumabaev’s *Batyr Bayan* poem (in Russian), Stikhi.ru, accessed 20 February 2021, <https://stihi.ru/2009/11/25/8798>.

⁷⁰ Kompozitor: kino 2020, YouTube, accessed 20 February 2021, <https://www.youtube.com/watch?v=P2bBh1dalys>.

believed that Chinese politicians were also associated with constant clashes between Kazakhs and their historical rivals--Dzungars (Satpayev, 2019:397).

In 2015, amendments to land legislation were adopted, which allowed foreign citizens to lease agricultural land for 25 years. This led to rallies in a number of large cities in Kazakhstan. Participants of the rally in Atyrau in April 2016 disclosed a resolution in which they demanded to abolish this norm, as well as to close all military training grounds and bases in Kazakhstan (Satpayev, 2019:306). It is noteworthy that many politicians from the United States and European countries sought the release of key participants, especially Max Bokayev and Talgat Ayan⁷¹. This led to the introduction of a land moratorium on the lease of Kazakh land to foreign citizens and foreign legal entities in the country.

Against this background, in 2016, a moratorium on the sale of land to foreign citizens and legal entities with foreign participation was introduced in Kazakhstan for a period of 5 years. In 2019 and 2020, President Tokayev has repeatedly stated that land will not be sold to foreigners. However, he noted the GOK need to find a solution to the problem, as local agriculture faces a lack of investment, including for the modernization of irrigation systems. Same time, some individuals in Kazakhstan, including the former Member of Parliament, Mukhtar Tinikejev, are trying to score points among the local community, for example, pointing out that they raised this issue about 20 years ago⁷².

A young Kazakhstani economist Kassymkhan Kapparov focuses on the fact that the Chinese threat is associated with the prevalence of corruption among state bodies and the fear that the state apparatus may make a deal with Chinese companies to the detriment of national interests, but not personal interests, i.e. personal enrichment⁷³.

⁷¹ These names often appear in the documents of the members of the European Parliament and the Parliamentary Assembly of the Council of Europe.

⁷² Mukhtar Tinikejev's Facebook post on December 9, 2020, accessed 7 February 2021, https://www.facebook.com/permalink.php?story_fbid=111983380761106&id=108461677779943.

⁷³ Anton BUGAENKO--everything about China: economy, relations with Kazakhstan, sinophobia, the Dimash phenomenon, YouTube, accessed 6 April 2021, <https://www.youtube.com/watch?v=5MuJX-Eu0BU>.

4.7.1. Syncheva's Case

In 2019, the scandal flared up around the head of the *Huawei* representative office in Nur-Sultan, Meng Qinbo. According to the decision of the local court, he took actions that contributed to the commission of corruption offenses by Kazakhstani officials. This information became available thanks to Meruert Syncheva, who filed a lawsuit against her former employer. According to Ms Syncheva, the director of the representative office forced his subordinates to establish close ties with employees of government agencies and national companies responsible for procurement of goods and services. So, she and her colleagues had to obtain information about tenders, provide financial incentives for officials and workers of quasi-state enterprises, e.g. organize their trips to China at the company's expense, and so on (Kozachkov, 2019).

Meetings with representatives of Korean and Japanese companies in Kazakhstan in 2019-2020 showed that informal meetings are part of the corporate culture of large companies. However, many European and Asian companies in Kazakhstan are betting on the quality and uniqueness of their equipment and systems, hoping to win tenders in an honest way. The use of such aggressive approaches on the part of *Huawei* may indicate two goals--doubts about the reliability and competitiveness of its products, or a demonstration of an aggressive policy related to the desire to gain control over the information and communication sphere of Kazakhstan.

Moreover, this incident led to the fact that Chinese companies began to change their approach to concluding labour contracts with Kazakhstani workers, preferring to hire them through their own Kazakhstani companies. As mentioned above, Chinese business is now working in Kazakhstan in an atmosphere of negative perception, e.g. on the example of the *GOK* film. According to Niva Yau, Chinese businessmen also face serious personal security and corruption risks, which affect their business sentiment and investment plans⁷⁴.

⁷⁴Speech was delivered during the online conference entitled China-Central Asia Relations: A Reality Check organized by the OSCE Academy in Bishkek on March 9, 2021.

4.7.2. Syroezhkin's Case

The arrest of a well-known sinologist in Kazakhstan Konstantin Syroezhkin caused a great resonance in the academic circles of the country and is considered by observers as a personal message to China. In his writings, he often regarded the XUAR as a transport and economic hub in Central Asia. Moreover, Syroezhkin asserted that Beijing had no reasons for economic expansion or China's military invasion in Central Asia, for example, to protect its investments (Izimov, 2015). In October 2019, Syroezhkin was found guilty of high treason⁷⁵.

In general, Kazakhstan has a very limited number of research centres in the field of international relations. Many of them are in one way or another connected with the Presidential Administration, the Office of the First President or the Ministry of Foreign Affairs. In fact, local authorities have a complete monopoly over relevant research in the country. Therefore, it can be argued that exclusively neutral positions with regard to China prevail in the academic community. Most likely, the Syroezhkin case is connected with the attempts of the Chinese authorities to form in Kazakhstan a more pro-active for Beijing official discourse. However, it is difficult for the author to confirm his arguments because of the secret mode of the entire criminal process.

Kazakhstani political expert Aydar Amberebaev and sinologist Adil Kaukenov note despite the PRC's geostrategic importance, there is still no specialized research centre in Kazakhstan that would deal effectively with China-related issues. In their opinion, Kazakhstan should rely on the Canadian model in building close relations with China in order to maximize the benefits of China's growth. At the same time, they note that the future of such relations will depend on the quality of Kazakhstani managers and their ability to see obvious points of cooperation⁷⁶.

⁷⁵ Official website of the National Security Committee of Kazakhstan, accessed 18 December 2020, <http://knb.gov.kz/ru/news/v-otnoshenii-sudebnogo-prigovora-po-delu-k-syroezhkina>.

⁷⁶ The comment was posted on his Facebook page on January 25, 2021, accessed 7 February 2021, <https://www.facebook.com/o.khudaibergenov>.

CHAPTER 5: INVESTMENT COOPERATION WITH EAST ASIA: SOUTH KOREA

After China, the author would like to focus on investments from the ROK. Despite the large number of publications on China and Japan, Korean economic cooperation with Kazakhstan is less frequently studied. For the most part, the economic component is lost against the background of cultural and other forms of cooperation between Korea and the C5 countries. As can be seen in Figures 5.1, 5.2, 5.3 and 5.4, Korean investments have always demonstrated indicators equal to investment injections from Japan, but several times less than China.

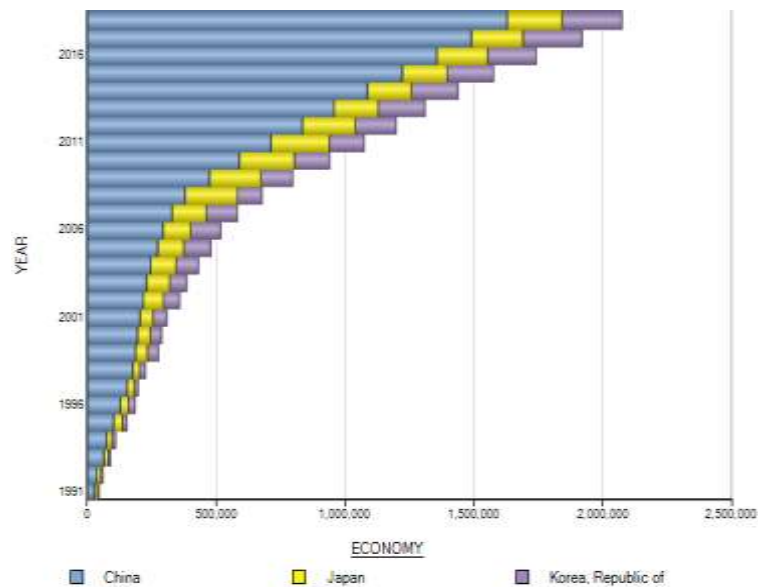


Figure 5.1. Foreign direct investment to Kazakhstan: inward stock, USD millions (UNCTADstat, 2020).

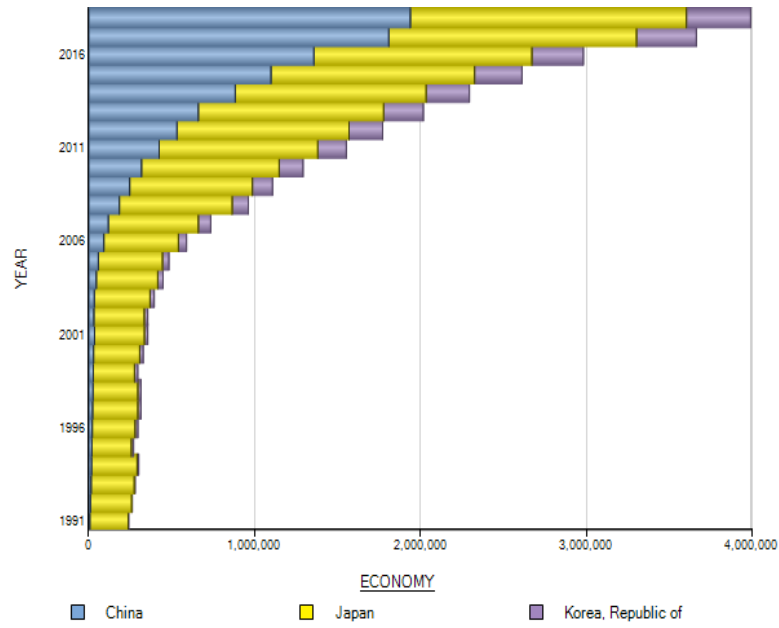


Figure 5.2. Foreign direct investment to Kazakhstan: outward stock, USD millions (UNCTADstat, 2020).

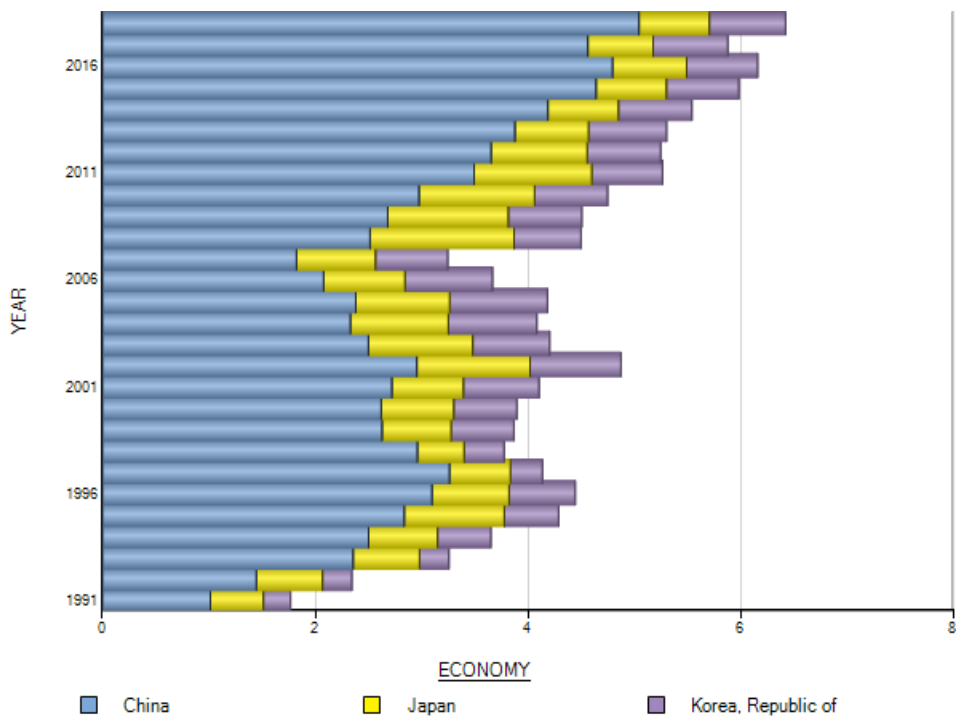


Figure 5.3. Foreign direct investment to Kazakhstan: inward stock, percentage of total world (UNCTADstat, 2020).

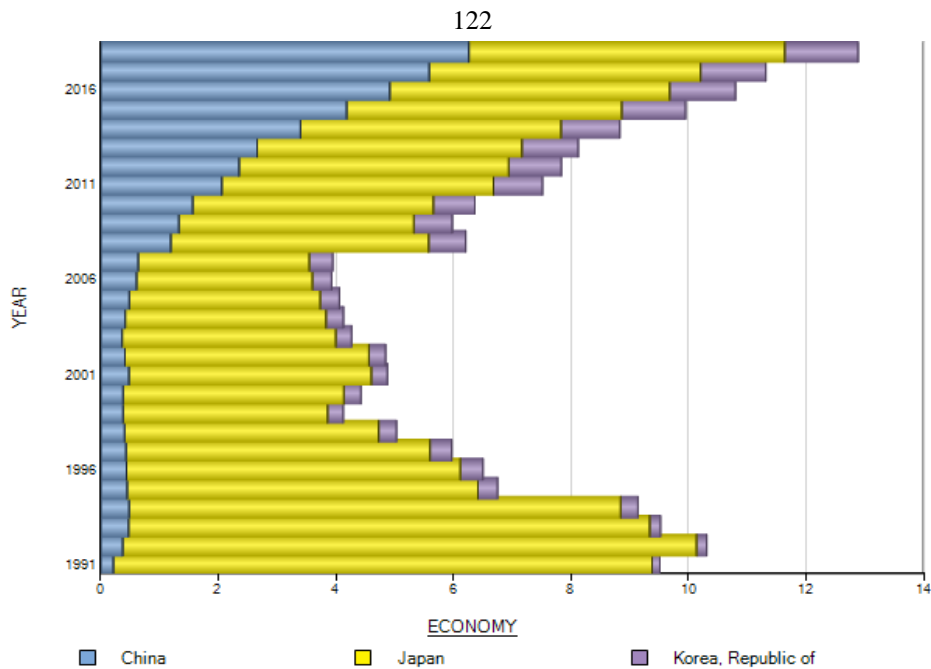


Figure 5.4. Foreign direct investment to Kazakhstan: outward stock, percentage of total world (UNCTADstat, 2020).

After the collapse of the USSR, Tokayev, who was working in Moscow at that time, visited the Embassies of several foreign countries, including Japan, South Korea, and China. According to Tokayev's recollections, China was already interested in the future fate of the former USSR countries and the role of Kazakhstan. They had an understanding that Kazakhstan would understand China's interests, including the Taiwan issue. The Japanese ambassador was only interested in the possible economic benefits for Japanese business. Yet, the Korean Ambassador was one of the first to express interest in organizing the visit of the Korean delegation to Almaty (2003:149-153).

The history of economic success of South Korea attracted the Kazakh leader very much. The development of the Asian Tigers also affected the efforts of the Government of Kazakhstan to transform the country into a Central Asian snow leopard (Zenkovich, 2017:529).

Central Asia could not fail to attract the attention of Korean politicians for one simple reason. In 1938, during the forced migration tens of thousands of ethnic Koreans were displaced from the Soviet Far East to Central Asia. According to the 1989 census, about 183,000 Koreans lived in Uzbekistan and 103,000 in Kazakhstan (Reznikova,

2000:222)⁷⁷. Unlike Soviet Germans, Koreans had fewer opportunities to return to their historical homeland in such a massive manner. They had to adapt to new historical realities and play their part in establishing friendly relations between Central Asia and Korea.

The CA countries also understood that the Korean Diaspora is a weighty argument in strengthening political dialogue and establishing economic ties with the Republic of Korea. For the countries that faced a tough exit from the Soviet Union and lost numerous sources of funding and support, Korean capital and technology were important for the development of national economies and improving the social situation. One can agree that this approach of the C5 countries was relevant towards other developed countries as well.

Korea's example was unique. Between 1965 and 1970 Korea was one of the main recipients of the Japanese aid (Sato and Shimomura, 2013:135). In 1991, the Korean analogue of the *Japan International Cooperation Agency* (JICA), the *Korea International Cooperation Agency* (KOICA), was established. And, Korean aid to foreign countries increased significantly during Presidencies Kim Dae-Jung (1998-2003) and Roh Moo-Hyun (2003-2008). In addition, in 2006, the ROK established the *Committee for International Development Cooperation* (CIDC) to regulate its ODA, including programmes on the Asian development (Sato and Shimomura, 2013:140). Against this background, cooperation with the ROK was seen in Central Asia as one of the important conditions for balancing the interests of stronger powers, without entering into direct alliances with them (Hwang, 2012:2).

5.1. South Korean policy in Central Asia

It is believed that Korea sees itself as a middle power based on the principles of soft economic rather than hard power (Sato and Shimomura, 2013:146). According to Korean scholars, Korea's cooperation with the CA countries can be divided into several phases (Park, 2016:2):

⁷⁷ According to the Korea Foreign Ministry website, the number of ethnic Koreans living in Kazakhstan in 2018 is 108,396, accessed 28 November 2020, http://www.mofa.go.kr/eng/nation/m_4902/view.do?seq=100.

The first phase covers the period from the establishment of bilateral relations and the stabilization of bilateral cooperation mechanisms. This period ends in 2006, when the ROK government proposed the *Comprehensive Central Asia Initiative* with an initiative to support Central Asia. It is noteworthy that this strategy was approved after the visits of President Roh Moo-Hyun to Central Asia in 2004-2005 and the Central Asian Conference in 2005 (Fumagalli, 2016:42). In 2005, the leaders of Korea noted in their speeches that Seoul should play the role of a balancer in order to avoid the emergence of conflicts and tensions in the region, i.e. act as an honest broker between Beijing and Tokyo.

The second phase is associated with the establishment of the Korea-Central Asia Cooperation Forum and the transition of relations to a multilateral agenda. This process is strongly related to the *Central Asia+Japan Dialogue* initiated in 2004. At the same time, no significant success has been achieved in this format. This period is marked by the fact that in 2009 then-President Lee Myung-Bak launched a new initiative towards Asia--*New Asia Initiative* (NAI), including ASEAN and the CA countries.

At the same time, since 2008, cooperation between the ROK and the CAR has been formalized within the framework of President Lee's *Global Korea* concept, according to which South Korea began to position itself as a medium-sized power. NAI was supposed to strengthen Seoul's international position and strengthen ties with international partners. A feature of the strategy is that Seoul is making a shift from the Big Four neighbours to smaller regional partners (Zhu, 2009). Based on the notion of inclusive and pragmatic diplomacy, the strategy also envisioned the development of foreign policy for cooperative networks, including with Central Asia (Lee, 2009).

The seriousness of Korean intentions towards Central Asia marked Lee Myung-Bak's tour to the region in 2011, including to Mongolia, Kazakhstan and Uzbekistan. Since then, South Korea has been one of the key economic partners of the CA countries. It is with the Lee Myung-Bak administration scholars associate a course towards strengthening the status of a middle power as an umbrella policy vision (Lee, 2012:14).

The third phase is associated with the emergence of the *Eurasian initiative* by Park Geun-Hye in 2013, which, in addition to infrastructure and logistics issues, provided incentives for more close interaction with the *Eurasian Economic Space*.

At the same time, it is believed that it was the flexible and proactive approaches of Korean companies and corporations that made it possible to attract large investments from the country (Dadabaev, 2019:5). It is related to the fact that Korea's interest in Central Asia was driven solely by economic prospects (Hwang, 2012:2).

Kazakh scholar Kim, on the contrary, distinguishes 3 other phases of the ROK-CA relations (Kim, 2012a: 68):

The first stage is associated with the establishment of diplomatic relations and the beginning of the Asian financial crisis, which ultimately negatively affected Seoul's plans in Central Asia. During this period, Korea viewed Kazakhstan as part of Central Asia and through the prism of its relations with the larger powers. At the same time, at the initial stage, Korea was able to outstrip China and Japan.

The second stage is due to the ROK growing interest in the CAR's mineral resources, as well as the adoption of the Comprehensive measures for partnership with Central Asia by the Roh Moo-Hyun administration in November 2006.

The third or modern stage is associated with the name of former ROK President Myung-Bak and his NAI.

In September 2017, at the plenary session of the Eastern Economic Forum in Vladivostok (Russia), President Moon Jae-in proclaimed the concept of *New Northern Policy*. This concept considers the creation of the Eurasian Economic Community by expanding cooperation between Korea, Russia, Mongolia, Ukraine, and Central Asia. It seems that the underlying idea of this concept, in addition to diversifying sales markets, is the need for the launch of cross-border infrastructure projects in energy, transport, etc.

According to experts, in 2017-2019, Seoul worked out the main directions of its cooperation with Russia and China under *New Northern Policy*, i.e. railways, electricity production, hydrocarbons, sea communications, shipbuilding, agriculture and fisheries, as well as industrial cooperation. In 2019, President Moon Jae-in during his CA tour has invited the C5 countries to join the initiative. Therefore, this period can be

considered as an assertion of the Central Asian direction in Korea's foreign policy in the context of new initiative (Forbes Kazakhstan, 2019).

The difference between the Korean initiative and the EAEU and the BRI is that it is based on the transfer of customer focus from commercial sectors to the interstate level. The Koreans propose cooperative formats that initially take into account the national needs of the economic development of Eurasian countries (Borisov, 2020). For example, Japanese officials provide support to Japanese companies based solely on their needs and recommendations. And, Japanese politicians follow the requests of corporate bosses to promote their overseas projects.

In 2019, President Tokayev has modernized President Moon Jae-In's investment approach by offering in 2019 special conditions for German business during his first official visit to Europe as the Head of Kazakhstan (Zakon.kz, 2019). By analogy with Germany, Tokayev also proposed to develop special tools to support Korean businesspersons, including project co-financing, partial guarantees and export support mechanisms, during his online participation in the 2020 International Forum for Northern Economic Cooperation (Qazaq TV, 2020). This improvement might be related with Kazakhstan's intention to change Korean investors' approaches from a trade policy to a presence strategy in the CA region (Mamyshev, 2019). Today, in Kazakhstan, at the legislative level, it is envisaged to introduce a new instrument to support foreign investors--a Strategic Investment Agreement, which will be concluded between the GOK and investors in order to fix agreements. The conclusion of such agreements will depend on the volume of capital investments and the priority of the project.

5.2. Kazakh-South Korean relations

Diplomatic relations between Kazakhstan and Korea were established on January 28, 1992. The first President of Kazakhstan visited Korea 5 times in 1995, 2003, 2010, 2012, and 2016. The Korean leaders visited Kazakhstan 6 times--Roh Moo-Hyun in 2004; Lee Myung-Bak in 2009, 2011, and 2012; Park Geun-Hye in 2014, and Moon

Jae-In in 2019⁷⁸. The development of bilateral relations was facilitated by the visits of the ROK and Kazakh Prime Ministers, including the 2006 visit by Prime Minister Han Myeong-Sook, 2008 visit by Prime Minister Han Seung-Soo, as well as 2013 visit by Prime Minister Serik Akhmetov.

During the first visits of Nazarbayev, the Kazakh side actively invited Korean business to cooperate in such areas as construction, shipbuilding, e-government, as well as to more actively involve the Korean Diaspora (Kim, 2012a:74).

On February 15, 1995, speaking at a meeting on foreign policy, President Nazarbayev pointed out that relations with Korea occupy an important place, after China and Japan (MID, 2005:12). The legal foundation for the fruitful and dynamic development of relations between the two countries is laid in the 1995 Declaration of Cooperation, signed by ROK President Kim Young-Sam.

The positive perception of Korea and Koreans by the population of Kazakhstan has become one of the main factors contributing to the easy promotion of South Korean businesses (Izimov, 2016). It is clear that the Asian economic crisis has led to a reduction in Korean investment in the CA countries (Reznikova, 2000:245). If in 1996 the trade turnover was USD 266 million, then in 1999 it amounted only USD 85 million (Tokayev, 2001:167). In the 2000s, Kazakhstan invites Korean companies to actively cooperate in the field of oil and uranium (Kim, 2012a:78). Similar appeals were also made to Japan.

In 2007, an Action plan on cooperation in trade, economic, investment and humanitarian spheres was adopted to the Strategic report on the prospects for cooperation between the two countries, covering 8 areas, many of which are of a general nature and aimed at creating a legal basis for establishing closer relations (Kim 2012b:25).

Therefore, in the field of investments and finance, it was supposed to establish an exchange of information and expertise in order to attract a larger number of Korean financial institutions to Kazakhstan.

⁷⁸ The website of the Foreign Ministry of Korea, accessed 13 August 2020, http://www.mofa.go.kr/eng/nation/m_4902/view.do?seq=100.

The energy and industrial blocks included such projects as the construction of the Balkhash TPP, the establishment of cooperation in the peaceful use of atomic energy, the creation of satellite cities of Almaty.

The agricultural sphere was aimed at studying the Korean experience in the field of plant growing, training national personnel, processing agricultural products and creating joint ventures. However, already in the text it was noted that this point is not possible without establishing practical cooperation.

In connection with the Central Asian tour by PM Han Seung-Soo, the *Korea National Oil Corporation*, including *SK*, *LG International*, *Daesung Industrial*, and *Samsung*, acquired 27 per cent of shares in the Zhambyl offshore oil field for about USD 85 million. In 2008, Korea and Kazakhstan reached an agreement over the import of 3,000 tons of uranium during 2011-2017 (Fumagalli, 2012:84). Clearly, the ROK is intended to become a serious player in global energy competition, and has chosen Central Asia as its major test ground (Calder and Kim, 2008:9).

In 2009, the parties developed a Korea-Kazakhstan joint action plan to strengthen sectoral cooperation (Kim 2012b:47). In general, the document was aimed at improving the mechanisms of bilateral interaction, including in the field of energy, construction, information, agriculture, ecology, culture and ODA.

South Korean President Lee Myung-Bak, during his 2012 visit, announced the intention to create a Kazakh-Korean technological cooperation centre, which will contribute to the creation of a scientific and technical cluster based on the Nazarbayev University.

On the initiative of the Kazakh side, an expanded program of new (updated) economic cooperation *Fresh Wind*⁷⁹ was developed and adopted in 2019. The program was designed to ensure the systematization of work in the trade and economic direction of Kazakh-Korean cooperation until 2025. This program has become another example of the pairing of the Kazakh state program *Nurly Zhol* with the interests of foreign investors and Kazakhstani needs, including the Korean *New Northern Policy*. Despite

⁷⁹ The document was handed over to the author by an employee of the Ministry of Foreign Affairs of Kazakhstan on September 2, 2019.

the title, the document is a list of 112 high-profile projects and activities in 16 specific areas, including trade (7), SMEs (2), industry (8), technology transfer (4), exploration and production (4), infrastructure and logistics (12), housing and utilities (8), defence and aerospace (5), ICT (5), energy (6), renewable energy (9), agriculture (12), finance (5), healthcare (10), tourism (10) and education (5). At the same time, the document does not contain specific amounts of financing and terms of implementation of each of the items.

This program, as in the case of Japan, relies on such an approach as “*resources in exchange for technology*” (Dyussenbayev, 2019:54-55). Despite the critical attitude of the local public, Kazakh diplomats believe that the example of 55 projects between Kazakhstan and China can play a positive role in further improvement of the program.

In 2014, the Korea International Trade Association launched the Public-Private Central Asia Economic Cooperation Commission to address any potential gaps in existing bilateral mechanisms and build up business contacts with the CA region. At the same time, it was decided that the Federation of Korean Industries would be in charge of contacts with Kazakhstan⁸⁰.

5.3. Bilateral mechanisms

In accordance with the order of the Foreign Minister of Kazakhstan dated 20 January 2020 (based on the Government Decree No. 1304), the following institutions operate between Kazakhstan and the ROK:

1. The Kazakh-Korean Commission on Trade and Economic Cooperation is assigned to the MIID. A distinctive feature is that the work of the Commission contributed to the development of the Agreement on Cooperation in the field of Informatization and Communications in 2003 that provide the instruments of joint investment support (Kim, 2012b: 223). For example, the work of the Kazakh-Japanese Joint Commission did not contribute to the adoption of any bilateral agreements.

⁸⁰ The website of the Korea International Trade Association, accessed 29 November 2020, http://www.kita.org/about/newsView.do?id=&no=1589&searchWrd=&result_url=

The intergovernmental commission is co-chaired by the Minister of Industry and Infrastructure Development from the Kazakh side, and the Minister of Trade, Industry and Energy from the ROK side. A similar commission between Kazakhstan and Japan is chaired from the Japanese side at the level of the Vice Minister of Economy, Trade and Industry of Japan (in charge of international affairs).

2. The Kazakh-Korean Joint Committee on Energy and Mineral Resources is assigned to the Ministry of Energy.

3. The Kazakh-Korean Joint Commission on Cultural Cooperation is assigned to the Ministry of Culture and Sports of Kazakhstan.

4. On January 18, 2012, under the auspices of *Samruk-Kazyna*, the Kazakh-Korean Business Council for Strategic Cooperation was established (KazISS, 2011:10). The co-chairman of the Council from the Kazakh side is the Managing Director--Head of the Asset Management Directorate of *Samruk-Kazyna*, from the South Korean side--the President of *Kolon Investment*.

5. As part of the visit of the ROK President to Nur-Sultan, the Kazakh-Korean Centre for Technological Cooperation was created--a platform for organizing interaction between Kazakh and Korean companies in the field of technology transfer. A website has also been created that contains information in Korean on projects in the field of mechanical engineering.

6. In November 2016, in contrast to the *Central Asia+Japan Dialogue*, it was announced about the establishment of the *Korea-Central Asia Cooperation Forum's* Secretariat in Seoul. The Secretariat, which began work in the second half of 2017, regularly hosts international conferences to enhance cooperation. According to the ROK Foreign Ministry, the Secretariat will play the role of an “*incubator for promising cooperation projects*” between Korea and the C5 states (Alekseenkova, 2017). Currently, the key areas of work of the Secretariat are transport/logistics, energy, industrial diversification, ecology, education and health⁸¹.

⁸¹ The website of the Secretariat of the Korea-Central Asia Cooperation Forum, accessed 29 November 2020, <https://www.centralasia-korea.org/web/pages/gc31389h.do>.

According to the Foreign Ministry of Kazakhstan, based on the activities of the *Korea-Central Asia Cooperation Forum*, Kazakhstan came up with the idea of synchronizing all existing multilateral dialogues in the C5+5 format, including through the creation of a Business Council with the participation of the ROK-Central Asia CCIs. In 2020, under the auspices of the 13th Korea-Central Asia Cooperation Forum, the first Business Council's meeting was held (Seilkhanov, 2020).

7. It is the Kazakhstani Koreans, who most often act as conductors for attracting South Korean business. Against this background, one of the key structures promoting the establishment and further development of business ties between Kazakhstan and South Korea is the Association of Koreans of Kazakhstan, which has existed for about 30 years. Its regional offices operate in all regions of the republic (Izimov, 2016). For example, based, a Kazakh-Korean Innovation Centre was created at the Kazakh National Agrarian University due to Association's assistance and participation of Korean financial groups and educational institutions in order to promote bilateral cooperation in the field of education, science and agribusiness⁸².

5.4. Bilateral agreements

An intergovernmental agreement between Kazakhstan and Korea on the Promotion and Mutual Protection of Investments was signed in 1996 in Almaty⁸³. The agreement with Korea is only two points larger than Kazakh agreement with the PRC. However, both agreements implied equal investment regimes for the two Kazakh partners.

The agreement with the ROK covered such areas as intellectual property rights, including copyright, trademarks, patents, industrial designs, technical processes, knowledge, trade secrets and trade names, and goodwill.

The Convention for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income and Capital was signed between Kazakhstan

⁸² The website of the Kazakh National Agrarian Research University, accessed 29 November 2020, https://www.kaznau.kz/page/Korea_center/?lang=ru.

⁸³ The text of the Agreement is available on the legal portal Adilet, accessed 17 April 2020, http://adilet.zan.kz/rus/docs/Z960000045_.

and Korea earlier than other EAS countries in 1997, in Seoul⁸⁴. At the same time, the essence of the Convention does not differ much from its later versions.

In 2004, ten years before the signing of analogous Agreements with China and Japan, Kazakhstan and the ROK signed an intergovernmental Agreement on Cooperation in the field of Peaceful Use of Atomic Energy⁸⁵. This document opened up opportunities for closer cooperation in the field of nuclear energy, including the construction of nuclear reactors.

Scientific and technological cooperation between the two countries began in 1997 with the signing of an intergovernmental Agreement on Scientific and Technological Cooperation, signed in 1996, in Seoul⁸⁶. Despite the smaller volume compared to a similar agreement with Japan, this document created a legal basis for the creation of a bilateral committee to coordinate and develop joint activities.

5.5. Investment gains and losses

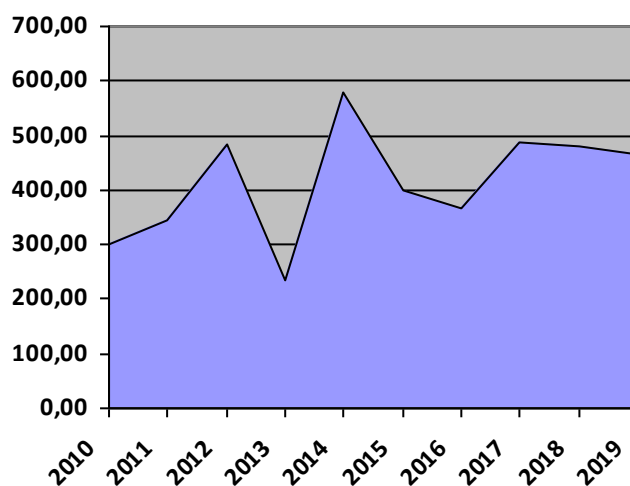


Figure 5.5. South Korea's gross FDI in Kazakhstan, USD millions
(Embassy of Kazakhstan in the ROK, 2020)

⁸⁴ The text of the Convention is available on the website of the State Revenue Committee of the Ministry of Finance of Kazakhstan, accessed 19 April 2020, <http://kgd.gov.kz/ru/content/konvencii-ob-izbezhanii-dvoynogo-nalogooblozheniya-i-predotvrashchenii-ukloneniya-ot>.

⁸⁵ The text of the Agreement is available on the legal portal Adilet, accessed 19 April 2020, http://adilet.zan.kz/rus/docs/P100000331_.

⁸⁶ The text of the Agreement is available on the legal portal Adilet, accessed 10 May 2020, http://adilet.zan.kz/rus/docs/P970000126_.

According to the *National Bank of Kazakhstan* (NBK), over the 30 years of independence, the inflow of Korean investments has made more than USD 7 billion (Figure 5.5). Thus, in 2010-2019, the inflow of investments amounted to USD 4.1 billion. Despite the significant presence of Korean businesses in Uzbekistan, Kazakhstan is one of the main destinations for Korean investments in Central Asia (Gussarova and Andzāns, 2018:3). According to the NBK, the gross outflow of direct investments from Kazakhstan to Korea for all the time amounted to USD 2.7 million. In 2010-2019, the outflow amounted to USD 0.1 million.

Meanwhile, according to Korean businessmen in Kazakhstan, a number of Korean TNC do not consider Kazakhstan as a priority area for doing their business and making investments, which is caused by the private priorities of companies for the global location of production facilities, and taking into account many factors, including logistics, supply chains of raw materials and components, target markets and country risks⁸⁷.

Of the total mass of Korean TNC, the most dynamic in the Kazakhstan direction, as in the case of Japan, are trade divisions interested in selling their products and infrastructure divisions wishing to take part in projects with government funding or government guarantees, including under the PPP scheme.

In 1995, during Nazarbayev's first visit to Korea, negotiations were held at *LG's* head office in Seoul, where an agreement in principle was reached to establish a high-tech enterprise for the production of household appliances in Kazakhstan. As a result, *LG Electronics Almaty Kazakhstan* was established in 1997.

In 1997, the signing ceremony of the Framework Agreement on the sale of 40 per cent of shares in *Kazakhtelecom* between the GOK and *Daewoo* for USD 1.4 billion took place. Most of funds were directed to the implementation of a 3-year investment programme.

The same year, the GOK and the *Samsung* signed a government agreement on long-term cooperation, which determined mutual obligations of the parties to implement investment projects. Under the agreement, the most promising areas of

cooperation were identified as the organization of a sewing production; production of heating devices, equipment for blood transfusion, mineral water; construction of a cable plant. The South Korean company intended to participate in irrigating the lands of the Karaganda region, renting mines, reconstructing power plants, producing consumer goods. Thus, *Samsung* took over the management of the ‘Kazakhmys,’ which includes *Zhezkazgantsvetmet JSC*, *Balkhash mining metallurgical plant*, about 100 thermal power plants, 30 per cent of the shares of *KarGRES*, *Zhezkazgan mining plant*, and a new medical complex in Zhezkazgan.

In 2006, the largest South Korean corporation in the field of oil refining *SK Corp.* acquired on a parity basis with *LG International Corp.* --50 per cent in the development of a block of fields, located in the south-eastern part of the Caspian shelf. A block of fields with an area of 3,640 sq. km, located in the south-eastern part of the Caspian Sea shelf, was the first *SK*’s project in Central Asia. In March 2011, the Korean state-owned *Korea National Oil Corp* (KNOC) bought 95 per cent of *Altius Holdings*, which owns the rights to develop oil fields in Kazakhstan, for USD 515 million. *Altius* owned the rights to develop the Besbolek, Karataykyz, Alimbay, and others fields.

In 2008, South Korea’s *Kookmin Bank* bought a 30 per cent stake in Kazakhstan’s *Centre Credit Bank* for USD 634 million, its first major cross-border acquisition in nearly half a decade (Hwang, 2012:4). Another large Korean bank, *Woori*, in September 2006 signed a Framework Agreement with *Kazkommertsbank* and the construction company *GalamatArt* on the construction of a new residential complex *Apple Town* in Almaty. The total construction cost of the complex was about USD 1 billion. In addition to banks, other Korean financial institutions, primarily large insurance companies, have appeared on the Kazakh market. *Hyundai Securities* experimentally entered the Kazakhstani real estate construction sector, investing the first USD 10 million in *Apple Town*.

⁸⁷ Interview with an anonymous employee of the Korean firm in Kazakhstan on November 28, 2020.



Figure 5.6. HighVill Residence Complex in Nur-Sultan (from the author's personal archive, May 19, 2020).

The construction company *HighVill Kazakhstan* was registered in Kazakhstan in November 2004, and a month later presented to President Nazarbayev the project of the residential complex *HighVill Astana*, located near the administrative centre (Figure 5.6).

In January 2007, *Daewoo Bus Kazakhstan* LLP was registered. 6 months later, the opening ceremony of the *Daewoo* bus production plant was held at the production facilities of *SemAZ* LLP in Semey. This production became the first full-cycle car assembly plant in Kazakhstan, which includes not only the assembly of units and assemblies from imported units, but also welding and body painting. The production capacity of the plant was 1,200 buses per year. The founders of *Daewoo Bus Kazakhstan* LLP were the Kazakhstani company *Semipalatinsk Automobile Assembly Plant* LLP and the Korean company *Daewoo Bus Global Corporation* on equal terms. The creation of this enterprise allowed attracting foreign investments for USD 2.5 million.

In 2010, a SKD assembly plant for *Hyundai* commercial vehicles was opened in Almaty region. The enterprise assembles a range of *Hyundai* vehicles with a carrying capacity of 1.5 to 15 tons: trucks, vans, refrigerators, garbage trucks, water trucks, manipulators and other municipal and agricultural equipment.

In 2011, the national company of Kazakhstan *KEGOC* signed a contract with the consortium *KEPCO*, *Hyundai Engineering Co Ltd*, and *Hyundai Corporation*.

According to the agreement, a consortium of South Korean companies will modernize 500 kW and 200 kW substations. The contract was funded by the EBRD. The total loan amount was € 255 million, of which the Korean consortium disbursed € 73 million.

In 2011, because of bilateral negotiations between Kazakhstan and the ROK leaders, a license agreement was signed to launch a new CKD line of Kazakh off-road vehicles of the South Korean brand *SsangYong* based on *SaryArka-Auto-Prom* LLP. In 2012, an agreement was signed for the purchase of the necessary technological equipment for the assembly of *SsangYong Nomad* vehicles for a total value of USD 72.9 million. The ambitious project provided for the production of up to 25,000 SUVs annually, but these plans were not implemented. Car deliveries to Russia have not been started, and in the Kazakhstan market, the demand for *Nomad*, costing from USD 23,700, turned out to be scanty. The last copies of the model were released in March 2017. In just two years only 480 *Nomads* were made⁸⁸. In 2014, the official permission for serial production of *Hyundai* cars of 3 models was received: *Elantra*, *i30*, *Tucson*. In 2015, the range of *Hyundai* cars was replenished with 4 new models: *Genesis*, *Grandeur*, *Santa Fe*, *Sonata*. In 2020, *Hyundai Motor's* new automotive assembly plant was opened in Almaty (Yoon, 2020).

In Kazakhstan, attempts to create its own production of cars in the form of assembly lines have been made more than once. In 1996, the private Kazakhstani company *Dostyk-Interauto* and the ROK company *LG International* signed an agreement to organize a joint car assembly production of a *Tulpar* based on the *Kia Sportage* crossover. According to the project, up to 40,000 cars per year were to be produced in Almaty. Then it was planned to assemble *Tulpars* in the Aktobe or Pavlodar regions in order to sell cars to Russia. However, a year later, in 1998, the assembly line was closed.

According to the ROK Ambassador to Kazakhstan, Kim Dae-Sik, negative stories among Korean companies in Kazakhstan, including such large companies as *Kookmin Bank*, *Samsung C&T*, *LG Chemical*, have a deterrent effect (Yergaliyeva,

⁸⁸ *SsangYong Nomad*, Automotive website WROOM.RU, accessed 7 February 2021, <https://wroom.ru/cars/ssangyong/nomad>.

2019). Also, in the ROK business environment, through informal channels, information is disseminated about cases of raiding, unfair court decisions, corruption, etc. These facts prevent the formation of a positive investment image of Kazakhstan.

Moreover, the failed project of the *Balkhash TPP* construction continues negatively affect bilateral projects. In 2012, Presidents of Kazakhstan and the ROK launched the project for the construction of the first module of the *Balkhash TPP*. A year earlier, the parties signed an intergovernmental agreement in the field of development, financing, design, construction, operation and maintenance of the *Balkhash plant*⁸⁹, which essentially opened additional preferences, including in the field of attracting labour force.

The construction cost of the first module of the plant with a capacity of 1,320 MW is USD 2.3 billion. The total cost of the TPP construction project was estimated at USD 4.5 billion. The start of the project was preceded by the sale of a 75 per cent stake in *Balkhash TPP* by the Kazakh *Samruk-Energo* to a consortium of South Korean companies *Samsung* and *KEPCO* with a total value of about USD 51.2 million in April 2012.

The GOK promised with the help of the project to reduce the power deficit in central and southern parts of Kazakhstan, where dozens of the largest enterprises of ferrous and non-ferrous metallurgy are concentrated. In 2016, South Korean *Samsung C&T Corp.* and *Samsung Engineering Co. Ltd.* announced their desire to withdraw from the project. *Samsung* has also terminated the EPC contract for the construction of the TPP. In the same year, *Samruk-Energo JSC* announced an increase in its share in *Balkhash TPP* to 50 per cent (Abylgazina, 2017).

Currently, *Samsung* and *LG* have no production activities in Kazakhstan. A big surprise was the exit of the *LG* from the Kazakhstan market, namely the closure of the *LG Electronics* plant and the *LG International* office. In addition, *LG Chemical* withdrew from the project for the construction of a geochemical complex.

⁸⁹ The text of the Agreement is available on the portal [Zakon.kz](https://online.zakon.kz/m/document/?doc_id=31046422), accessed 21 April 2020, https://online.zakon.kz/m/document/?doc_id=31046422.

As a new negative story, the experience of the company *Hansol International* is noted, which has been trying for a long time to return its property (a factory for the production of cotton and rubber gloves) lost because of the seizure by an organized group of persons in Shymkent.

The Korean side has repeatedly noted the possibility of placing shares of major Kazakhstani companies on the South Korean *KOSPI stock exchange*, but there has been no progress in this area.

Nevertheless, Korean business is optimistic for the implementation of a large infrastructure project of the Almaty ring road *BAKAD* (2019); a joint project of *Astana Motors* and *Hyundai* to open a car assembly plant near Almaty and expand the Tengiz oil field. By order of *Tengizchevroil*, the Korean company *Daewoo Shipbuilding* is expanding the offshore platform. In 2016, the assembly and dispatch of Korean marine modules to Kazakhstan began. This is a very expensive project worth USD 2.7 billion.

At the same time, one of the most serious problems is the problem of labour migrants. In 2014, Kazakhstan and Korea signed in New York an intergovernmental Agreement on Temporary Labour Activity of Citizens of the two countries within the framework of labour transfers⁹⁰, which covers highly qualified specialists and middle ranking managers, as well as their family members. China and Japan have no similar agreements with Kazakhstan.

According to various estimates, there are up to 12,000 illegal workers from Kazakhstan in Korea, who took advantage of the lifting of visa restrictions for short-term visits in 2014 (Kumenov, 2018). Korean officials consistently point out that the two countries are equally responsible for this problem and must be tackled jointly.

If, in the case of China, Kazakhstanis see a threat from the increased presence of foreign citizens in their country, then, in the case of Korea, Kazakhstanis do not see any problems, linking their choice with the economic difficulties of recent years, namely the lack of opportunities for obtaining high wages in Kazakhstan. According to *Ranking.kz*

⁹⁰ The text of the Agreement is available on the legal portal Adilet, accessed 21 April 2020, <http://adilet.zan.kz/rus/docs/P1400000675>.

calculations, in 2020, migrants sent KZT 38.2 billion to Kazakhstan, and in 2019--49.1 billion (Ilyasov, 2020)⁹¹.

On the contrary, in 2020 in Kazakhstan, the story of the illegal worker Ali (without specifying his last name) from the Turkestan region was very positively received, who, thanks to well-coordinated actions, was able to notify and save 10 Korean citizens from the fire⁹². Despite difficult working conditions and semi-illegal status, Kazakhstanis go to Korea to earn money in order to solve their financial problems in Kazakhstan.

Kazakhstan also remembers the story of the American scientist of Korean origin, Chan Yang Bang, who, as an Advisor to the President of the country, was unable to achieve concrete results in the implementation of economic reforms (Kuttykadam, 2017:158).

⁹¹ According to the National Bank of Kazakhstan, as of 7 February 2021, one US dollar is equal to KZT 420.49.

⁹² <https://www.youtube.com/watch?v=rszKddmigzs> (accessed 7 February 2021).

CHAPTER 6: INVESTMENT COOPERATION WITH EAST ASIA: JAPAN

Despite the special attitude of President Nazarbayev to Japan, relations with this country did not develop as quickly as both sides would like. This was also due to the fact that Kazakhstan lacked a sufficient number of specialists with knowledge of the Japanese language. Nevertheless, the Kazakh leadership believed that Kazakhstan could play an important role in strengthening Asian energy security. In this regard, during his first visit to Tokyo, First President Nazarbayev actively discussed the idea of creating a mega-project--Central Asia-Kazakhstan-China-Japan pipeline, including through the unification of Central Asian pipelines through the territory of Kazakhstan (Zenkovich, 2017:524). However, the Central Asian direction has always remained on the periphery of the Japanese interests. This can also be explained by the fact that frequent cabinet changes in Japan did not allow local authorities to develop long-term and well-funded strategic approaches (Pascha, 2020:6).

6.1. Japan's policy in Central Asia

Japan is one of the earliest foreign states that recognized the sovereignty of Kazakhstan and provided crucial assistance to the nation-building efforts. For illustration, in 1992, the Government of Japan (GOJ) hosted the Tokyo Conference on Assistance to the NIS that gathered together delegates of 70 countries and 20 IO. On that occasion, Prime Minister Kiichi Miyazawa informed about the intention of his country to provide humanitarian and technical assistance to the NIS. *“Technical assistance [of Japan]...truly motivated and pushed people forward along the path of progress,”*--said Miyazawa⁹³.

However, relations developed slowly, which can also be associated with the process of defining the CA region in the IR system and their desire to overcome significant political and economic challenges. Against this background, the Japanese government relied more on the ODA resources, as well as various forms of economic

⁹³ Diplomatic Bluebook 1992, Ministry of Foreign Affairs of Japan (MOFA), accessed 22 March 2018, [http://www.mofa.go.jp/policy/other/bluebook/1992/1992-appendix-2.htm#\(10\)%20Opening](http://www.mofa.go.jp/policy/other/bluebook/1992/1992-appendix-2.htm#(10)%20Opening).

and technical assistance (Dadabaev, 2016:1). ODA instruments have largely enabled the GOJ to assist in the development of developing countries and achieve own goals.

In 1994, an agreement was signed in Tokyo between the *NBK* and the *Eximbank of Japan* on the provision of a loan in the total amount of USD 220 million. In 1995, agreements were signed in Tokyo on the provision of loans by the *Eximbank of Japan* (co-financing with the IBRD) to support structural changes. In 1996, loan agreements were signed for projects on the reconstruction of the Druzhba railway station worth USD 72.36 million⁹⁴ and in 1997 for the construction of a bridge across the Irtysh River worth USD 215 million. In 1997, an exchange of notes on the provision of non-project-type grant aid to Kazakhstan for economic structural reforms took place (Tokayev, 2001:167, 460, and 480).

In 1996, Nazarbayev announced that Japanese loans had helped boost Kazakh-Chinese trade through Druzhba (Nazarbayev 1996:490). One of the functions of the bridge in Semey (East Kazakhstan region), built by *Ishikawajima Heavy Industries Co., Ltd* (IHI Corporation) is to promote the development of relations between Kazakhstan, Russia, and China (Reznikova, 2000:238).

However, it took Japan 5 years to shape its interests in the form of clear diplomatic strategy. Prime Minister Ryutaro Hashimoto presented the first significant document on CA in Japanese political history in the way of policy address at the meeting of the *Japan Association of Corporate Executives* (Keizai Doyukai) on 24 July 1997. In his speech, PM Hashimoto declared about an official launch of so-called *Eurasian diplomacy* or *Silk Road Diplomacy*, and labelled countries of CA and the Caucasus as the Silk Road region⁹⁵.

It was noted that the new strategy also included key findings of the special mission led by the famous Japanese politician Keizo Obuchi to Russia and the CAR in June-July 1997 (Obuchi Mission)⁹⁶. The adoption of the strategy took place against the

⁹⁴ The text of the Agreement is available on the legal portal Adilet, accessed 10 May 2020, http://adilet.zan.kz/rus/docs/Z970000103_.

⁹⁵ Ryutaro Hashimoto's remarks (untitled statement was addressed at the Japan Association of Corporate Executives' meeting, Tokyo, July 24, 1997), Kantei's HP, accessed 1 December 2017, <https://japan.kantei.go.jp/0731douyukai.html>.

⁹⁶ Roshia Chuoajia taiwa mishon, Japan Centre for International Exchange's HP, accessed 1 December 2017, <http://www.jcie.or.jp/japan/nenji97/d07.htm>.

background of Japan's great lag in the development of working instruments for interaction with the former USSR countries (Miyata, 1999:253). In this vein, it is important that Japan played an important role in the inclusion of the CAR on the DAC list (Yasutomo, 1995:118) and in the region's dual membership in ADB and EBRD, despite US scepticism (Yasuda, 2000:31), allowed the GOJ to finance projects in CAR through ODA and IO. It is believed that thanks to the GOJ efforts, all 5 CA countries have received the status of developing economies (Reznikova, 2000:234).

Hashimoto's baseline strategy had laid 3 main directions for further cooperation with the CA nations, namely, (1) political dialogue, (2) economic contacts and natural resource development, as well as (3) security issues with a focus on nuclear non-proliferation, democratization and the stability fostering. Nevertheless, many scholars are still confident Japan does not have a bold vision of its interests in CA. This strategy allowed Japan to demonstrate its commitment to the region. However, despite the strategic importance of the region, this strategy suffered from a lack of specificity and sufficient funding for the CAR (Len, 2005:198).

After PM Hashimoto, relations with Kazakhstan and other CA countries continued to develop under administrations of Keizo Obuchi and Yoshiro Mori, but mainly through the exchange of frequent visits by high-ranking officials from both sides. In 1999, an agreement was signed in Tokyo on the provision of a loan for the reconstruction of Astana International Airport for USD 180 million (Tokayev, 2001:167). In 2000, another loan agreement was signed for USD 147 million for the implementation of the project *Rehabilitation of the road network of Western Kazakhstan*⁹⁷ (Tokayev, 2001:167).

The rule of Prime Minister Junichiro Koizumi⁹⁸ and his famous *Kantei diplomacy* (Makihara, 2013) marked the next significant increase in relations between Japan and CA. In April 2002, speaking at the *Boao Forum for Asia* (BFA), Koizumi proposed to expand cooperation with the Asian countries, including the CA states, in 5

⁹⁷ The text of the Agreement is available on the legal portal Adilet, accessed 10 May 2020, http://adilet.zan.kz/rus/docs/Z010000169_.

⁹⁸ Junichiro Koizumi Administration, Kantei's HP, accessed 1 December 2017, https://japan.kantei.go.jp/rekidaisouri/koizumi_e.html.

specific areas, such as energy, environment, currency and finances, trade and investment, as well as development assistance⁹⁹. 3 months later, as it was promised at the BFA, Koizumi dispatched Seiken Sugiura, then-State Minister for Foreign Affairs, as the head of the *Silk Road Energy Mission* to promote closer energy cooperation with the CAR (10-21 July 2002)¹⁰⁰.

It is believed that Koizumi's speech was aimed at gaining additional access to energy resources in Asia and demonstrating its diplomatic capabilities to its neighbours, i.e. China and Russia (Green, 2003:163).

In 2004, then-Foreign Minister, Yoriko Kawaguchi¹⁰¹, visited 4 CA nations for other important reason. During her trip to Uzbekistan, Kawaguchi announced a new vision of the Japanese foreign policy towards CA, *Adding a New Dimension: Central Asia+Japan*¹⁰².

In her historical statement, Kawaguchi outlined a new dimension of the GOJ cooperation with CA--an establishment of the *Central Asia+Japan Dialogue* (CAJ Dialogue) with focus on multilateral cooperation with the CAR (JFAIR, 2020:9). Also, Kawaguchi described Japan as a 'natural partner' for CA, and for the first time emphasized the importance of intraregional integration among the CA nations based on ASEAN model¹⁰³. On August 28, 2004, the first official meeting of Foreign Ministers of the CAJ Dialogue was held in Kazakhstan.

In August 2006, before his resignation, Koizumi became the first incumbent Prime Minister of Japan to visit the CA region, i.e. Kazakhstan and Uzbekistan¹⁰⁴. The further development of the CA approach was continued during the first administration

⁹⁹ Junichiro Koizumi, Asia in a New Century-Challenge and Opportunity (speech was delivered at the Boao Forum for Asia in Boao, PRC, April 12, 2002), Kantei's HP, accessed 2 December 2017, https://japan.kantei.go.jp/koizumispeech/2002/04/12boao_e.html.

¹⁰⁰ Shirukurodo Enerugi mishon, MOFA's HP, accessed 2 December 2017, http://www.mofa.go.jp/mofaj/annai/honsho/fuku/sugiura/af_asia02/silkroad.html.

¹⁰¹ Rekidai gaimu daijin ichiran, MOFA's HP, accessed 2 December 2017, <http://www.mofa.go.jp/mofaj/annai/honsho/gaisho/reference.html>.

¹⁰² Yoriko Kawaguchi, Adding a New Dimension: Central Asia plus Japan (speech was delivered at the University of World Economy and Diplomacy, Tashkent, Uzbekistan, August 26, 2004), MOFA's HP, accessed 2 December 2017, <http://www.mofa.go.jp/region/europe/uzbekistan/speech0408.html>.

¹⁰³ Ibid.

¹⁰⁴ Prime Minister of Japan Koizumi Junichiro visited 2 CA countries, i.e. Kazakhstan and Uzbekistan, on August 28-29, 2006. Koizumi sori no Kazafusutan oyobi Uzubekisutan homon: gaiyo to hyoka, MOFA's HP, accessed 2 December 2017, http://www.mofa.go.jp/mofaj/kaidan/s_koi/kaz_uz_06/gh.html.

of his successor, Shinzo Abe¹⁰⁵, especially under the guidance of then-Foreign Minister Taro Aso¹⁰⁶, who was well informed about the real status of affairs in the region.

In 2006-2007, then-PM Taro Aso portrayed a new pillar of the Japanese value-oriented diplomacy--*Arc of Freedom and Prosperity* that encompassed regions of the Baltic, Central and Eastern Europe, the Caucasus, CA, the Middle East, South and South-East Asia^{107 108}. The new concept highlighted an essential role of existing dialogue platforms, e.g. the CAJ Dialogue, with an emphasis on such universal values as a democracy, freedom, human rights, a rule of law and a market economy.

For example, in his 2006 speech, Aso mentioned, “*Japan considers critical to building up dialogues with these groups (the Baltic, Central and Eastern Europe, the Caucasus, Central Asia, the Middle East, South and South-East Asia), making them regular meetings*”¹⁰⁹. At the same time, Aso made the smooth transition from the natural partner in Kawaguchi’s approach to the escort runner role for Japan, comparing the CAR and other states of the Arc with marathon runners.

On the eve of the Second Ministerial Meeting of the CAJ Dialogue in Tokyo in 2006¹¹⁰, PM Aso delivered a separate statement on the CA policy, *Central Asia as a Corridor of Peace and Stability*, and indicated CA, Afghanistan and the South-West Asia as key elements of peace and stability on the Eurasian continent¹¹¹. In addition, Aso identified principal features of the GOJ strategy in Central Asia: (1) CA is an important link of global security; (2) CA is rich in underground resources; (3) affinity bonds between CA and Japan; (4) Japan’s interest in a more proactive relationship with CA¹¹². The particular attention was also drawn to so-called Guiding principles of the Japanese foreign policy towards CA, namely: (i) broad-based perspective of the region;

¹⁰⁵ Shinzo Abe Administration, Kantei, accessed 2 December 2017, https://japan.kantei.go.jp/rekidaisouri/abe_e.html.

¹⁰⁶ Rekidai gaimu daijin ichiran, MOFA’s HP, accessed 2 December 2017, <http://www.mofa.go.jp/mofaj/annai/honsho/gaisho/reference.html>.

¹⁰⁷ Taro Aso, *Arc of Freedom and Prosperity: Japan’s Expanding Diplomatic Horizons* (speech was delivered at the seminar of Japan Institute of International Affairs (JIIA), Tokyo, November 30, 2006), MOFA’s HP, accessed 2 December 2017, <http://www.mofa.go.jp/announce/fm/aso/speech0611.html>.

¹⁰⁸ Taro Aso, *On the Arc of Freedom and Prosperity* (address was presented at the International House of Japan, Tokyo, March 12, 2007), MOFA’s HP, accessed 2 December 2017, <http://www.mofa.go.jp/policy/pillar/address0703.html>.

¹⁰⁹ Ibid.

¹¹⁰ *Central Asia plus Japan Dialogue--Action Plan*, MOFA’s HP, accessed 2 December 2017, <http://www.mofa.go.jp/region/europe/dialogue/action0606.html>.

¹¹¹ Taro Aso, *Central Asia as a Corridor of Peace and Stability* (speech was delivered at the Japan National Press Club, Tokyo, June 1, 2006), MOFA’s HP, accessed 2 December 2017, <http://www.mofa.go.jp/region/europe/speech0606.html>.

(ii) support for open regional cooperation; (iii) partnership based on common universal values.

In 2012-2020, this strategy retained its operational value in the Japanese foreign policy and could be easily traced through the review of PM Abe's diplomatic approach, Diplomacy that takes a panoramic perspective of the world map (*Sekai chizu o fukan suru gaiko*) (Joji, 2013). Although Abe himself did not use the term Arc or Corridor, he favoured the further expansion of the Japanese diplomacy in CA. For instance, in April 2007, a large business delegation led by then-Minister of Economy, Trade and Industry Akira Amari visited 2 key CA countries, i.e. Kazakhstan and Uzbekistan. As a result, the visit allowed Japanese private companies and public organizations to achieve the significant expansion of its interests in the CA energy sector (The Japan Times, 2007).

Nonetheless, the drastic political changes, i.e. frequent replacements of the Japanese political leaders, significantly weakened the developing of new conceptual strategies towards Central Asia. The new policy course of the Democratic Party of Japan (DPJ) in 2009-12¹¹³ did not affect the dynamics of the GOJ cooperation with CA, as regular mutual visits and meetings at various levels evidenced it. On the contrary, relations between the CAR and Japan, including in the framework of the CAJ dialogue, gained new vital attributes.

In 2010, Kazakhstan received a loan worth USD 68 million for the implementation of the CAREC Transport Corridor 1 reconstruction project in Zhambyl Oblast¹¹⁴. The CAREC Transport Corridor 1, running from Khorgos city through Almaty and Shymkent to the Russia's western border¹¹⁵. In fact, this loan is part of a larger 'Western Europe-Western China' International Transit Corridor project.

After the restoration of the Liberal Democratic Party's (LDP) rule, in December 2012 (Ito, 2012), PM Abe administration took around 3 years to demonstrate its vivid vision in the CA affairs. As a result, in October 2015, Abe became the first Japanese

¹¹² Ibid.

¹¹³ During 16 September 2009-23 December 2012, representatives of DPJ headed the MOFA Japan. Rekidai gaimu daijin ichiran, MOFA's HP, accessed 2 December 2017, <http://www.mofa.go.jp/mofaj/annai/honsho/gaisho/reference.html>.

¹¹⁴ The text of the Agreement is available on the legal portal Adilet, accessed 10 May 2020, http://adilet.zan.kz/rus/docs/P100000810_.

¹¹⁵ The website of the CARECC, accessed 10 May 2020, <https://www.careccprogram.org/?project=carec-corridor-1-zhambyl-oblast-section-tranche-3>.

PM to visit all 5 CAR. It is remarkable that the Japanese Premier was able to travel across the region within one tour¹¹⁶. During his stay in Kazakhstan, Abe delivered a new policy statement with a 3-point message to the CA countries, namely: (1) dramatic strengthening of CA-Japan relationship; (2) active involvement in efforts to tackle challenges faced universally by the CAR; (3) deepening of the global stage partnership with the CAR¹¹⁷.

In fact, Abe confirmed that his administration would pay serious attention to the CA region, and rely on already existed approaches, developed by Hashimoto, Koizumi, Kawaguchi, Aso, and Okada (Katsuya). As a result, Abe administration indicated the importance of the CA region in its first National Security Strategy, as a “*partner for ensuring the stability of the Asia-Pacific region*”¹¹⁸, and as one of the prime targets of the renewed ODA Charter¹¹⁹ and Global Food Value Chain Strategy¹²⁰. Abe also mentioned that his administration considers the CAJ dialogue as the “*framework...to tackle challenges identified universally by the region,*”¹²¹ and Japan’s role as a catalyst in this process.

Undoubtedly, that visit had tremendous value for the further development of the GOJ foreign policy towards CA, and vice-versa. For example, creation of the new instrument of Kantei diplomacy--Japan-Russia-Central Asia Exchange Promotion Council, whose first meeting was held in 2015¹²², was considered as a positive signal in this direction. Overall, this shows that Japan’s policy in the region depends on the agenda of each Prime Minister (Dadabaev, 2016:19).

¹¹⁶ Abe sori daijin no Mongoru oyobi Chuoajia 5-kakoku homon, MOFA’s HP, accessed 2 December 2017, http://www.mofa.go.jp/mofaj/area/page3_001431.html.

¹¹⁷ Shinzo Abe’s remarks (untitled speech was delivered at the Nazarbayev University on October 27, 2015), Kantei’s HP, accessed 2 December 2017, https://japan.kantei.go.jp/97_abe/statement/201510/1213894_9930.html.

¹¹⁸ National Security Strategy, HP of the Cabinet Secretariat, accessed 2 December 2017, <https://www.cas.go.jp/jp/siryoku/131217anzenhoshou/nss-e.pdf>.

¹¹⁹ Cabinet decision on the Development Cooperation Charter, MOFA’s HP, accessed 2 December 2017, <http://www.mofa.go.jp/files/000067701.pdf>.

¹²⁰ Global Food Value Chain Strategy, HP of the Ministry of Agriculture, Forestry and Fisheries of Japan, accessed 13 February 2021, https://www.maff.go.jp/j/kokusai/kokkyo/food_value_chain/attach/pdf/gaiyou_e_r1-6.pdf.

¹²¹ Shinzo Abe’s remarks (untitled speech was delivered at the Nazarbayev University on October 27, 2015), Kantei’s HP, accessed 2 December 2017, https://japan.kantei.go.jp/97_abe/statement/201510/1213894_9930.html.

6.2. Kazakhstan-Japan cooperation

Since the collapse of the Soviet Union, the GOJ has adopted a positive stance on the CA countries. However, according to Japanese scholars, one of the main reasons of the low level of interest towards Kazakhstan was related with the fact that the republic had fewer fans/patrons among representatives of the political and business circles of Japan (Yuasa, 2007:69).

At the same time, bilateral visits served as the main instrument of Kazakh-Japanese relations that contributed to the adoption of key political decisions (Tsunozaiki, 2007:217). There were 4 visits of the First President of Kazakhstan to Japan in 1994, 1999; 2008 and 2016¹²³, as well as only two visits of the Prime Minister of Japan to Kazakhstan in 2006 and 2015. Traditionally, Japan is considered in Kazakhstan to be exclusively the prerogative of the **Presidential diplomacy** (Nazarbayev, 2015:403). The only visit of Prime Minister of Kazakhstan Daniyal Akhmetov to Japan took place in 2005 and was associated with celebration of Kazakhstan's Day at the Aichi EXPO. During the visit, both sides confirmed the completion of bilateral negotiations on Kazakhstan's accession to the WTO.

According to the political tradition in Kazakhstan, visits of ordinary members of the Government, as a rule, serve to work out new documents and agreements, which Kazakhstan is trying to formalize during the high-level visits, i.e. by President or Prime Minister. On its part, Japanese businesspersons use every opportunity, especially foreign visits by the GOJ officials during the Golden Week (April-May) or *Bon Festival* (August), to consolidate the agreements they have. This can be regarded as a certain type of guarantees for the safety of the Japanese investments.

In 1993, Nazarbayev met in Kazakhstan with President of the Japan-Russian Trade Association Tetsuo Sato, who announced Tokyo's readiness to provide technical and consulting assistance on economic issues (Tokayev, 2001:434). In 1993, the Kazakh-Japanese Committee for Economic Cooperation was launched (MID,

¹²² Dai ikkai Nichi-Ro-Chuoajia koryu sokushin kaigi no kaisai, MOFA's HP, accessed 2 December 2017, http://www.mofa.go.jp/mofaj/erp/ca_c/page4_001527.html.

¹²³ The author does not take into account the visit of First President Nazarbayev to Japan in 2019 to participate in the coronation ceremony of the new Emperor of Japan.

1998:195). Not surprisingly, a former member of the Cabinet in charge of the Economic Development became the first Ambassador of Kazakhstan to Japan (MID, 2011:69).

In 1994, Nazarbayev's first visit to Japan took place, which laid the legal basis for bilateral relations (Tokayev, 2001:165). According to Nazarbayev, he set 2 tasks--the opening of the Japanese production and economic facilities in Kazakhstan (with an emphasis on Asian countries) and the transformation of Kazakhstan into a backstopping nation for the Japanese capital in Central Asia. It was believed that Kazakhstan could become a springboard for Japan's advancement into the markets of the CIS, Western China, Iran and Turkey. As a solution, Nazarbayev proposed creating a Joint Commission to discuss such perspective issues (Nazarbayev, 2003:233). In addition, he asked to consider the possibility of building the West Kazakhstan-Kumkol oil pipeline and the Central Asia-Kazakhstan-China-Japan gas pipeline (Nazarbayev, 2003:233). However, this idea was not new. In 1992, the former head of Turkmenistan, Saparmurat Niyazov, began negotiations with the PRC and the Japanese *Mitsubishi* regarding the construction of a pipeline to the PRC (Forsythe, 1996:27).

In 1997, Chairman of the Economic Planning Agency of Japan Taro Aso and President of *Keizai Doyukai* Koichi Minaguchi visited Kazakhstan to discuss issues of economic cooperation (MID, 1998:192). It is believed that from that moment, from his visit to Central Asia, Aso began to patronize the strengthening of relations with Uzbekistan. Not by chance, but during his second tour to the CA region in 2014 as the head of the GOJ delegation at the 47th annual meeting of ADB in Kazakhstan, the current Deputy Prime Minister-Finance Minister did not meet with the Kazakhstani top leaders.

In 1997, the first and only Kazakhstan's Action Plan on Economic Cooperation with Japan¹²⁴ was approved. This plan consisted of 16 points and provided path for the intensification of contacts between the state bodies of the two countries, the exchange of experience, the training of professional personnel, as well as the expansion of the

¹²⁴ The text of the Plan is available on the legal portal Adilet, accessed 16 May 2020, http://adilet.zan.kz/rus/docs/R970000132_.

bilateral legal framework. However, out of the 3 forecasted agreements at that time, only one was signed.

This is because in those years, relations with the CAR were developed very slowly, largely due to the position of the Japanese companies that were concerned about the lack of legal frameworks, the availability of reliable information, and other important preconditions (Dadabaev, 2016:20). At the same time, the document provided the basis for the creation of a separate Bureau at the Embassy of Kazakhstan in Japan for economic cooperation, which was implemented only in 2016 in the form of a new institution--the Investment Counsellor (Dissyukov, 2020:101). Another idea of creating a Bank of Investment Projects was also implemented only in the 2010s with the creation of a separate Information Portal based on the efforts of the *Japan Association for Trade with Russia and the NIS* or *ROTOBO* (Dissyukov, 2020:106).

In 1998, Nazarbayev met with Chairmen of the *Toyota Motor* Shoichiro Toyoda and *JETRO* Toru Toyoshima (Tokayev, 2001:494). Despite the numerous efforts by Kazakhstani authorities, the *JETRO* Office was opened in 1999 in Uzbekistan. Later, Japanese and Kazakh attempts to move this office from Tashkent to Nur-Sultan or Almaty, even as a temporary measure to equally promote the Japanese interests in the CA region, did not bring tangible results due to fears that the Uzbek side could react negatively to the GOJ decision. The issue of alternate placement was also considered, but this idea did not receive support among the Japanese authorities due to a possible increase in the Organization's budget.

In 1999, a second visit took place, which brought bilateral relations to the level of strategic partnership (Tokayev, 2001:166). The President took part in the Fifth session of the bilateral Committee on Economic Cooperation.

It is noteworthy that during these years there has been a significant transformation of corporate approaches among Japanese companies in relation to their foreign investments. So, from the 1980s to the mid-1990s, they were based on: (1) the search for new markets; (2) achieving production and cost efficiency; (3) access to mineral resources. In the mid-1990s, these efforts were added by the creation of export bases in the third countries (Kohama, 2003:159).

In 2006, during the visit of Prime Minister Koizumi, one of the focuses was on the development of bilateral cooperation in the field of energy, especially in the field of mining and processing of uranium, oil and other mineral resources¹²⁵. The leaders of the two countries also signed a corresponding Memorandum¹²⁶. In 2007, the Minister of Economy, Trade and Industry visited Kazakhstan. Following the visit, the parties signed 24 commercial contracts in the field of the nuclear industry; an agreement was reached on the launch of bilateral negotiations regarding the Agreement on the Peaceful Use of Nuclear Energy. At that time, Japan intended to receive from 30 to 40 per cent of the supply of nuclear fuel from Central Asia¹²⁷. Obviously, if this plan was implemented, Kazakhstan had all chances to turn into one of Japan's key energy partners.

In 2008, President Nazarbayev made his third and longest visit to Japan. The Kazakhstani leader was in Japan during one week. One of the important outcomes of the visit were: (1) completion of the negotiation process on the Double Taxation Convention; (2) the beginning of the negotiation process on an Investment Protection Agreement; and (3) the willingness of the 2 countries to move forward in the development and signing of the nuclear pact. The parties also agreed to create a new structure--the Joint Commission of the Public and Private Sectors of Kazakhstan and Japan. In turn, the Kazakh side insisted on the importance of developing a Roadmap for enhancing bilateral trade and economic cooperation¹²⁸.

The global economic crisis and the LDP defeat in the 2009 parliamentary elections made significant adjustments to the dynamics of bilateral relations. Despite the difficult processes in the global economy, Japanese companies continued to demonstrate high interest in cooperation with Kazakhstan, pushing the DPJ leadership

¹²⁵ Izumi sori daijin, MOFA's HP, accessed 16 May 2020, https://www.mofa.go.jp/mofaj/kaidan/s_koi/kaz_uz_06/kaz_s.html.

¹²⁶ Izumi sori daijin, MOFA's HP, accessed 16 May 2020, https://www.mofa.go.jp/mofaj/kaidan/s_koi/kaz_uz_06/kaz_o.html.

¹²⁷ Keizai sangyo daijin to shite no omona jisseki, Personal blog of Akira Amari, accessed 16 May 2020, https://amari-akira.com/03_policy/keisandaijin_jisseki.html.

¹²⁸ Nazarubaefu Kazafusutankyowakoku daitoryo no honichi, MOFA's HP, accessed 16 May 2020, https://www.mofa.go.jp/mofaj/area/kazakhstan/visit/0806_gh.html.

to take active actions (Uyama, 2015:349). However, activation took place only during the last years of the Democratic Party's rule.

In May 2012, Minister of Economy, Trade and Industry Yukio Edano paid a visit to Kazakhstan. During the visit, the main emphasis was placed on the development of bilateral cooperation in the field of rare earth metals (REM) (Berlyne, 2013). It is obvious that against the background of the then growing tensions between Japan and China around REM supplies, the GOJ tried to create preconditions for building strategic cooperation with Kazakhstan in the REM field.

Then, Yukio Edano and Minister of Industry and New Technologies Asset Issekeshov of Kazakhstan signed the first Roadmap between the two countries to promote trade and economic cooperation¹²⁹. The document that was more interdepartmental than intergovernmental in nature. The Roadmap consisted of 9 pages and included both ongoing and planned projects. The first group was divided into 5 subgroups and covered the mining and processing industries (4), the oil and gas sector (2), the nuclear sector (6), logistics (1), as well as 5 general activities. The projects were planned to be completed between 2012 and 2021.

The second group was divided into 5 subgroups and included the mining and processing industries (2), the oil and gas sector (2), petrochemicals (2), logistics (2), high technologies (9), and energy (5). The projects were to be implemented until 2025. It is noteworthy that in the second group, under in the column Japanese partners, the names of the corresponding Japanese organizations and companies were excluded. The Kazakh side pointed out that such decision was made based on the understating that companies from the third countries would participate in the projects.

In 2014, Minister of Economy, Trade and Industry Toshimitsu Motegi make a surprise visit to Kazakhstan. Kazakhstani diplomats connect this visit with the preparation of Shinzo Abe's 2015 Central Asian tour. During the visit, an agreement was reached on the update of the 2012 Roadmap¹³⁰.

¹²⁹The document in Japanese was provided to the author by the staff of the Embassy of Kazakhstan in Japan on 9 August 2020.

¹³⁰ Kazakhstan and Japan to develop investment cooperation, Strategy2050.kz HP, accessed 16 May 2020, <https://strategy2050.kz/en/news/11879/>.

During this period, attempts by Japanese companies and organizations to obtain a contract for the construction of the Kazakhstani nuclear power plant intensified. In turn, the GOK has adopted a new way of negotiating with Japanese business, namely, by inviting heads of the Japanese companies to Kazakhstan for a substantive discussion of projects, including *Toshiba*. It is obvious that such shuttle economic diplomacy (2015) reduced the amount of information available to researchers, and created difficulties for an objective assessment of the entire spectrum of Kazakh-Japanese cooperation.

In 2015, Prime Minister Abe paid his visit to Kazakhstan. However, according to Japanese diplomats, the Japanese Premier was dissatisfied with its results, since he could not achieve clarity on the NPP construction¹³¹. Japanese diplomats hoped that Abe would be able to speak at the Parliament of Kazakhstan, but he was invited to speak at the *Nazarbayev University*. At the same time, Abe's speech raised big questions among the Kazakh leadership. In his speech, he promised to create “*business opportunities in the region worth ¥ 3 trillion*” (the sum of all projects ongoing and implemented), which was misinterpreted by the event participants and perceived as a new package of Japanese assistance¹³². In fact, this is not the first time when the CA countries wrongly misinterpret statements by Japanese leaders. For example, such cases were also observed in the framework of the CAJ Dialogue. These facts indicate the complexity of the diplomatic language chosen by Tokyo in relation to the CA countries, or, as it would be more correct to say, jargon.

In 2016, Nazarbayev made his last official visit to Japan as the Head of State. Against this background, Kazakh diplomats were more focused on political aspects, including his speech in the Parliament and his visit to Hiroshima. By that time, Kazakh diplomats tried to adopt a large-scale Roadmap on Kazakh-Japanese cooperation--Nazarbayev-Abe Action Plan--as his last legacy (Zenkovich, 2017:525). However, this idea was rejected by the Japanese side and, as a result; the leaders signed the Joint Statement, a traditional for such cases diplomatic document¹³³. In fact, the Japanese

¹³¹ Interview with an anonymous employee of the Japanese Foreign Ministry on May 29, 2019.

¹³² Japan-Kazakhstan Relations, MOFA's HP, accessed 16 May 2020, https://www.mofa.go.jp/erp/ca_c/kz/page1e_000055.html.

¹³³ Interview with an anonymous representative of the key government agency in Kazakhstan, May 16, 2020.

side rejected the original document because the draft proposed by Kazakh Ambassador Yerlan Baudarbek-Kozhatayev personally was very different from the traditional type of bilateral joint statements. Prior to that, Kazakh diplomats in Tokyo proposed another document, based on the 2003 Action Plan between Russian President Vladimir Putin and Japanese Prime Minister Junichiro Koizumi, in order to achieve the GOJ consent on the format and content of new strategic document.

Nevertheless, the economic forum, which took place without the participation of the leaders of the two countries, made it possible to conclude 13 contracts worth USD 1.2 billion. President Nazarbayev met with the heads of the Japanese companies in private atmosphere and presented them the priority areas of cooperation for Kazakhstan. However, the agreement with SMBC on the allocation of USD 300 million loan remains unfulfilled due to the lack of interesting for the Japanese business projects.

Following the visits of Abe and Nazarbayev, several other GOJ members visited Kazakhstan, including Minister of Economy, Trade and Industry Hiroshige Seki (2017)¹³⁴, who planned to promote bilateral cooperation in the field of energy and infrastructure under Japan's *Partnership for Quality Infrastructure Initiative*¹³⁵. However, it should be understood that the volume of the Japanese initiative, estimated at USD 200 billion, is significantly inferior to the capabilities of the Chinese initiatives, whose potential reaches USD 8 trillion (Pascha, 2020:7).

It can be said with certainty that Japan's relations with Kazakhstan are built on 2 important elements. Japan is showing heightened interest in the CA region, since key countries have huge reserves of mineral resources and are of great geopolitical importance. At the same time, Japanese experts believe that today, in the face of tremendous competition for Japanese technologies and capital, Kazakhstan, like other countries, should actively fight for Japan's resources and technologies (Uyama, 2019¹³⁶). The GOJ perceives Kazakhstan as a source of raw materials, a buyer of its technological and infrastructure products and a market for its goods. It also confirms

¹³⁴ <https://www.meti.go.jp/press/2017/07/20170724003/20170724003.html> (accessed 16 May 2020).

¹³⁵ Partnership for Quality Infrastructure, MOFA's HP, accessed 22 February 2021, <https://www.mofa.go.jp/files/000117998.pdf>.

that Japanese policy in the region takes a wait-and-see approach, namely to seek out a favourable business opportunities (Ferguson, 2007:201-225).

6.3. Bilateral cooperation structures.

In accordance with the order of the Foreign Minister, the following structures operate between the two countries:

1. The Kazakh-Japanese Joint Commission of Public and Private Sectors (since 2009). This structure is assigned to the Ministry of Industry and Infrastructure Development. The emergence of this structure is associated with a change in the views of Kazakh officials on further prospects of cooperation with Japanese business circles.

In the beginning, the Kazakh authorities willingly cooperated with Japanese private companies. However, over time, dissatisfaction with the lack of a structure in which representatives of public and private structures of the two countries would participate on an equal basis began to grow among Kazakh officials. Despite internal resistance, the Japanese side nevertheless agreed with the arguments of the Kazakh side. So far, 7 meetings of the Joint Commission have been held, 4 in Kazakhstan and 3 in Japan. During the events, which are held with an interval of one to two years, the parties discuss promising areas, B2B matching with potential partners takes place.

Today, the Joint Commission is an umbrella structure that also brings together the activities of the Joint Committees on Business Cooperation (since 1993), which unite 11 large Japanese companies. To date, 16 meetings have been held, 8 meetings each in Japan and in Kazakhstan. Moreover, starting from the 10th meeting, all gatherings usually take place at the same time as the meetings of the Joint Commission. Moreover, it is the members of the Joint Committees that most often organize informal meetings with high-ranking officials from Kazakhstan in Japan to discuss issues of mutual interest. In fact, the Japanese side, namely *ROTOBO*, carries out the activities of the Commission and the Committees. *ROTOBO* helps to maintain the functioning of the online Investment Network and performs the main functions of B2B matching.

¹³⁶ Professor Uyama voiced this opinion during the Q&A session with the author at the Annual Meeting of the Japan Society for Central Asian Studies in March 2019, in Enoshima, Japan.

2. The Kazakh-Japanese Committee for Cooperation in the Elimination of Nuclear Weapons to be reduced in Kazakhstan. This structure is assigned to the Ministry of Energy and is an important tool for attracting Japanese assistance to the increasing the potential of the Kazakhstan nuclear industry and its safety.

3. Over the years, there were also numerous associations that were created by the citizens of Kazakhstan and Japan, for example, *Progress*, whose activities were discredited by the selfish goals of its leadership. None of the associations managed to achieve high performance.

4. In the framework of the CAJ Dialogue the Kazakh side twice proposed to create a joint Business Council to intensify economic cooperation. However, this idea, proposed by the well-known Kazakh diplomat Kairat Sarybay, despite the fact that the Kyrgyz side supported it, did not receive the approval of Uzbekistan and Turkmenistan. The main reason was that, based on the gentlemen's agreement, Kazakhstan and Japan was unable to obtain the consent of appropriate economic agencies to create and coordinate the activities of the appropriate platform. In accordance with the agreement, the Kazakh side could not violate the request of the Japanese side and could not give clear explanations to its CA partners, which ultimately affected the future fate of this initiative.

5. Today, the biggest idea is the establishment of the *Central Asia Sustainable Development Fund* led by Japan or with the participation of financial mechanisms, where Japan plays a key role, e.g. the ADB. This idea was voiced during Nazarbayev's visit to Japan in 2016. Currently, the Ministry of National Economy is developing a draft Concept for the creation of a Sustainable Development Fund. However, there is no consensus among the state bodies of Kazakhstan, who should be responsible for the development, approval and implementation of this idea.

6.3.1. Katsu's case

Unlike the PRC and the ROK, Japanese politicians note the fact that the head of the leading higher educational institution of Kazakhstan, *Nazarbayev University (NU)*, is a representative of Japan, Shigeo Katsu¹³⁷.

The former World Bank Vice-President for Europe and Central Asia was appointed to this post at the end of 2010. In addition to his main post, Mr Katsu is a member of various government councils that are involved in the development of important political decisions and reforms, as well as private structures, e.g. *Tsesnabank JSC*¹³⁸.

In 2016, during the visit of the First President Nazarbayev to Japan, Mr Katsu was included in the official delegation of the Government of Kazakhstan. Moreover, in 2015, Mr Katsu, together with Nursultan Nazarbayev, hosted the then-Prime Minister of Japan at the *NU*. Then PM Shinzo Abe presented his new strategy in Central Asia, following Xi Jinping, who also presented at the *NU* his first vision of the *OBOR*.

It is obvious that Mr Katsu can serve as an informal channel for communication between government and private structures of Kazakhstan and Japan. For example, Mr Katsu also accompanied former Deputy Prime Minister of Kazakhstan, Mr Yerbol Orynbaev, to Japan. Then, the Kazakh side planned to use the experience of Mr Katsu to attract Japanese engineering schools to strategic cooperation with the *NU*.

However, this is not the first famous Japanese in Kazakhstan. Japanese architect Kisho Kurokawa developed the initial general plan for the development of Kazakhstan's capital; he was also the author of the project of the International airport, which now bears the name of Nursultan Nazarbayev (Dubovitskikh, 2015).

¹³⁷ Rukovodstvo, HP of Nazarbayev University, accessed 20 February 2021, <https://nu.edu.kz/ru/onas/administratsiya/rukovodstvo>.

¹³⁸ HP of Nazarbayev University, accessed 20 February 2021, <https://nu.edu.kz/news/shigeo-katsu-appointed-chairman-board-directors-tsesnabank-jsc>.

6.4. Bilateral agreements.

The Investment agreement with Japan was signed later among other the EAS. The Agreement on the Promotion and Protection of Investments between Kazakhstan and Japan was signed in Kazakhstan in 2014¹³⁹. The signing was driven by a strong desire from the Japanese business community¹⁴⁰. This document differs in that it is twice as long as its counterparts (26 articles) and has a higher status—interstate. According to eyewitnesses, the Japanese side understood that not all state bodies are part of the Government of Kazakhstan and the adoption of an interstate agreement increases the level of protection of Japanese investments in Kazakhstan. In addition, the Kazakh side removed the term liberalization from the title of the first draft.

The drafters of the document on both sides hoped that the Agreement would contribute to the strengthening of international cooperation in the development of international rules for foreign investment. However, when analyzing the document, readers can see many protective mechanisms that were introduced by the Japanese side, including from the use of force restrictive measures on the export of goods, hiring foreign employees, the location of offices, purchasing goods and services from local manufacturers, and much more. The algorithm for resolving possible disputes is also spelled out in more detail.

Another important distinguishing feature of the Agreement is the creation of a Joint Commission in order to fulfil the objectives of the Agreement, including with the participation of representatives of the private sector. The functions of the Commission include monitoring of the Agreement, exchange of information, and discussion of issues of mutual interest. The commission also has the right to establish sub-commissions and assign certain tasks to specialized sub-commissions. However, information on the sub-structures meetings has never been made public.

The Convention for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income and Capital was signed between Kazakhstan

¹³⁹ The text of the Agreement is available on the legal portal Adilet, accessed 17 April 2020, <http://adilet.zan.kz/rus/docs/Z1500000339>.

¹⁴⁰ Ni-Kazafusutan toshi kyotei, MOFA's HP, accessed 19 April 2020, https://www.mofa.go.jp/mofaj/ila/et/page22_001881.html.

and Japan later than with others in Tokyo in 2008¹⁴¹. In fact, this was the first economic document signed between the two countries. Kazakhstan has tried to conclude this document several years. Each time, the Japanese side pointed to the principle of priority. Obviously, the queue also took into account factors such as political changes in Japan, including the visit of Koizumi and Amari, as well as new agreements in the field of nuclear energy.

In 2010, in Tokyo, a year before the tragedy at the Fukushima-Daiichi NPP, Kazakhstan and Japan signed an intergovernmental Agreement on Cooperation in the Peaceful Use of Nuclear Energy and a separate Protocol to it¹⁴². Until that time, cooperation in the atomic sphere was based on the Agreement between Japan and the USSR. The agreement stipulated the basic rules of cooperation between the 2 countries in the field of uranium fuel supplies and the possible construction of a nuclear power plant. In 2010 and 2016, two additional documents to the Agreement were adopted¹⁴³

¹⁴⁴.

With the participation of leading Japanese companies, such joint ventures for the extraction of uranium have been set up as *Appak LLP*, *Baiken-U LLP* and *Kharasan-U LLP*. *Appak* was established in 2005 and is currently developing the Zapadny section of the Mynkuduk field in the Turkestan region until 2035. The founders are *Kazatomprom*--65 per cent and *Energy Asia Limited*--35 per cent, as well as Japanese corporations *Sumitomo* with 25 per cent and *Kansai Electric Power* with 10 per cent. *Baiken-U* was established in 2006 and is currently developing the Kharasan-2 section of the Northern Kharasan field in the Kyzylorda region until 2055. The founders are *Kazatomprom*--52.5 per cent and *Energy Asia Limited*--47.5 per cent, as well as Japanese corporations *Tokyo Electric Power* and *Chubu Electric Power*. *Kyzyl-Kum* was established in 2005 and is currently developing the Kharasan-1 section of the

¹⁴¹The text of the Convention is available on the website of the State Revenue Committee of the Ministry of Finance of Kazakhstan, accessed 19 April 2020, <http://kgd.gov.kz/ru/content/konvencii-ob-izbezhanii-dvoynogo-nalogooblozheniya-i-predotvrashchenii-ukloneniya-ot>.

¹⁴² The text of the Agreement is available on the legal portal Adilet, accessed 19 April 2020, http://adilet.zan.kz/rus/docs/P100000093_.

¹⁴³ The text of the Agreement is available on the legal portal Adilet, accessed 19 April 2020, <http://adilet.zan.kz/rus/docs/P1000001527>.

¹⁴⁴ The text of the Agreement is available on the legal portal Adilet, accessed 19 April 2020, <http://adilet.zan.kz/rus/docs/P1600000657>.

Northern Kharasan field in the Kyzylorda region until 2058. The founders are *Kazatomprom*--50 per cent and *Energy Asia Limited*--20 per cent, as well as *UrAsia London Limited* (a subsidiary of Canada's *Uranium One*) with 30 per cent.

Until that time, scientific and technical cooperation between the 2 countries was carried out based on the Agreement on Technical Cooperation, which was signed in 2004 in Nur-Sultan¹⁴⁵. However, in essence, the agreement only regulates the rights and obligations of Japanese experts and consultants in Kazakhstan.



Figure 6.1. Kazakhstan's SCAT PR poster at the Narita International Airport (from the personal archive of the author, February 15, 2020).

For many years, Kazakhstan and Japan could not sign the Agreement on Air Services. Even foreign experts, who participated in the development of similar agreements with Japan, also attended this process from the *Air Astana*'s side. However, in 2016, the parties were able to reach a written agreement that Kazakhstani aircraft can fly to the Japanese airports of Narita, Osaka, and Nagoya¹⁴⁶. However, despite the

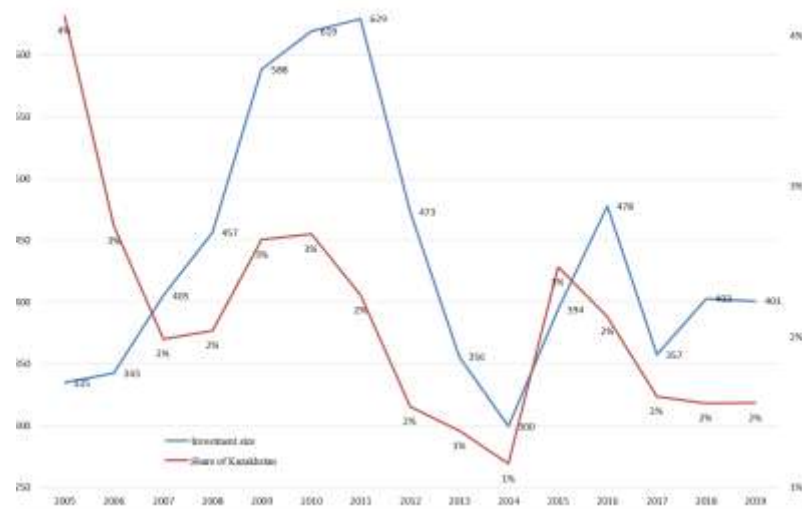
¹⁴⁵ The text of the Agreement is available on the legal portal Adilet, accessed 10 May 2020, http://adilet.zan.kz/rus/docs/Z050000061_.

¹⁴⁶ Information is located on the website of the Ministry of Land, Infrastructure, Transport and Tourism of Japan, accessed 16 May 2020, https://www.mlit.go.jp/report/press/kouku03_hh_000249.html.

expectations of the Japanese businesspersons, instead of Air Astana, the flight began to operate under less popular *SCAT* airline (Figure 6.1).

6.5. Investment gains and losses

According to the Kazakh Embassy in Tokyo, Japan has invested USD 7 billion since 1993. Over the past 2009-2019, FDI inflows amounted to USD 4.4 billion. There is no FDI from Kazakhstan to Japan (Figures 6.2 and 6.3).



*Figure 6.2. Japan's gross FDI in Kazakhstan.
Red line--share in total FDI; blue line--FDI inflows, USD millions
(Embassy of Kazakhstan in Japan, 2020)*



Figure 6.3. Kazakhstan's share in the total volume of the Japanese FDI. Red line--share; squares--total Japanese investments, USD millions (Embassy of Kazakhstan in Japan, 2020)

Despite the positive indicators, in the history of the two countries there are many negative lessons that cannot but influence the further development of Kazakh-Japanese cooperation.

1. Japanese business took a negative view of the so-called Karaganda shock, when Kazakhstan unilaterally terminated a contract with Japanese companies in relation to the *Karaganda metallurgical plant* (Uyama, 2010:307). The contract involved the construction of a coke oven gas-cleaning workshop at the plant in order to establish local production, increase competitiveness at the foreign markets and improve the environmental situation in the region¹⁴⁷. The Japanese companies *Nissho Iwai* and *Itochu* signed a contract with the plant. In 1995, an agreement was signed between *Itochu* and the *Eximbank of Japan* to provide a loan for USD 180 million for the construction of a workshop under the GOK guarantees. However, in November 1995, at a closed tender, the plant was bought by *Ispat International*, owned by the Indo-British businessperson Lakshmi Mittal, and became part of the newly formed company *Ispat*

¹⁴⁷ Project information is posted on the Tengrinews news portal, accessed 19 April 2020, https://tengrinews.kz/zakon/pravitelstvo_respubliki_kazahstan_premier_ministr_rk/vneshneekonomicheskaya_deyatelnost/id-P950000045_/.

Karmet JSC. In 2004, the company was re-registered in JSC *Mittal Steel Temirtau*, and later became the JSC *ArcelorMittal Temirtau* in 2007 (Sidorov, 2006). According to Satpayev, this case is considered one of the first successful examples of lobbying by a foreign company in the history of Kazakhstan. At that time, Kazakhstani companies for the first time accused one of the GOK members in lobbying the interests of a foreign company (2019:169).

2. *Inpex North Caspian Sea, Ltd.* has been participating in the development of the Kashagan oil field and other oil fields together with project partners under the North Caspian Production Sharing Agreement since September 1998. As part of its participation, *INPEX* ensures the recruitment of personnel engaged in oil production technology, pipeline and rotating machine design, and information technology. In the 2000s, Kazakhstan began the struggle for Kashagan, which is considered the beginning of resource nationalism in Kazakhstan's modern history. With the adoption of new conditions for Kashagan in 2008, including due to the increase in the share of *KazMunayGas* to 16.81 per cent, the share of the Japanese company in the project decreased from 8.33 per cent to 7.56 per cent¹⁴⁸. For Japan, Caspian oil is an important condition to mitigate negative effects on world markets. In this regard, Japan attaches great importance to its participation in the exploration and development of new deposits. In addition, Japanese companies gain access to technological innovation and knowledge that their American and European partners use, which also helps to narrow the possible technology gap and, accordingly, create an equal competitive advantage.

3. In 2012, *SARECO* LLP (Summit Atom Rare Earth Company) was launched between *Kazatomprom* JSC (co-owner with 51 per cent of shares), *Sumitomo Corporation* (co-owner with 49 per cent of shares), *Shin-Etsu Chemicals* and *Rhodia*. The plant was designed to produce 1,500 tons of TREO (the sum of rare earth metal oxides), and the capacity was to be gradually increased. According to the Kazakh mass media, the work of the enterprise stopped in 2015 because the quality of the products did not satisfy the Japanese side. Against this background, plans to build two plants remained unfulfilled: (1) to separate REM concentrates into individual compounds

worth USD 45 million and a zirconium oxychloride plant worth USD 83 million. Difficulties also arose with a project for the joint production of scandium with other foreign companies (Dorohova, 2016). In 2017, the enterprise was restarted, and *Kazatomprom* bought out the Japanese stake. In 2018, the company fully transferred its stake in *SARECO* LLP to *Tau-Ken Samruk National Mining Company* (portfolio Company of *Samruk-Kazyna*).

4. In 2013, the first combo-store *Mini Stop* of the Japanese group *AEON* was opened in Kazakhstan, which after a year and a half due to the worsening economic situation in the country, was forced to sell its shares to local partners (Uyama, 2015:278). Back in 2012, the Kazakh company *RTS Ltd* and two Japanese companies--*Ministop Japan* and *SENKO* created a joint venture--LLP *RTS Ministop*. Under the agreement, *RTS-Ministop* LLP acquired the right to sub-franchise stores in Kazakhstan. The total investment associated with the project was about USD 10 million.

5. In 2013, *Sary-Arka-Auto-Prom* LLP signed a MoU with the GOK on the launch of the project The organization of production of *Toyota* cars. According to *Toyota Motor* representative Keisuke Kirimoto, the corporation sold 8.948 million vehicles in the world in 2013. At the end of 2013, the number of *Toyota* cars sales in Kazakhstan amounted to 13,400 units with an increase of 45 per cent compared to 2012. The production opening was preceded by 6-year negotiations (Gaifutdinova, 2016).

In 2014, the long-awaited launch of the production line of the *Toyota Fortuner SUV* took place through a teleconference with the participation of President Nazarbayev. The design capacity of car production in Kostanay was 3,000 units per year. Later, *Toyota* planned to launch the production of other *Toyota* cars, which are popular among Kazakhstani consumers, e.g. *Corolla*, *Camry*, *Land Cruiser Prado*. It was the first *Toyota* production site in Central Asia and the second in the CIS countries. The plant carried out full-cycle CKD production. However, in 2016, car sales in Kazakhstan, according to the *Association of the Kazakh Auto Business*, had collapsed by 45.68 per cent. Indeed, *Toyota* sales fell by 35.56 per cent. Against this background, the production of cars was temporarily suspended. In 2020, Kazakh diplomats held talks

¹⁴⁸ The website of the *INPEX*, accessed 19 April 2020, <https://www.inpex.co.jp/english/business/nis.html>.

with the *Toyota Tsusho* in order to restore the production of *Toyota* subcompact cars in Kazakhstan. On its part, *Toyota Tsusho* proposed to consider the possibility of cooperation in 3 other areas: medicine, renewable energy sources, as well as traditional energy sources (e.g., gas distribution and thermal power plants).

6. In 2008 and 2016, during the visits of President Nazarbayev to Japan, the Japanese side tried to sell two of its large goods to Kazakhstan--the *Mitsubishi Regional Jet* aircraft and a nuclear power reactor. However, the GOJ could not achieve progress on any of these projects.

In 2016, Kazakhstan, through its company *Kazatomprom*, tore up the previously reached agreements with *Toshiba*, according to which the Kazakh side owned ten per cent of *Westinghouse* shares. It is obvious that the deterioration of the situation around *Toshiba* prompted the Kazakh company to sell the shares back. It is noteworthy that until this time Kazakhstan considered this union as one of the first successful industrial alliances between the two countries. In 2018-2019, *The Japan Atomic Power Company* and *Marubeni Utility Services* carried out a technical examination of the feasibility study for the NPP construction in Kazakhstan, developed by *Kazakhstan Nuclear Power Plants JSC*. The results of the study made it possible to determine the need for the NPP construction, the choice of a construction site and the estimated capacity of the plant. In February 2019, *Kazakhstan Nuclear Power Plants JSC* sent a request to leading manufacturers of reactor technologies to provide technical and commercial proposals for the construction of nuclear power plants in Kazakhstan, indicating technical and economic parameters of Chinese and Korean reactors as well, but not Japanese.

7. In 2014, *Dentsu Aegis Network*, a global expert in communications solutions, announced the signing of an agreement to acquire a controlling stake in 'Fifty Four Media' LLP, a leader in media planning and buying on the Kazakhstan market. As a result of the transaction, the holding company *Fifty Four Media*, which includes *Quattro Media Advertising LLP*, *TFF-Central Asia LLP* and *Ex-TV Media Central Asia LLP*, was integrated into the *Dentsu Aegis Network*. Today, *Dentsu Aegis Network Kazakhstan* occupies one of the leading places in the advertising market of Kazakhstan

and is the official representative office for the CA countries, the Caucasus, and Mongolia. The company is the only player in the advertising market in Kazakhstan that conducts a consumer survey based on a single panel, which includes consumption and category perception, consumer lifestyle and their relationship with the media.

8. In 2019, *Nippon Express Nippon Express Co., Ltd.*, one of the world's leading companies in the transport and logistics industry, opened its office in Almaty. Kazakhstan is the first country in Central Asia, where *Nippon Express* opens its representative office to expand its presence in the region. In 2019, the first container train was organized and dispatched on the Japan-China-Kazakhstan-Europe route, where transportation by land took about 14 days. In 2020, Akihiko Tanaka, the President of the *Japanese National Graduate Institute for Policy Studies (GRIPS)*, confirmed that Kazakhstan is the largest country in Central Asia in terms of economic development for Japan, since the country has abundant resources that have a significant impact on the development of international economic relations (Kuzekbai, 2020).

At the same time, according to Japanese businesspersons, despite the fact that Japanese companies are interested in doing business in Kazakhstan, they are trying to focus more on projects financed by the GOK through the EPC contracts¹⁴⁹. Companies located in Kazakhstan most often offer their intermediary services in the supply of equipment and attracting cheap financing. This is because the interest rates of Japanese banks are lower, but they require the participation of the Japanese companies and/or the purchase of the Japanese equipment. And, Japanese companies most often refuse to use the services of the third parties that could help them get the necessary victory at Kazakhstani tenders.

9. According to Japanese researchers, *OBOR* helps to strengthen relations between China and neighbouring countries, as well as opens up opportunities for closer cooperation between the PRC, the ROK, and Japan, including in Central Asia (Aoyama, 2016:21). However, information on open cooperation between the 3 countries has not yet been announced.

¹⁴⁹ Interview with an anonymous employee of the Japanese firm in Kazakhstan on August 9, 2020.

Dossym Satpayev (2018) identifies the following risks and benefits for the Japanese business community in Kazakhstan. Among main risks are: (1) political risks (transit of power); (2) management risks (non-professionalism of the bureaucracy, especially in the regions); (3) commitment to raw materials; (4) economic separatism (imbalance in regional development); (5) corporate state and small market. In addition, resource nationalism and the middle income trap are vulnerable areas for Kazakhstan. At the same time, according to Satpayev, the possible benefits for Kazakhstan are: (1) positive image; (2) an emphasis on reviving regional economies; (3) access to high technology and knowledge; (4) balance in the relations between the CA countries and the PRC¹⁵⁰.

¹⁵⁰ The speech was delivered on December 4, 2018, in Tokyo at the Japan External Trade Organization (JETRO) forum New era of Eurasia: Changes in Central Asia; Russia, and China.

CHAPTER 7: DATA PRESENTATION

As shown in Figure 7.1, Kazakhstan's cooperation with the EAS took place in a rather very interesting environment. On the one hand, Kazakhstan all this time was under the rule of one particular person. On the other hand, in Korea and Japan, this cooperation was carried out during a period of relatively frequent changes of the first leaders, which cannot be said about China.

Presidents of Kazakhstan	PRC Presidents	ROK Presidents	Japanese Prime Ministers
Nursultan Nazarbayev (1991-2019)	Yang Shangkun (1988-1993)	Roh Tae-Woo (1988-1993)	Kiichi Miyazawa (1991-1993)
	Jiang Zemin (1993-2003)	Kim Young-Sam (1993-1998)	Morihiro Hosokawa (1993-1994)
			Tsutomu Hata (1994)
			Tomiichi Murayama (1994-1996)
			Ryutaro Hashimoto (1996-1998)
			Keizo Obuchi (1998-2000)
		Kim Dae-Jung (1998-2003)	Yoshiro Mori (2000-2001)
	Hu Jintao (2003-2013)	Roh Moo-Hyun (2003-2008)	Junichiro Koizumi (2001-2006)
			Shinzo Abe* (2006-2007)
			Yasuo Fukuda (2007-2008)
		Lee Myung-Bak (2008-2013)	Taro Aso (2008-2009)
			Yukio Hatoyama (2009-2010)
			Naoto Kan (2010-2011)
			Yoshihiko Noda (2011-2012)
			Shinzo Abe* (2012-2020)
	Xi Jinping (2013-present)	Park Geun-Hye (2013-2017)	
		Moon Jae-In (2017-present)	
Kassym-Jomart Tokayev (2019-present)			Yoshida Suga (2020-present)

Figure 7.1. Names and terms of service of key officials of Kazakhstan and the East Asian countries (by author)

Cooperation with China, as well as with other countries, has 2 sides. On the one hand, local elites may experience pressure that forces them to intensify their focus on the development of the country's resource potential. On the other hand, this is a test of the willingness of the EAS to listen to their partners and invest in their modernization (Suleimen, 2014:164).

An analysis of the investment policies of the 4 countries showed that the key and determining factor is the impact of the processes taking place in the world economy and the response of the countries of Central and East Asia to these trends through the prism of domestic needs for growth and the domestic political agenda. According to Kassymkhan Kapparov (2021), investors are interested in Kazakhstan mainly in the presence of mineral resources and geographic proximity to China. The main challenges and difficulties for foreign investors in Kazakhstan are the instability of contracts (tax and non-tax regulation by the state). The Government corruption is also an important barrier to attracting foreign investment.

For Central Asia, collapsing prices for natural resources pose a substantial threat. Natural resources account more than 90 per cent of export in Kazakhstan and Turkmenistan. This suggests that, despite numerous mechanisms and tools, Kazakhstan has not managed to change its perception among foreign investors, as well as to achieve new sustainable reforms that would allow foreign investors to expand economically within Kazakhstan. The policy of 'pairing/linking' was initially positioned as an opportunity for Kazakhstan to meet the EAS economic needs. However, apart from China, this strategy is a mechanism through which Japan and Korea are trying to promote their projects on the territory of Kazakhstan.

According to popular Kazakhstani observer Olzhas Khudaibergenov, investment projects in Kazakhstan have their numerous characteristics that are lost against the general background and are often ignored at the local level, but not by foreign investors¹⁵¹:

¹⁵¹ The comment was posted on his Facebook page on January 25, 2021, accessed 7 February 2021, <https://www.facebook.com/o.khudaibergenov>.

➤ At the evaluation level, almost all projects have omissions, which undermines confidence in Kazakh partners and stop them from moving to the next stage of the transaction for foreign investors;

➤ There are a lot of assets in Kazakhstan that are of high interest to foreign investors, but the conditions are not always favourable in comparison with other competitors, e.g. in Asia or Europe;

➤ Kazakh companies do not always clearly understand and/or demonstrate how profitability from investment projects can offset currency risks and how legal/political risks are covered;

➤ Investors see mainly bureaucracy and corruption among legal risks, and raiding or instability among political risks;

➤ Most of investors are essentially intermediaries or swindlers.

For example, as was mentioned by the representative of Kazakh Embassy in Japan, the Kazakh envoy in Tokyo often receives a large number of proposals from dubious organizations that operate thanks to the provision of intermediary services or are completely dependent on infusions from gullible Japanese private investors of medium or smaller level.

Former Kazakh Ambassador to Poland Altay Abibullayev does not agree with the opinion of Mr Khudaibergenov, believing that the main problem is the lack of a stable and systemic basis for promoting Kazakhstani exports abroad. The current Ambassador-at-Large believes that the Kazakhstani market and economy are too small for long-term investments. The only correct solution in this area is the development of non-resource exports of products with the highest possible added value¹⁵².

Iris Marijic (2020) from the *KMPG Kazakhstan* also believes that the most serious barriers for foreign investors in Kazakhstan are political and country risks, i.e. corruption, currency fluctuations, and prohibition for contacts between risk management teams of foreign companies with individuals and businesses that are somehow affiliated with political structures.

¹⁵² Ibid.

Nevertheless, Kazakhstani political expert Aydar Amberebaev and sinologist Adil Kaukenov believe that Kazakhstan and China are demonstrating a qualitative change in the structure of bilateral relations. Participation in numerous projects and associations leads to detailed elaboration of economic partnerships, which creates the preconditions for future growth, including in the framework of Kazakhstan-China and Central Asia-China dialogue. In addition, the COVID-19 pandemic also showed that China is the most important partner for Kazakhstan that demonstrating solidarity and understanding of Kazakhstan's needs¹⁵³.

According to the Ministry of National Economy of Kazakhstan (MNE), as of March 1, 2020, 33,191 legal entities, branches or representative offices with foreign participation were registered in the country¹⁵⁴. As seen in Table 7.1, the highest rate among the EAS has China--24.9 per cent in Kyzylorda oblast; the ROK--4.5 per cent in Almaty Oblast, and Japan--0.27 per cent in Almaty City.

EAS	PRC			ROK			Japan		
	8%			2.4%			0.17%		
	S	M	L	S	M	L	S	M	L
Kazakhstan	2,620	17	22	797	4	0	55	1	0
Kostanay Oblast	0.6%			0%			0%		
Pavlodar Oblast	1.45%			0.4%			0%		
N.Kazakhstan Oblast	1.5%			0%			0%		
Akmola Oblast	0.8%			0%			0%		
E.Kazakhstan Oblast	4.5%			0.35%			0.1%		
Almaty Oblast	11.8%			4.5%			0%		
Karaganda Oblast	1.35%			0.4%			0.12%		
Mangistau Oblast	6.25%			0.08%			0%		
Atyrau Oblast	3%			0.25%			0.25%		
Aktobe Oblast	10%			0.2%			0%		
W.Kazakhstan Oblast	0.15%			0.15%			0%		
Zhambyl Oblast	1.4%			0.4%			0%		
Kyzylorda Oblast	24.9%			1%			0%		
Turkestan Oblast	1.6%			0%			0%		
Almaty City	11.7%			4.3%			0.27%		
City of Nur-Sultan	6.35%			1.4%			0.1%		
City of Shymkent	7.27%			0.95%			0.01%		

¹⁵³ The discussion was recorded during the broadcast of the radio programme Radio Mediametrix on December 30, 2020, accessed 7 February 2021, <https://radiomm.kz/geopolitics/67407/?fbclid=IwAR1yoloOR4pPkMEu6LysG3eyxevrAzgpZeUwcUsOuF91jeYA9IFPSSbtsSg>.

¹⁵⁴ The website of the Committee on Statistics of the Ministry of National Economy of Kazakhstan, accessed 23 April 2020, <https://stat.gov.kz/official/industry/13/statistic/6>.

Table 7.1. Quantitative and qualitative presence of the EAS companies in Kazakhstan (by author)

According to the Foreign Ministry, in Kazakhstan operate 1,223 Chinese legal entities and 511 joint ventures; 455 Korean legal entities and 101 joint venture; 43 Japanese legal entities and 16 joint ventures. On average, the ratio suggests that there are 13 Korean and 42 Chinese institutions versus a Japanese enterprise. At the same time, in most cases, China dominates the positions of Korea and Japan, and the level of presence of Japanese business in Kazakhstan is much lower than that of Korea. In most cases, the presence of the Japanese companies do not exceed one per cent. Unlike the Japanese, Korean businesses rank above one per cent in 4 Kazakh regions. Chinese business has the below one percent level in only 3 regions.

In the mining industry, China has 120 enterprises, while Korea has 5. The mining industry attracts the largest volume of foreign investment. It received the largest volume of FDI since 2005, i.e. 56.3 per cent of all investments¹⁵⁵. In the manufacturing sector, China has 125 factories, Korea--29, and Japan--1. In agriculture, China has 33 enterprises, Korea--17, and Japan--0. In the field of water supply and waste disposal, only China is represented, which has 11 enterprises.

In the field of energy supply, China and Korea have 10 and 2 enterprises respectively. In the ICT field, China has 16 enterprises, Korea--14, and Japan--1. In construction, China has 258 enterprises, Korea--174 and Japan has 2 enterprises. In real estate, China has 21 businesses, Korea--25, and Japan--1. This is one of 2 areas, where Korea is somehow ahead of China. For example, in the leisure and entertainment sector, Korea has 7 businesses versus 6 from China. In the area of food and accommodation, China has 38 enterprises, while Korea has 31 enterprises.

In the transport and logistics sector, China has 25 enterprises, Korea--22 and Japan--one. In wholesale and retail trade, China has 1,535 enterprises, Korea--234, and Japan--22.

In the financial and insurance sector, China has 40 enterprises, while Korea has 6. Administrative services include 39 enterprises from China, 24 from Korea and 1 from

¹⁵⁵ The website of the Kazakh Invest, accessed 23 April 2020, <https://pavlodar.invest.gov.kz/ru/media-center/press-releases/obem-valovogo-pritoka-inostrannykh-investitsiy-v-kazakhstan-prevysil-350-mlrd/>.

Japan. At the same time, in the field of public administration, defence and social security, there is not a single enterprise with the participation of foreign capital, which indicates the importance of these areas for the national security of Kazakhstan.

Professional, scientific and technical activities include 101 enterprises from China, 65 from Korea, and 3 from Japan. In education, China has 9 enterprises, Korea--7, and Japan--0. In health and social services, China has 21 enterprises and Korea has 11 enterprises. Other services include 24 facilities from Japan, 128 from Korea and 251 from China. In this case, the geographic location is as follows:

1. North Kazakhstan (close to Russia)

In **Kostanay region**, out of 973 enterprises, China is represented in such spheres as trade (4), agriculture (1) and manufacturing (1).

The Chinese ‘GenerTech’ is participating in the construction of an automated plant for the production of vehicles (buses, trucks and cars, etc.) worth USD 1.1 billion. Another Chinese company, ‘YTO,’ is exploring the possibility of organizing an assembly plant for tractors.

In **Pavlodr region**, out of 750 joint ventures, China and Korea each have 11 and 3 institutions respectively. China is represented in such areas as scientific and technical detailing (4), trade (3), construction (2), manufacturing (1) and services (1). Korea is represented in areas such as construction (1), leisure (1) and services (1).

According to the Foreign Ministry, the Chinese *Shandong Wangye Project Management* is participating in the organization of the assembly production of tractors worth USD 27 million. At the same time, Chinese companies are interested in participating in 4 projects, including coal processing (*CITIC Construction*); establishment of a USD 18 million sprinkler machine manufacturing facility (*Dalian Zhonghui Irrigation*); construction of a USD 100 million sugar plant (Beijing NAALE Industry Group); production of tires for USD 308 million (Group of companies *Allur*).

Korea’s *Mineral Product LLP (POSCO)* is exploring the possibility of producing ferrosilicon for USD 263 million.

In **North Kazakhstan region**, out of 679 joint ventures, China (10) has presence in trade (3), construction (2), transport and logistics (2), manufacturing (1), finance (1), scientific and technical activity (1).

China's *Xi'an AiJu Cereals & Oil Industry Group* is participating in the expansion of a USD 5.5 million oilseed processing plant. In 2016, in Xi'an, the leadership of the Kazakhstani region signed a memorandum of cooperation with the Shaanxi province on economic cooperation, which is extremely rare for Kazakhstani regions.

In **Akmola region**, out of 497 joint ventures, only China is represented. 4 enterprises work in the construction, trade, transport and logistics sectors. According to the Foreign Ministry, Asian investors have implemented the following projects in the region:

Implemented: The Japanese company *Mareven Food Central* has launched the production of prepared food and convenience foods for USD 50 million.

Ongoing: China's *Gansu Tianyuan Yangguang Agricultural Development* is participating in the construction of an oil extraction plant for USD 70 million. The *Korean HighVill Kurylys* is building the *Nazarbayev University's* scientific and health complex worth USD 34.5 million.

2. Eastern Kazakhstan (close to China)

In **East Kazakhstan region**, out of 864 joint ventures, Chinese present in such areas as trade (14), construction (10), processing (5), agriculture (4), mining (4), scientific and technical detail (1), healthcare (1), and administrative services (1). Koreans work in manufacturing (1), trade (1), and healthcare (1). Japanese are represented only in trade. According to the Foreign Ministry, Asian investors have implemented the following projects in the region:

Implemented: China's *Universal Energy* has completed the construction of a 30 MW solar power plant worth USD 27 million. Korea's *POSCO* has set up production of USD 70 million in titanium ingots in the region.

Perspective: Chinese companies are showing interest in 2 projects, including the construction and operation of a USD 670 million refined terephthalic acid and

polyethylene terephthalate plant (*Huaye Development PTE*) and a USD 10 million tailings treatment plant (*Yingkou Jianglin Mineral Products*). The Japanese company *Chioda Technol Corporation* is exploring the possibility of producing and exporting radioisotopes to Japan. The project is estimated at USD 10 million. Korea's *VOGO Group* is exploring USD 81 million worth of nickel mining and processing.

In **Almaty region**, out of 674 joint ventures, only China (80) and Korea (28) are represented. The Chinese companies work in such areas as trade (29), processing industry (16), construction (13), agriculture (6), mining (3), scientific and technical detailing (3), real estate (1), transport and logistics (1), electricity (1), administrative services (1), other services (6). Koreans are represented in trade (6), construction (6), processing industry (4), scientific and technical detailing (3), real estate (2), agriculture (2), communications (1), power supply (1), administrative services (1), and other services (2). According to the Foreign Ministry, Asian investors have implemented the following projects in the region:

Implemented: China's *Universal Energy* has built a 100 MW solar power plant worth USD 107 million. Korean companies have completed 5 projects in the region, including the production of USD 10 million fiber optic products (*Alpha Group*); production of ready-mixed concrete for USD 7 million (*Alpha Group*); construction and management of a multidisciplinary logistics complex for USD 26.6 million (*USKO International*); production of elevators and their modernization for USD 2 million (*LGS Elevator Korea*), as well as assembly of trucks and small buses for USD 22 million (*LLP KMK Astana Motors* and *Hyundai Motor Company*).

Ongoing: Chinese companies are involved in 4 projects, including the establishment of a USD 3 million electricity meter production facility (*Beijing BANNER Electrical Machinery*); construction of the *Shanyraskaya HPP* on the Koxu River for USD 4 million (*Koxu Kuat LLP*); construction of a plant for processing oilseeds for USD 23 million (*TKMZ LLP*); construction of a plant for the production of sanitary ware and heating equipment for USD 39 million (*Green Technology Industries*).

Perspective: Chinese companies are interested in 3 projects, including a USD 1.5 billion hydroelectric power plant on the Tentek River (*CGGC International Engineering* (subsidiary of *Gezhouba Group*)); construction of aluminium can plant (*Beijing NAALE Industry Group*); a plant for the production of ceramics with a cost of USD 4.5 million (*Sharcon LLP*).

Korean companies are studying 8 projects, including: the introduction of an electronic payment system with the production of POS terminals for USD 100 million (*BC Card*); opening of a dental clinic and setting up the production of dental implants worth USD 6 million (*Megagen Implant*); production of drinks worth USD 10 million (*Lotte Chilsung Bevarage*); the construction of a 1,000-bed hospital for USD 100 million (*Hyundai Construction & Engineering*); construction of a recreation area and a hotel on the territory of the Charyn canyon for USD 25 million (*UBIX* and *K-Khan*), production of socks for USD 4 million (*Jin Tex Global*); USD 79.1 million modified starch production (*ISA Corporation*); construction of a clinic and laboratory for processing analyzes for USD 41 million (*MPK*).

3. Central Kazakhstan

In **Karaganda region**, out of 1,619 enterprises, China has 22 enterprises, while Korea and Japan each have 7 and 2 enterprises respectively. The Chinese work in such areas as construction (6), trade (6), mining (3), processing industry (2), hospitality and catering (2), administrative services (1) and other services (2). Koreans work in construction (3) trade (3), hospitality and food (1). The Japanese work in trade only (2). According to the Foreign Ministry, Asian investors have implemented the following projects in the region:

Implemented: China's 'Hebei Huatong Wires and Cables Group' completed the construction of a metal smelter (iron, copper) for USD 35.1 million. Korea's *HYUNWOO ENC* has built a USD 3.1 million plant to produce insulated pipes and products in the region.

Ongoing: Chinese companies are participating in the construction of a USD 16 million steel angle plant (*Hebei Huatong Cables*) and the construction of a solar power plant (*KPM-Delta LLP* and *RISEN Energy*) for USD 31.5 million. Japan's *Hitachi*

Construction is currently constructing a service centre for mining and road vehicles worth USD 5 million. *Korea Resources Corporation (KORES)* is conducting exploration of polymetallic ores at the Dyusembay site in the Karaganda region together with *JSC Kazgeologia* worth USD 2 million.

Perspective: China's *Xiamen Tungsten* and *China Kingho Energy Group* are showing interest in the development of the North Katpar tungsten deposit worth USD 950 million and the construction of a coal chemical complex based on *Karagandy CCI LLP* with a cost of USD 2.26 billion, respectively. Japan's *JOGMEC* is exploring the possibility of cooperation in the field of mining and metallurgy for USD 0.2 million. Korea's *Hyundai Construction & Engineering* plans to build a hospital for USD 126 million.

3. Western Kazakhstan (near the Caspian Sea)

In **Mangystau region**, out of 1,168 enterprises, China has 73 enterprises, while Korea has only one in the service sector. The Chinese work in such spheres as mining (21), trade (20), processing waste (8), services (8), construction (6), water supply (3), electricity (2), scientific and technical detailing (2), transport and logistics (1), administrative services (1) and finance (1). So, in October 2009, a joint Kazakh-Chinese enterprise for the production of bitumen, *JV CASPI BITUM LLP*, was established. The main direction of work is oil refining to obtain oxidized and modified road bitumen. Oil is supplied from the Karazhanbas field via the 220 km long pipeline system of *KazTransOil JSC*. At present, the founders of the company are *NC KazMunayGas JSC* (50 per cent) and *CITIC Kazakhstan LLP* (50 per cent).

According to the Foreign Ministry, Asian investors have implemented the following projects in the region:

Implemented: Korea's *KNOC* has started production of hydrocarbons from the Arystan and Kulzhan fields worth USD 103 and 73 million respectively.

Ongoing: Chinese companies are involved in 3 projects, including the creation of a USD 200 million supply chain base on the Caspian coast (*ACE Group*); construction of the multifunctional sea terminal *Sarzha* worth USD 400 million (*China State Construction*) and the construction and operation of a desalination a plant with a

capacity of 50,000 m³/day in the village of Kuryk worth USD 97 million (*Safbon Beltway Consortium*).

Perspective: Chinese companies *Shengxi* and *CSIC International Engineering* are interested in the construction of a plant for the harmless processing of hazardous oily waste worth USD 97 million and gas processing, respectively.

In **Atyrau region**, out of 1,154 enterprises, China has 34 enterprises, while Korea and Japan have 3. The Japanese are represented only in trade. The Chinese work in such areas as construction (15), mining (6), trade (5), processing industry (2), water supply (1), finance (1), real estate (1), scientific and technical detailing (1) and other services (2). Koreans are represented in construction (2) and real estate (1). According to the Foreign Ministry, Asian investors have implemented the following projects in the region:

Implemented: Japanese company *Hitachi Construction* has acquired a stake in *Eurasian Machinery* for US USD 45 million. Korea's *KNOC* has started the production of hydrocarbons at the Besbolek and Alimbay fields worth USD 13 and 47 million respectively.

Perspective: The Japanese company *Tokyo Rope MFG* is exploring the possibility of constructing bank protection structures on the Ural River. The project is estimated at USD 58 million level.

In **Aktobe region**, out of 1,032 enterprises, China has 103 and Korea 2 enterprises respectively. The Chinese have 34 joint ventures in trade, 21 in the mining industry, 15 scientific and technical activities, 13 in construction, 10 in the manufacturing industry, 3 in the administrative services, and 2 in the hospitality and catering, one in the information, real estate, health care, finance and other services. The Koreans have one joint venture in the mining and in services sectors.

In Aktobe, there are *CNPC-Aktobemunaigas JSC*, *Kazakhoil Aktobe LLP* (the national company *KazMunayGas* and *Caspian Investments Resources Ltd*), *Sinopec* and *Korea National Oil Corporation*. According to the Foreign Ministry, Asian investors have implemented the following projects in the region:

Implemented: Chinese companies have implemented 11 projects, including: construction of the second stage of the *Zhanazhol GTPP* for USD 10 million (*Aktobemunai Finance*); modernization of a complex of oil products for USD 4 million (*LLP Sinooil*); oil treatment plant No. 4 for USD 43 million (*CNPC-Aktobemunaigas JSC*); construction of an integrated booster pumping station at the Severnaya Truva field for USD 51 million (*CNPC-Aktobemunaigas JSC*); a compressor station for injecting raw gas into the reservoir at the Zhanazhol field for USD 39 million (*CNPC-Aktobemunaigas JSC*); treatment and injection of wastewater into the reservoir at the Kenkiyak post-salt field for USD 4 million (*CNPC-Aktobemunaigas JSC*); the third Zhanazhol gas processing plant for USD 368 million (*CNPC-Aktobemunaigas JSC*); a gas-lift compressor station at the Kenkiyak Podsolovoye field for USD 9 million (*CNPC-Aktobemunaigas JSC*); construction of a plant for the production of oil and gas equipment and pipes for USD 13 million (*Kazakhstan Oil Equipment Plant LLP*); a gas utilization complex for USD 120 million (*KazakhOil Aktobe LLP*); construction of a plant for the production of block-complete equipment for USD 5 million (*Kazakhstan Oil Equipment Plant LLP (Shengyuan Tehnology Co JSC)*).

Korea National Oil Corporation launched the production of hydrocarbons at the Bashenkol and Akzhar fields in the amount of USD 44 and USD 163 million.

Ongoing: Chinese companies are involved in the production and assembly of valves (reinvest) for USD 1 million (*Kazakhstan Oil Equipment Plant LLP*).

In **West Kazakhstan region**, out of 678 joint ventures, China and Korea have one institution each. Koreans are engaged in agriculture and China in trade. According to the Foreign Ministry, the Chinese *CITIC* is exploring the possibility of producing synthetic paraffin with a cost of USD 880 million.

5. Southern Kazakhstan (close to Uzbekistan and Kyrgyzstan)

In **Zhambyl region**, out of 798 enterprises, China and Korea have 11 and 3 institutions each respectively. The Chinese work in such areas as construction (6), trade (2), mining (1), processing industry (1) and education (1). Koreans are represented in construction (1), trade (1), and communications (1). According to the Foreign Ministry, Asian investors have implemented the following projects in the region:

Implemented: In 2016, a plant for the processing of medicinal liquorice was opened in the Shusky district of the Zhambyl region, together with JV *KazMiya LLP* (Japanese *Cokey Systems Co. Ltd*) worth USD 2.4 million. In addition, the enterprise will produce 25 tons of glycyrrhizin acid as a raw material for the production of medicines. However, it is not indicated in the statistics. The Korean company *Manna* has built an aquaponic farm for USD 2.5 million.

Ongoing: Chinese companies are implementing 2 projects, including the creation of a complex for the extraction and processing of stone for USD 40 million (*Zhejiang Liyang Building Materials*) and the construction of a plant for processing waste lead and zinc slag with a capacity of 300,000 tons per year for USD 4 million (*Shanghai Zhongha Metallic Materials*).

Perspective: Chinese companies are interested in 2 projects, including a USD 600 million gas chemical complex to process natural gas (*Norinco International (Huajin Group)*) and a USD 50 million car and truck tire plant (*China Chemical Guilin Engineering*). The Japanese company *Nikke Group* is exploring the possibility of organizing the processing of wool and the production of textile products.

In **Kyzylorda region**, out of 193 enterprises, China and Korea have 48 and 2 institutions respectively. The Chinese work in such areas as mining (15), trade (13), scientific and technical activities (6), construction (5), manufacturing (3), transport and logistics (2), hospitality and food (2), electricity supply (1), administrative services (1). Koreans work in such areas as trade (1) and scientific activities (1). One of the major projects is *Gezhouba Shieli Cement Company LLP*, established with the participation of the Chinese *Gezhouba Group Cement Co., Ltd.*, for the production and supply of cement for the domestic needs of the country and neighbouring Uzbekistan.

According to the Foreign Ministry, Asian investors have implemented the following projects in the region:

Implemented: The Japanese company *Marubeni Corporation* has invested USD 216 million in sulphuric acid production (jointly with *SAP-Japan Corporation*) and USD 432 million in natural uranium mining.

Ongoing: China's *Ken Tech-Service* is involved in USD 9 million in fibreglass production.

Perspective: Chinese companies are interested in 2 projects, including the commercial development of the Shalkiya polymetallic ore deposit with the construction of a USD 618 million enrichment plant (*San Bao*) and the construction of a USD 360 million polymetallic ore mining and processing plant at the 'Talap' deposit. (LLP *Mining Consulting*). The Korean company *K2AT* is exploring the possibility of opening recreation and entertainment facilities (theme parks, a hotel and a water park) in Baikonur in the amount of USD 84 million and the creation of production facilities for the cultivation of anticancer tomatoes worth USD 99 million.

In **Turkestan region**, out of 185 joint ventures, only China is represented (3), i.e. in such spheres as mining (1), manufacturing (1), and trade (1). A plant for processing polyethylene terephthalate (PET bottles) and the production of staple fiber operates in the Ordabasy district of the Turkestan region. The Kazakh company 'Green Technology Industries' together with a foreign partner--*Hong Kong General Industry And Commerce Co Ltd* (PRC) acted as investors in the project.

According to the Foreign Ministry, Asian investors have implemented the following projects in the region:

Implemented: Chinese companies have completed 2 projects, including the construction of a USD 22 million camel and mare milk powder processing plant (*Daqing Golden Land of Water-Saving Engineering Equipment*) and a USD 15 million cotton processing plant (*Alashankou Trade*).

Ongoing: Chinese companies are implementing 2 projects, including the construction of the *Sastobe chemical complex* (caustic soda, calcium carbide, soda ash) at a cost of USD 315 million (*Tianjin Cement Industry*) and the construction of a 50 MW solar power plant at a cost of USD 50 million (*Risen Energy*).

Perspective: China's *CNBM General* is exploring the possibility of establishing USD 102 million worth of bio ethanol production in the region.

6. Megacities

In **Almaty**, out of 15,143 institutions, China accounts for 1,773 enterprises, Korea--656, and Japan--42.

The Chinese work in such areas as trade (1,238), services (186), construction (64), manufacturing (55), scientific and technical activities (47), mining (34), hospitality and food (26), administrative services (26), finance (19), agriculture (14), transport and logistics (14), real estate (13), healthcare (10), communications (8), education (7), power supply (5), supply and disposal of waste (5), leisure (1).

Koreans work in such areas as trade (212), services (119), construction (108), scientific and technical activities (57), hospitality and food (26), administrative services (22), manufacturing (20), transport and logistics (20), real estate (19), agriculture (15), communications (12), healthcare (7), finance (6), leisure (6), education (4), mining (3), electricity (1), administrative services (1).

The Japanese work in such areas as services (21), trade (13), construction (2), manufacturing (1), transport and logistics (1), communications (1), real estate (1), scientific and technical activities (1).

According to the Foreign Ministry, Asian investors have implemented the following projects in the region:

Implemented: Japanese companies have completed 4 projects in the region, including a USD 50 million production of prepared foods and convenience foods (*Mareven Food Central*); the construction of a USD 10 million logic terminal (*NYK Group*); construction of a service and assembly centre for USD 3.5 million (*Toyota Tsusho Hino Motors*) and construction of a service and assembly centre for 3.5 million (*Toyota Tsusho Hino Motors*) and construction of a plant for the production of engineering protection systems at USD 10 million (*Tokyo Rope MFG*).

Korean companies have implemented 4 projects in the region, including the production of confectionery products through the acquisition by *LOTTE Confectionery* of the *Rakhat JSC* factory for USD 123.9 million; construction and operation of automobile gas filling compressor stations for USD 16 million (*Kolon Group*); the production of television sets for USD 100 million (*LG Electronics*); and the creation of

an outpatient clinic and a molecular laboratory for USD 10 million (*Medical Partners Korea*).

Ongoing: Korean companies are implementing 3 projects in the region, including a USD 60 million passenger car assembly (*Hyundai Motor*); construction and operation of the large Almaty ring road for USD 737 million (Korean *SK E&C* and Turkish *Alarko Holding* and *Makyol*); construction of a plant for the production of water heaters and industrial equipment for USD 20 million (*Star Boiler*).

Perspective: Japanese companies ‘Marubeni’ and ‘Itochu’ are studying the possibility of constructing a LRT under the PPP scheme. The project is estimated at USD 100-250 million.

In **Nur-Sultan**, out of 5,725 enterprises, China accounts for 363 enterprises, Korea--82, and Japan--7.

The Chinese work in such areas as trade (115), construction (98), services (44), scientific and technical activities (21), finance (16), manufacturing (12), mining (11), healthcare (7), agriculture (6), communications (6), hospitality and food (5), leisure (5), administrative services (5), real estate (5), transport and logistics (4), electricity (1), water supply (1), education (1). Koreans work in such areas as construction (48), trade (7), manufacturing (4), hospitality and food (4), scientific and technical activities (4), real estate (3), healthcare (3), services (3), transport and logistics (2), education (2), mining (1), administrative services (1). The Japanese work in such areas as services (3), trade (2) and scientific and technical activities (2).

According to the Foreign Ministry, Asian investors have implemented the following projects in the region:

Implemented: ‘China Construction Bank’ opened its branch in the city based on the AIFC, valued at USD 60 million. Korea’s ‘HighVill Astana’ is engaged in the construction of residential buildings in the city of Nur-Sultan for USD 1.61 billion.

Ongoing: Currently, Japan’s ‘NYK Line’ is building a USD 4 million logistics centre.

Perspective: The Chinese companies ‘China Huaneng Group’ and ‘Nuctech’ are showing interest in projects in the field of electricity and security technology. Korean

companies are studying 5 projects, including the production of USD 10 million elevators ('Ofe Group'); the production of high voltage switches and disconnectors for USD 10 million ('Hyosung Corp. '); opening a laboratory for financial and insurance instruments in the AIFC for USD 1 million ('Samsung Life' and AIFC); a USD 20 million sewage treatment plant ('LG-Hitachi'); production of sensors for livestock production for USD 1 million ('Lives' Talk').

In **Shymkent**, out of 1,059 enterprises, China has 77 enterprises, Korea--10, and Japan--1.

The Chinese work in such areas as trade (45), construction (17), manufacturing (7), healthcare (2), agriculture (1), water supply (1), hospitality and food (1), communications (1), finance (1) and services (1). Koreans work in such areas as construction (5), trade (3), education (1) and services (1). The Japanese are represented only in trade. According to the Foreign Ministry, Asian investors have implemented the following projects in the region:

Implemented: China's 'CNPC' has implemented projects for the modernization and reconstruction of an oil refinery (refinery) for USD 323.5 million. The Japanese company 'NYK Line' has implemented a project for the construction of a logistics centre for the needs of the city and the Turkestan region. The launch of the production of one marmalade at the 'LOTTE Confectionery' plant amounted to USD 32.7 million.

Ongoing: China's 'Shanghai Construction' is participating in the construction of a USD 189 million city hospital complex. Currently, the Korean 'Dongil Construction' ('HighVill Kazakhstan') is building the 'Shymkent City HighVill' for USD 857 million.

Perspective: The Chinese 'LIANFU GROUP' is studying the feasibility of participating in the construction of a plant for the production of energy-saving buses worth USD 349 million. At the same time, 'Alacem' is considering the possibility of an interregional project - the construction of a cement plant using a dry method of production based on LLP 'Korkem' worth USD 129.8 million.

Korea's 'KK-Kiunsen' and 'Hi-Energy' are exploring a USD 25 million small vertical axis wind turbine and solar power plant. Japanese companies 'Sojits

Corporation' and 'Mitsui' are studying the possibility of locating in Kazakhstan the production of railcars for the CIS market and nickel mining, respectively.

At the same time, as of March 2020¹⁵⁶, 46.4 per cent of registered institutions from China (1,234), 56.6 per cent from Korea (454) and 76.8 per cent from Japan (43) are valid¹⁵⁷. These figures do not affect the situation with large and medium-sized businesses. However, if we talk about small businesses, the ratio is as follows--45.5 per cent for China, 56.58 per cent for Korea, and 76.3 per cent for Japan. This testifies to the responsibility of Japanese business in comparison with Chinese and Korean companies, and means that Kazakhstan's approaches should be significantly different.

However, as of February 2020, **Japanese companies** have implemented 8 investment projects in Kazakhstan for USD 818.9 million; implement 2 projects for USD 9 million and participates in the development of 9 new projects for USD 507.2 million.

The **Korean partners** have implemented 20 projects worth USD 2.5 billion; implement 6 projects worth USD 1.7 billion and participating in the development of 18 new projects worth USD 1.1 billion. They actively cooperate with companies from third countries, which cannot be said about Japanese or Chinese companies.

Chinese investors completed 19 projects worth USD 1.25 billion; implement 20 projects worth USD 2.6 billion and participating in the development of 24 promising projects worth USD 9 billion, not counting 55 new projects, which was described above. Of 55 projects, 14 projects worth USD 3.9 billion have already been implemented; 16 projects worth USD 5.2 billion are underway and another 22 projects worth USD 14.5 billion are under development.

¹⁵⁶ The total number of legal entities - organizations that have passed registration with the justice authorities, each of which has on the right of ownership, economic management or operational management of separate property and is responsible for this property for its obligations, can, on its own behalf, acquire and exercise property and personal non-property rights and obligations, be a plaintiff and a defendant in court. A legal entity must have an independent balance sheet or estimate (Dictionary of Statistical Terms and Word Combinations, 2010:57).

¹⁵⁷ Existing legal entities include legal entities currently engaged in economic activity, i.e. active; new legal entities or recently registered and not yet engaged in economic activity; legal entities temporarily not carrying out economic activities estimate (Dictionary of Statistical Terms and Word Combinations, 2010:57).

A deeper analysis of these projects shows that often the activity of investors is temporary and does not guarantee their permanent physical presence. Accordingly, the beginnings of Kazakhstan's investment policy are in places temporary and do not always allow attracting the so-called 'anchor investors.'

Despite the needs of a particular region and sector, it should be remembered that most of the problems could not be solved locally, since they fall under state policy and, therefore, most of the restrictions that the business sector and investors face today are solved exclusively at the state level (Reformatsics, 2018:38).

CHAPTER 8. CONCLUSION

Due to the COVID-19 pandemic, a significant slowdown in economic growth and a decline in foreign investment flows was recorded in 2020. This was especially noticeable as the overall investment flow to Kazakhstan continues to decline (Figure 8.1). The ADB predicts that Kazakhstan's gross domestic product growth will decline to 1.8 per cent in 2020 due to the economic impact of COVID-19.

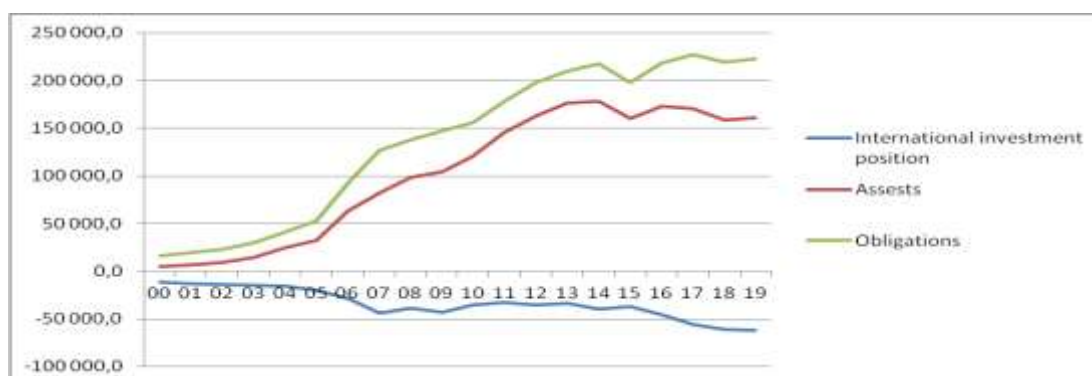


Figure 8.1. International investment position of Kazakhstan, USD millions (National Bank of Kazakhstan, 2020).

At the same time, the forecast of economic growth in Kazakhstan for 2021 remains positive due to significant measures of state support. The economy is also expected to show further growth, reflecting higher oil revenues and fiscal policies aimed at stimulating growth. Obviously, in the post-crisis period, Kazakhstan will rely on the existing mechanisms of state stimulation of foreign investments. Accordingly, foreign partners of Kazakhstan should not expect a radical change in the investment policy of Kazakhstan in the post-crisis period.

At the end of 2020, the *Kazakh Invest* monitoring system had 172 investment projects with a high degree of development for a total of USD 46.5 billion with the creation of about 58,000 new jobs. In general, these projects cover such priority sectors of the country's economy as the agro-industrial complex, light industry, mechanical engineering, petroleum chemistry, renewable energy, logistics, and others.

At the same time, in the post-COVID environment, as local experts note, Kazakhstan will face even greater competition for foreign resources, which should push Tokayev's administration to revise the existing mechanisms for attracting foreign

investors and supporting foreign investment in Kazakhstan. An important condition for the fulfilment of this task will be the level of recovery of foreign economies, a change in the structure of foreign demand and Kazakh offers, as well as guarantees that countries will be able to adequately respond to new challenges.

The analysis carried out in this PhD dissertation suggests that China would remain a place of key partner, which is ready to offer Kazakhstan the necessary finance and technologies. Thanks to this, China is represented in almost all regions of Kazakhstan and in many areas of the economy of Kazakhstan. China is currently in a better position than Japan or Korea. At the same time, despite existing challenges at local level, Kazakhstan's official discourse try to convince local communities that investment cooperation is inevitable and the population needs to accept this fact.

The absence of another reliable alternative is pushing Kazakhstan to intensify economic ties with China, despite the continuing political risks inside the country. Same time, Korea and Japan still view Kazakhstan as a sales market for their products and a source of raw materials. Based on the arguments of the Chinese expert Lin Minwang from the Institute of International Relations of China Foreign Affairs University, the inevitable isolation of Japan would allow China to strengthen its presence in the region and, accordingly, limit the niches possible for Korea and Japan (KazISS, 2016:52).

Participation in large-scale projects and further penetration of Japanese and Korean investments in Kazakhstan is based on availability of solid government guarantees and co-financing instruments. Interaction in other areas is limited, which is to a certain extent related to negative lessons of previous investment partnerships between Kazakhstan, Japan and Korea.

The analysis also showed that Kazakhstan does not have political, financial and other mechanisms to support and keep large investors, who were forced to suspend their production in Kazakhstan or leave the Kazakhstani market. Most often, problems arising in Kazakhstan for foreign investors become problems of exclusively foreign investors. This suggests that there is no individual approach in Kazakhstan in relation to

supporting foreign investors, which would include previous experience of cooperation, as well as the interests of foreign companies in neighbouring countries and regions.

Another important factor that will have a strong influence on the development of investment policy is public opinion, which has largely strengthened in Kazakhstan in 2010-2019. However, it is often forgotten in Kazakhstan that China today is following the economic models of Japan and Korea, which were used by Tokyo and Seoul before, when they started to actively invest abroad after achieving significant economic growth (Romei, 2013). Moreover, it was the proximity of Kazakhstan with Russia and China that determined the choice of Kazakhstan in favour of a multi-vector policy (Zenkovich, 2017:445).

The rise of China has also changed the balance of power in Northeast Asia and affected the economic relations among the EAS themselves (Obashi and Kimura, 2016:1). Experts predict that China will continue to develop further, which will only increase the demand for new qualitative research (Kleimann et al., 2020:28).

In general, the study was able to fully expand the main peculiarities of the 2010-2019 timeframe, as the final stage in the formation of current investment policy of Kazakhstan, and develop academic instruments for its in-depth evaluation.

In fact, this period showed that the only powerful tool for attracting foreign investment is the extractive sector. Throughout this time, the investment model of Kazakhstan has been built on the *resources in exchange for technology* formula. Thanks to the BRI, Kazakhstan was able to expand its transit potential, turning it into a key player in intercontinental communications. However, Kazakhstan cannot yet boast of achieving another important goal--to become a production site in Central Asia and the EAEU. Accordingly, regions with the relevant mining and production sites, as well as large cities with high purchasing power demonstrated the highest interest for the EAS companies.

As was declared by the GOK in 2021, Kazakhstan intends to start publishing National investment reports, which will allow scholars to conduct an objective assessment of the current state of affairs and existing problems in the investment policy of Kazakhstan and its relations with the EAS.

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Appendix A: INFORMED CONSENT FORM



INFORMED CONSENT FORM

*Kazakhstan's Investment Cooperation Towards China, Korea, and Japan:
Place and Role of Foreign Investments (2010-2019)*

Almas DISSYUKOV, PhD Candidate

This form is for you to state whether you agree to take part in the study. Please read and answer every question. If there is anything you do not understand, or if you want more information, please ask the researcher.

Please tick box

Have you read and understood the information note about the study? Yes No

Have you had an opportunity to ask questions about the study? Yes No

Have you had your questions answered satisfactorily? Yes No

Do you understand that the information you provide will be held in confidence by the researcher? Yes No

Do you understand that your participation is voluntary and that you are free to withdraw at any time, without giving reasons; and should you withdraw your participation none of the information provided will be used and no record of your participation kept? Yes No

Do you understand that the information you provide may be used in future research? Yes No

Do you agree to take part in the study? Yes No

If yes, do you agree to your interview being recorded?
(*You may take part in the study without agreeing to this*). Yes No

This research will guarantee anonymity wherever possible. At no point will your name, position or any other personal details appear in the research outputs. However, this research may require mention of your institution or body. Given this information, do you consent to proceed? Yes No

Name: _____

Signature: _____

Interviewer's name: Almas DISSYUKOV _____

Date: _____

Appendix B: DATA ON INTERVIEWS (OFFLINE)

Name	Affiliation	Date	Format
Anonymous	Japanese firm in Kazakhstan	August 9, 2020	Offline
Anonymous	Korean firm in Kazakhstan	November 28, 2020	Offline
K. Kapparov	Economist	February 14, 2021	Offline
Anonymous	Foreign Ministry of Kazakhstan	September 2, 2019	Offline
Anonymous	Foreign Ministry of Kazakhstan	November 27, 2020	Offline
Anonymous	Key government agency in Kazakhstan	May 16, 2020	Offline
Anonymous	Presidential Administration of Kazakhstan	July 27, 2020	Offline
Anonymous	Embassy of Kazakhstan in Japan	August 9, 2020	Online