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China role and interest in Kazakhstan

Name: Sahibzada Muhammad Usman
Ph.D. in Pisa University (Italy)

Abstract:
The paper examines the connection between political power and economic impact in China's foreign strategy towards Kazakhstan. In most recent decades, China created considerable relative monetary abilities that it progressively extends externally. A detailed look at Chinese investment, finance, and trade explains the drivers of China's monetary impact in Kazakhstan. The investigation demonstrates that Beijing made solid financial dependencies, which like this presented a precarious progressive system in the reciprocal relationship that leaves Astana in an outranked and Beijing in a predominant position. From one viewpoint, this reliance drove by the revenue and legitimacy of the Kazakhstani elite, and other views that China's relative financial abilities, directed by Beijing's "Go Global" initiative. The paper discusses the perplexing cluster of monetary establishments that project Chinese economic power into Kazakhstan and their association with Beijing to decide if Kazakhstan's monetary reliance is the result of a thoughtful approach coordinated by Beijing. After setting up the extent of the dependency and hierarchy of the relationship, the paper discourses China's capacity to interpret the reliance into meeting its foreign strategic interests. Beijing effectively uses this reliance to achieve its political goals, most prominently in accessing Kazakhstani assets.
Keywords: China, Kazakhstan, Foreign Policy, Economic, and Political.

Introduction:

Universal relations perceive that a state's capacity, as revealed in its corresponding position in the global framework, can be divided into various abilities, including financial, political, and military. China's re-established rise in the advanced worldwide structure happened on the back of its exciting monetary development, started by Deng Xiaoping's open entryway strategy during the 1970s. However, China's outside utilization of its financial capacities to encourage its foreign strategy targets as yet an understudied field, especially in Central Asia (Kazakhstan), where it has used critical monetary impact in a recent decade[1]. Kazakhstan has an equivalently very much developed economy and given its great wariness of China, which should build the edge for Beijing to interpret its monetary impact into political power. Because of running a consistently high trade excess, China has collected the world's most significant foreign currency assets adding up to US$3.3 trillion, a reality that Chinese representatives now additionally endeavor to use as an influence for political closures. Chinese authorities underscore China's monetary abilities and impact to hinder any activities that may meddle with its territorial claims or local affairs, particularly the evidence of its human rights. For instance, Beijing lobbies a few individuals from the United Nations Human Rights Council effectively and undermines them with crumbling trade relations to keep the tabling of primary goals. A western diplomat stated that China sought after a direct policy of punishments and rewards[2]. This methodology seems to have been successful with France and Germany, as they never again table goals, on edge to keep up the entrance to China's market for their exports[3].

[1] Fairbank, J. K., & Goldman, M. (2006). China: a new history. Cambridge, Mass: Belknap Press of Harvard University Press.
[2] Sceats, S., & Breslin, S. (2012). China and the International Human Rights System (pp. 89). London: Chatham House.
[3] Geinitz von, C. (2012). Was, wenn Chinas Zorn auch mal die Deutschen trifft? Frankfurter Allgemeine Zeitung (FAZ)-Blog. http://faz-community.faz.net/blogs/asien/archive/2012/09/18/was-wenn-chinas-zorn- auch-mal-die-deutschen-trifft.aspx

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Dangers from China commonly pursued by diplomatic approvals, including suspended mutual gatherings and trade sanctions. Liu Xia's remark above briefly outlines this point: Beijing has the financial abilities important to compel foreign strategy results in its support increasingly. In any case, Beijing does not generally succeed. In opposition to Liu's expectation, Beijing couldn't deflect the Nobel Committee from granting the Nobel Peace Prize to her husband, in all likelihood on account of Norway's stable economy and relative financial freedom from China. Following the reward of the Noble Peace Prize, in any case, China declined to issue a visa to the previous Norwegian Prime Minister and Norwegian salmon exports decrease considerably given stricter investigations by Chinese customs authorities[4]. Likewise, the Dalai Lama shows another recognizable purpose of dispute, and commitment with the Dalai Lama has evoked Chinese sanctions before. In a model, Beijing shut the Chinese workplaces of the Friedrich Naumann Stiftung (FNS), a German establishment, after it co-supported a meeting for the Dalai Lama.

The Influence of Chinese Credits:

China has increasingly large loans to Kazakhstani banks in 2006 when Kazyna Sustainable Development Fund and the CDB (China Development Bank) made a joint reserve of US$5bn to back framework projects[5]. During the following money related emergencies, China was the leading nation to continually increase its loan capacity while other universal investors pulled back credit. Specifically, China's significance developed when four Kazakhstani banks (Alliance Bank, BTA Bank, Astana Finance, and Temirbank) defaulted on their universal debt. The ensuing rebuilding mainly influenced particular Dutch substances, which had stretched out extensive credit lines to Kazakhstani banks. Therefore, advances gave by Dutch financial specialists, for example, ING and ABN Amro were cleaned out, and the Netherlands declined in the rundown of best foreign bank advance suppliers. In any case, while the Netherlands and different investors escaped, China gave a moment lifesaver to Kazakhstan through loan promises. For instance, in April 2009 China stretched out a US$10bn loan bundle to support the nation to deal with the effect of the money related emergency. In September 2009, China Exim Bank stretched out a US$1.5bn advance to the KDB (Kazakhstani Development Bank) as a significant aspect of an individual credit understanding. The NBK stated in its 2009 yearly report that because of enhanced respective relations among Kazakhstan and China, the National Wealth Fund (NWF) and the KDB could increase about US$4.2bn from CDB and China's Exim[6]. This money reserved for investment schemes in different businesses and framework improvement as a component of the counter emergency program. A considerable portion of this credit was either straightforwardly or in a roundabout way utilized as working capital with desperate Kazakhstani banks, accordingly supporting them through the emergency.

Inquisitively, this is like the raids of China's energy organizations in Kazakhstan, who made a first introductory investment, trailed by expanded investment. Maybe this is characteristic of a technique of trying things out with an initial credit-line or investment that is then immediately pursued. Then again, this could imply that China has found its financing or asset interests in Kazakhstan, on which it caught up with more significant movement. All the more essentially, China is the primary lender to keep on loaning high volumes to banking division.

[4] Amland, B. H., & Ritter, K. (2011). Norway Feels Sting of China's Anger After Liu Xiaobo Nobel Prize Win. http://www.huffingtonpost.com/2011/05/06/norway-china-liu-xiaobo-peace-prize_n_858506.html

[5] Trend.Kz. (2006). Kazakhstan, China create joint fund to finance projects. Trend.Kz. http://en.trend.az/regions/casia/kazakhstan/869418.html

[6] National Bank of Kazakhstan (NBK). (2010a). Balance of Payments and External Debt of Kazakhstan 2009 (Platezhnyj balans i vneshnij dolg Respubliki Kazahstan za 2009 god) Annual Report of the NBK (30 June ed., Vol., pp. 130). Almaty: National Bank of Kazakhstan.

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Before the finish of 2011, China had lent more than US$2.5bn straightforwardly to Kazakhstani banks, contrasted with US$149m by the US and US$51m by the UK. The Netherlands quit loaning to Kazakhstani banks[7]. Kazakhstan's only option in contrast to Chinese credit lines at that point is to give subsidizing to its banks through local sources. China's quick rise as key loan boss reflected in the yearly reports of the NBK, which just referenced Chinese credit periodically before 2009. In 2009, the Netherlands represented 50.3% of remarkable outside bank credits, trailed by the UK (11.6%), and Germany (4.7%). Part of the way through 2012, China was at that point the second biggest loan creditor to Kazakhstani banks. The dramatic move in Kazakhstan's external debt structure demonstrates that western loan bosses have surrendered the Kazakhstani banking framework. These extraordinary changes are, to a great extent, an impression of the rebuilding endeavors of Kazakhstani banks with their outside moneylenders, which added up to over US$15bn in 2011[8].

Economic Significance:

The entrance to external financing from China was essential to ease inflationary weight and keep up foundational dependability. At the point when the financial emergency started to influence the Kazakhstani economy, Astana at first endeavored to keep a deflation of the Tenge. In 2009, nonetheless, the pressure to downgrade had taken its financial toll. After significant endeavors that had exhausted Kazakhstan's foreign currency assets by US$3.5bn (16%), the NBK chose to give the Tenge a chance to deteriorate against the US Dollar. The currency worsened by 18% in one day. It was a troublesome choice given the administration's investment in balancing the money. Essentially a lower Tenge exchange scale made it increasingly disturbing for Kazakhstani banks to deal with their external debts held in foreign currencies. The failure to handle external debt was a primary driver to Kazakhstan's money-related issues. Kazakhstan's moderately high inflation rate, which varied between 18.7% in 2007, and 6% in 2009 added to these fundamental pressures and transformed outside financing into the best arrangement. Raising outer credit enabled Astana to lighten inflationary pressures while accessing the important finances that would allow it to safeguard banks and balanced out the fund portion. Astana required significant extra assets to preserve BTA. In 2009, SK purchased 78% of BTA's stocks for Tenge 251bn, which it later expanded to 100%. Looking for outer subsidizing, Arman Dunayev (an executive at BTA) anticipated that the government would swing to Russia for access to funding since Kazakhstan doesn't have any additional cash to contribute[9]. As the previous Finance Minister and former deputy head of SK, Dunayev should be very much set to know Kazakhstan's generally money related position. In reality, Kazakhstan swung to Russia in the expectations that Moscow would give direct support or that Sberbank would purchase BTA. Even though Sberbank demonstrated early interest, it has since dropped.

The option in contrast to outer subsidizing would have inner incentive bundle through money related facilitating (for example printing of cash) which the legislature delivered at last, however, which was smaller due to Astana's entrance to Chinese credit. Quantitative promoting then again conveyed the dangers of fundamentally expanding Kazakhstan's central inflation pressures and therefore block Kazakhstan's bounce back from the emergency. Having neglected to secure budgetary assistance from Russia, Nazarbayev swung to China. After his visit, Beijing broadened a prompt credit bundle of US$10bn to Kazakhstan, the

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[8] World Bank. (2012c). World Bank- Kazakhstan Partnership Program Snapshot (October ed., pp. 27). Astana: World Bank.
[9] Gizitdinov, N. (2009). Kazakhstan Devalues Tenge 18%, Turns to Russia for Bank Rescue. http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aV_w8C4_g Fps

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timing and size of which was vital to assist Astana with mitigating the effect of the budgetary emergency. Further examination of the impact of China's advance on the Kazakhstani economy bolsters this view. The seriousness of the circumstance was featured by Astana's choice to fill a US10bn boost bundle into the economy and to back this bundle by the illustration on its National Savings Fund (NF). Strikingly, the estimation of this bundle coordinates the size of China's 2009 credit line, which offers some fascinating questions. Examinees in Kazakhstan were surprised by Astana's choice to take funding from China because the NF's combined investment funds, together with Kazakhstan's national resources, place Kazakhstan into a sufficient position to adequately cover such entireties without anyone else's input.

China's credit line and the boost bundle directed through a similar foundation. US$9bn of the NF bundle went to SK from where it dispensed to the finance segment, which got US$5bn alone, agriculture and SMEs got US$1bn respectively and although the rest of reserved for development and framework projects it not dispensed before the finish of 2010[10]. It is conceivable that Beijing given a portion of the critical money that should be with the NF and for specific reasons was tied up. On the other hand, the upgrade bundle could have contained both Chinese credit volume and the NF together, which would bring the collective capacity to US$20bn. And demonstrate that the emergency was considerably more intense than the legislature had broadcasted. Regardless, the size of the administration upgrade additionally gives an appropriate context in which to check the significance of China's credit. Yelena Kalyuzhnova credits Kazakhstan's monetary recuperation to the NF improvement bundle, which filled in as a hazard cradle and security for the economy during the emergency. It is conceivable to presume that, in light of the volume of China's credit in connection to the measure of the NF funded improvement, that China's loan was an essential factor in enabling the Kazakhstani economy to survive the impacts of the financial emergency[11].

Political Significance:

The political ramifications of China's credit line might be significantly more prominent, mainly because the government is defenseless against income shocks. It altogether expands the open-door costs related to an exit from Chinese financing. Chinese financing enabled the elite to defeat declining incomes and permitted Nazarbayev to save his notoriety. The government's authenticity lays on both of these pillars. Reducing oil costs amid a worldwide contracting economy and discouraging demand for energy additionally caused a decrease in tax incomes for the administration. It may expect that a decrease in oil production drives falling government incomes, especially in an economy that fundamentally relies upon the resource division.

After Moscow ignored to give the planned of finance, President Nazarbayev swung to Beijing. China's alternative credit line support the President to save his reputation given administration fumble and corruption rumors in the banking area. BTA's fall was additionally achieved by a smaller capital base than accepted, which hindered the bank's capacity to service its debt. It prompted claims of misappropriation against BTA's senior administration, specifically BTA's CEO, Mukthar, who currently in exile. Ablyazov and Nazarbayev share a wild past, which additionally draws Nazarbayev nearer to the BTA default. Ablyazov terminated from past posts, imprisoned for tallies of corruption and went to Moscow, from where he was rehabilitated and pardoned by Nazarbayev, who concurred with his consequent

[10] Kalyuzhnova, Y. (2011). The National Fund of the Republic of Kazakhstan (NFRK): From accumulation to stress-test to global future. 39(10), 6650-6657. http://www.sciencedirect.com/science/article/pii/S0301421511006239doi: 10.1016/j.enpol.2011.08.026

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arrangement as head of BTA. Hence, the misappropriation charges against Ablyazov are, best case scenario, humiliating for Nazarbayev and even under the least favorable conditions, outline a genuine blunder in the President's judgment. Also, after BTA was state-owned, net misconduct continued under government supervision, which made the bank default once more in 2012[12].

Chinese Conditionality:

Chinese loans are commonly seen to contain fewer conditions than from different sources, for example, IFIs, which condition credit on economic and political reforms. Chinese credit to Astana includes an alternate arrangement of conditions that reveal China's foreign strategy targets. Kazakhstan needs to follow the One-China strategy and recognize that Taiwan is a portion of China, to take part in any significant form of financial action with Beijing. Related to Beijing's expansion of the US$10bn credit line, Kazakhstan marked a joint report in which it did not just emphasize its help for the One-China approach yet proclaimed its altogether restriction to Taiwan's freedom[13]. Chinese conditions beyond diplomatic proclamations of support and there are markers that in the money related domain, Beijing perceives the possibility to connect increasingly substantial foreign strategy targets to its credit lines. Strikingly, Chinese credit lines not released by the private portion but rather specifically by the sovereign through China's strategy banks, for example, CDB who control by the state. These credits deal generally made during reciprocal gatherings between senior Kazakhstani and Chinese government officials. This setting remains as a glaring difference with Kazakhstan's different loan bosses, most noticeably the Netherlands, Kazakhstan's greatest moneylender. Here loans are issued explicitly by corporate banks, for example, ABN Amro and ING, or partnerships as intercompany advances. At times, investment likewise directed through SPV (Special Purpose Vehicles). Remarkably, this implies credit issued without the political display in the absence of diplomatic events, and that these lenders don't get a similar level of government bolster. It underlines the entirely private, revenue-driven character of Dutch credits and SPVs were explicitly going too far expelled from state impact. These vehicles are claimed by a scope of investors, regularly from many purviews and nationalities. SPVs fused in the Netherlands are among the biggest loan bosses to Kazakhstan[14]. Therefore, not at all like the Chinese loans issued by national strategy banks, Dutch credits have a particularly a political character.

This specific kind of bank and setting solidly install China's credit to Kazakhstan in a political structure and along these lines should permit Beijing, in principle, to use as influence its budgetary abilities towards foreign approach targets. Securing the applicable energy assets to keep China's financial advancement on course became one of these targets in 2008, which goes specific pertinence in exchanges with asset endowed Kazakhstan[15]. Beijing encourages entrance to Kazakhstan's profitable asset area by infusing credit, with the elite agreement, specifically into significant Kazakhstani asset organizations, for example, ENRC and Kazakhmys. It may not be an incident that only one year after China raised energy security to a foreign strategy objective, Beijing acclimatized credit lines to Kazakhstan out of the blue. The much-talked-about credit line of 2009 imprints the first occasion when Beijing connected the arrangement of a crisis loan to obtaining Kazakhstani asset resources. It

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http://www.bloomberg.com/news/2012-11-07/kazakh-audit-shows-state-failures-in-bta-bank-s-botched-takeover.html

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[14] National Bank of Kazakhstan (NBK). (2010a). Balance of Payments and External Debt of Kazakhstan 2009 (Platezhnyj balans i vneshnij dolg Respubliki Kazahstan za 2009 god) Annual Report of the NBK (30 June ed., Vol., pp. 130). Almaty: National Bank of Kazakhstan.

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contrasts from the settlement of credit into asset organizations and instead takes equal responsibility for resources. This conditioning happens through bundle bargains, where China packages various particular loans into one bundle, to which that point includes obvious asset destinations. The bundle setting in principle should empower China to build its negotiating power, and makes substantial traverse impacts between its money related instruments and political additions.

In April 2009 loan, CIC (China Investment Corporation) obtained 11% in KMG production and exploration, which likewise concurred in a reciprocal gathering with no contribution from the organization itself. KMG production and research spend significant time in distribution and drilling yet hold stakes in Kazakhstani gas and oil fields, including Embamunai gas and Uzenmunai gas, in this manner further extending Chinese ownership. Since April 2009, China has broadened a string of credit lines that objective Kazakhstan's asset segment. It reveals Kazakhstan's continuous interest for external financing in perspective of a managing banking framework that has not recouped from the emergency and besides Beijing's developing enthusiasm for broadening such credits. Beijing's particular experience and the viability of its conditional advances in meeting its foreign approach targets may likewise have assumed a role. In light of a traditionalist computation, since 2009, China has given US$22bn of new credit-focused at Kazakhstani assets. As of now, around the same time (2009), Beijing loaned US$2.7bn to Kazakhs, of which the organization has drawn US$700m by 2011[16]. At a reciprocal gathering in February 2011, Hu Jintao again broadened various credit lines packaged into one bundle. It incorporated a US$1.7bn advance straightforwardly to Samruk-Kazyna and a US$5bn loan for a petrochemical competence. Once more, that advance package combined a restrictive asset part: a deal from Nazarbayev to give China 55 metric tonnes of uranium[17]. In June of that year, CDB expanded a previous credit competence for Kazakhmys by an extra US$1.5bn to build its copper production, and China buys 80% every year[18]. Moreover, it generally trusted that Kazakhstan additionally reimburses these loans through oil and gas, which benefits China's goal to save energy in the extended period. It is particularly useful because Beijing, as a relative latecomer to the global gas and oil markets, battles to get to low-priced assets.

It is conceivable to note different types of restriction beyond asset entrance. Projects that get Chinese credit are implemented partly or entirely by Chinese workers, subsequently increasing the value of the Kazakhstani economy — for instance, the combined Sino-Kazakhstani pipeline which China co-financed worked by the China Petroleum Pipeline Bureau. Toward the start of 2012, China's Exim Bank increase the credit of US$1.1bn to Kazakhstan to improve its Atyrau plant, and Sinopec Engineering will perform on the project[19]. Kazakhs' US$1.5bn credit will build up another mine in Aktogay, the instrument for the advancement will bring from China[20]. It broadly realized that Chinese gas and oil investors likewise import their subcontractors and laborer’s. Even though this disregards Kazakhstan's local substance laws, CNPC has gotten away from any fines up until now, a point that the proposal will return. In that capacity, Beijing's bank resemblances to that of western nations during the 1980s, which gave concessional advances, otherwise called

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[19] Maralove, M. (2012). KMG NC borrows from China to upgrade Atyrau refinery. http://www.halykfinance.kz/en/site/index/research/news:80783

[20] Xinhua. (2011b). China Development Bank loans millions to Kazakhstan copper company. http://news.xinhuanet.com/english/china/2011-12/17/c_131312655.htm

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improvement loans, frequently on the stipulation that beneficiary nations requested instrument from the loan boss in return.

Through credit developments of around 13-15 years, China will drive this pattern in the long period and deliberately bind Astana to asset sends out during that time, in this way enabling Beijing to meet its energy safety goals. Beijing's pipeline development further added to these muddled elements: in a single pipeline setting the end-buyer, to be specific China, has massive use over the maker to decide the cost of these loan for oil conveyances. One of the results of these credit activities is that China currently successfully controls 25-30% of Kazakhstan's oil creation[21]. In spite of Beijing's vow to expand fund in Kazakhstan's non-asset area, assets keep on being the principal goal of Chinese loans. As anyone might expect, these credit services mix up contention in Kazakhstan and make the feeling that the nation is selling out on its assets, which additionally expands the open-door costs for the government to acknowledge financing from China. Through its credit for oil conditionality, China can connect credit to advance asset duties and locks Kazakhstan into long period debt. It is following David Lake's hypothesis about socially specific resources driving China to search out a various levelled association with Kazakhstan, given financial reliance[22].

It tends to inferred that Chinese loans are helpful to the Kazakhstani elite, however not to Kazakhstan's financial improvement. The reasons why the elite is so responsive to approving Chinese investment, despite the fact that it undermines monetary broadening and binds Kazakhstan to asset conveyances at concessional costs, might be established in the elite's particular momentary subsidizing needs and all things considered a transient view on essential leadership that is symptomatic of its instant concern for self-safeguarding. Chinese advances likewise offer a specific level of carefulness, which may give further motivating force to swing to China for financing later on, particularly in perspective of various corruption rumors that could undermine the government's authenticity. The budgetary emergency left China as an accessible wellspring of credit. Although choices are hard to get a hold of, mismanagement and corruption in the banking segment, related to the elite's rent-seeking conduct made an unpredictable investment condition that dissuaded global private financial specialists.

Sino-Kazakhstani Trade:

China supplanted Russia as Kazakhstan's most imperative trade accomplice in 2009. Although the Financial Crisis comprised critical inflections point this is the consequence of an any longer pattern that had just begun in 2001 and was merged after the financial emergency, even when a business with Kazakhstan's other trade accomplices recouped. This pattern is probably going to proceed within a reasonable time-frame. Before the finish of 2011, Kazakhstan revealed a Sino-Kazakhstani business volume of c. US$21bn. There are disparities between Kazakhstan's general answering to the IMF and that of its business accomplices. For Sino-Kazakhstani business, China shows a larger size of exports than Kazakhstan. The most critical difference happens in trade detailing with Italy for which Kazakhstan shows a whole trade size of c.US$16bn and Italy shows just c. US$5bn. The exception of China, fluctuation in announcing does not influence who Kazakhstan's main five trade accomplices are. Anyway, it changes how these nations rank opposite one another. For instance, given Kazakhstani statistics, Italy would be Kazakhstan's second essential business accomplice after China, in light of Italian statistics this would-be Russia.

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Essentially, examiners from global banks and financial specialists, for example, ING likewise draw on China's statistics in their business reports about Kazakhstan[23]. In any case, for instance, the distinction matters nearly nothing. Contingent upon the source Sino-Kazakhstani business established either 21% or 24% of Kazakhstan's general business in 2011 while it comprised scarcely 0.6% or 0.7% in China's general trade size which totaled c. US$6.3tr in a similar period[24]. It recommends a sharp asymmetry in the Sino-Kazakhstani business relationship.

At first, Sino-Kazakhstani business was driven by a minor dealer who crossed the boundary from China into Kazakhstan and got a massive lift through China's developing energy needs. Since 1997, the decrease in Kazakhstani-Russian business saw, with a four-year gap, the simultaneous increment of the Sino-Kazakhstani business size. Significantly, Sino-Kazakhstani business has extended at a phenomenal pace. In 1993 China represented just 3.4% of Kazakhstani business and by 2011 for a fourth, or what compared to around 13% of the nation's GDP. It converts into CAGR (compounded annual growth rate) of 35% which outperformed both China's and Kazakhstan's monetary development during a similar period and its pinnacle never surpassed 13% for Kazakhstan and 14% for China. The CAGR recommends noteworthy force which amplifies the open-door costs for Kazakhstan, particularly since this motion related to its most critical trade accomplice. By the method for correlation, France is the main other trade accomplices who encountered the same development rate during a similar era; in any case, reciprocal business with France establishes 6% of total Kazakhstani business.

China, primarily exports prepared items to Kazakhstan, including hardware and machines (US$1.2bn); trailed by electronics (US$1bn), handled steel and iron articles (0.3), vehicles (0.3) and railroad gear (0.3). The last import reveals China's developing job in Kazakhstan's framework improvement, whereby Kazakhstan's railroad nexus progressively incorporated with China in light of the change from Russian to Chinese measures[25]. This break-down additionally uncovers the integral structure of the two economies which likewise reinforces the general visions of Sino-Kazakhstani business in the future, notably opposite Russia. This similar structure of the two economies similarly expands the open-door costs for Kazakhstan if it somehow managed to diminish business with China to counter any trade conditions. Undoubtedly, it is conceivable that Astana has attempted to counter the quickly developing business size with China by linking a taxes union with Russia.

The complementarity of the two economies is caught by the way that China exports shopper products to Kazakhstan, which Kazakhstan's economy either can't create or can't deliver intensely because of a need in monetary expansion. China this way imports assets that are important to fuel its financial development. In 2012, President Nazarbayev and Wang Qishan set an objective to about twofold respective business to US$40bn by 2015[26]. It recommends Kazakhstani leaders see a trade with China to increment in the future, a fundamental paradigm for operationalizing monetary reliance. The Kazakhstani-Russian business structure, then again, is focused on account of the consistent nature of their economies. The two economies prevalently export hydrocarbon assets and generally in a progressively dynamic relationship which may likewise clarify why Kazakhstani-Russian business has dropped consistently since Kazakhstan's freedom. This complementarity presents huge open-door costs for Astana and makes it gradually hard to moderate reductions in Sino-Kazakhstani

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[24] IMF Direction of Trade Statistics (IMFDOTS). (2012). "(DOTS) Direction of Trade Statistics"

[25] Muzalevsky, R. (2009). Nazarbayev calls for single global currency. Central Asia- Caucasus Analyst. http://www.cacianalyst.org/?q=node/5073

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business. Kazakhstan's market variables and the structure of its economy vigorously skewed towards the export of assets and import of shopper merchandise. Alleviating falling trade sizes with China is just conceivable by changing the components of the economy or discovering elective business accomplices for the time being[27].

The essential nature of Sino-Kazakhstani business rests in the absence of an enhanced economy and making dependences on business accomplices who have a reciprocal profile, except if Astana figures out how to build up a competitive assembling industry. The present cost level in Kazakhstan joined with the closeness of China, where laborer's pay rates are a small amount of their Kazakhstani partners, provides a reason to feel ambiguous about such prospects, in any event, in short and medium period. In 2011, the normal pay rate in Xinjiang was 1,000 Yuan/month contrasted to Tenge 90,000 in Kazakhstan. Building distinctive industries besides the hydrocarbon division will require basic changes to cut down wages and to give a domain in which small companies approach financing and ability. It requires the political will to do changes, slacken the elite's hold over the economy and to make more prominent investments in these segments. The budgetary emergency additionally fundamentally diminished bank loans to the economy, something which mainly influences smaller organizations without elective alternatives, for example, intra-organization loans[28]. There are few marks that the elite are boosted to attempt the essential changes to broaden the economy. A financial downturn could be an inflection point to give such motivation.

Chinese Foreign Policy and Trade:

Trade information additionally gives understandings of knowledge of how Kazakhstan fits into the reasoning of Chinese strategy makers. Research for this proposal brought up the issue of in the case of Beijing was the main force behind the Sino-Kazakhstani association, or whether Chinese companies play this part. Although this point talked in more prominent detail, Sino-Kazakhstani trade information can give some fascinating understandings with this regard. Without a doubt, there are markers that excellent Sino-Kazakhstani business relations headed significant political ties as well as where the driver of the political association, in any event until 2005, when Beijing redesigned the bit-parallel relationship to a policy association. Particularly since 2009, China has all the earmarks of being more responsible for molding the improvement of mutual business. Somewhere in the range of 1992 and 2002, trade grew consistently to around US$1bn. From that point onwards it quickened steeply, particularly somewhere in the range of 2004 and 2006, when it dramatically increased from 2.7bn to 7bn. Within this fragment, the business had become quick with an increment of 154% from 2004 till 2005, which spots the fastest extension of development. Although two-sided trade kept on developing a short time later, the speed never fit the 2004 and 2005 rate again. However, just toward the finish of that period of peak development did Chinese strategy creators redesign their two-sided relationship. After the 2005 planned partnership, business kept on developing rapidly, something which may have been encouraged by the proposed partnership. Regardless, Beijing altogether ventured up its money related inclusion in Kazakhstan after 2008 through the expansion of loans during mutual gatherings. It prompts the accompanying sub-speculation: Before 2005, Chinese endeavours molded the connection between China and Kazakhstan and strategy makers pursued the actualities on the ground, by reflectively authorizing these advancements. In the period following 2005 and particularly since 2009, China has taken a progressively proactive position politically, attempting to shape Chinese financial enthusiasm through the expansion of contingent credit lines.

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Even though Beijing has turned out to be increasingly proactive, there are signs that business interests still push the relationship. China updated a particular relationship again in 2012 to a CSP (Comprehensive Strategic Partnership), which additionally incorporates the organization of frequent reciprocal visits[29]. The CSP came to fruition just after China had turned out to be much moreover associated with Kazakhstan's economy following the money related emergency. The report itself contains understandings that appear to have just met in advance, including the commencement of participation in new regions, including atomic energy, wind energy, and solar energy. In any case, involvement in nuclear energy had risen steeply in 2011, when Nazarbayev consented to become China's leading provider for uranium and for which KAP will expand its conveyances 100-crease by 2013/2014.

Political open-door costs:

Export alternatives likewise have critical political open-door prices. Expanded exports to European options may build political and media investigation of Kazakhstan's legislative framework, similarly due to more grounded anti-corruption legislation. The European Parliament is as of now critical of Kazakhstan's administration and the evidence of its human rights, and this may blend more disagreement. Media consideration abroad can undermine the government at home. After the Libyan upheaval, the present environment in Italy is significantly progressively touchy to what accomplices Italy looks for elsewhere[30]. ENI has been under scrutiny by Italian examiners since 2011 for debasement in Kazakhstan and investigators have requested that the court put ENI's backup, Agip KCO under exceptional management[31]. In 2006, Nazarbayev went the Netherlands to talk about Shell's association in the Kashgan oilfield, which activated shows against him in DenHaag. It isn't clear how much space for move Astana needs to pick elective export accomplices. Ongoing improvements in shale gas can drastically reduce the engaging quality of Kazakhstani oil, which, by universal examination, is now progressively troublesome and costly to send out. In 2012, the Tengiz oil field officially multiplied the underlying cost estimate for its oil association from US$20bn to US$48bn. Likewise, improvement costs for Kashagan Kazakhstan's most significant oil have dramatically increased to c.US$40bn by 2012, and oil generation postpones by over eight years. It evaluated online in 2016. It makes Kazakhstan's economy entirely helpless even to minor changes in the worldwide oil market that might drive down costs and accordingly, the gainfulness of oil production and exploration[32]. The complexities in the transport and creation of oil render it hard to move to elective export accomplices for the time being. For instance, dealings for a pipeline to send out oil from the Tengiz oilfield through the Russian assumed six years and included complicated political discussions over tariffs[33]. It additionally expanded Russia's grasp over Kazakhstan's export foundation and prompted the weakening of benefits from Kazakhstani oil. Light crude sent out through Russia is blended with lower quality oil from Russia before it traded, diminishing its deal cost[34].

In the meantime, changes in the export size of oil lead to declining government income in the medium period, until the point that alternatives are set up. In any case, Kazakhstan's government is helpless against such income shocks, particularly in a time of financial emergencies and stifled monetary movement, for example, following 2009 where options are

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hard to access for the time being. In the fallout of the global financial distress, oil costs dropped altogether and had not recuperated to their pre-emergencies level. Lower oil costs specifically convert into lower pay for Kazakhstan's government which represents the hazard for political shakiness[35]. It should fundamentally build the open-door costs related to diminishing reciprocal business volumes, particularly from the greatest trade accomplice. These expenses additionally amplified during times of low monetary development.

Chinese FDI:

Foreign Direct Investment in Kazakhstan may be China's weakest financial capacity, which might be the consequence of its generally late entry in the Kazakhstani economy or because China's credit lines emulate FDI and in this way, may not be caught in FDI accounts. Although at first, an unassuming FDI volume contrasted with the Netherlands, for instance, China's investment was politically and strategically imperative. Chinese FDI has expanded progressively, and China is currently the fourth most significant supplier of FDI stock. In any case, FDI stock can be deceiving, because it just estimates the whole of all FDI and consequently benefited early participants into Kazakhstan's economy, for example, the US and the Netherlands. FDI stock does not catch new FDI movements or ongoing patterns, including changes[36]. FDI movements, then again, find new investments on a yearly premise and make changes. For instance, Beijing has expanded its FDI promise to Kazakhstan lately, through investment from different nations has stagnated. Low Chinese FDI statistics might be the aftereffect of China's arrangement of jumbo loans, which fill similar needs to FDI: Beijing gives loans to get to assets, to safe long-period conveyances or to acquire assets at concessional costs. For instance, China's credit to Kazakhmys encourages the organization to extend its generation limit. As Kazakhmys' greatest client, Beijing as of now purchases 80% of the organization's copper. Through the loan, it hence guarantees the organization can meet its more prominent creation limit, which likewise benefits Beijing, maybe even at concessional costs. Accordingly, the loan nearly takes after FDI. Curiously, the Kazakhstani Ministry for industry and economics likewise alludes to FDI stock, where China moderately fails to meet expectations to lighten people fears about China's monetary extension.

Financial Dependence:

The former areas demonstrated how rapidly China has expanded its financial abilities in Kazakhstan and that it has made monetary dependencies in finance and business dependent on the opportunity costs that the government may confront if Chinese credit lines or trade diminished. It is presently the second most imperative wellspring of new credit to Kazakhstani banks, went about as lender after all other options have run out and have turned into Kazakhstan's most vital trade accomplice. It has pushed China into a central part in Kazakhstan's financial development. These monetary switches can be weighted diversely in their importance to economic growth. Finance is particularly applicable because it is the essence of commercial development[37]. Kazakhstan's young money related segment is a crucial reason influencing the development of the private division[38]. Here China's part in Kazakhstan is much increasingly articulated thinking about that banks are the most vital wellspring of financing for organizations without stable capital markets. This clear dependence on bank subsidizing also drives wasteful aspects and a propensity towards

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precariousness and emergency, which seen during the financial crises in 2009[39]. In this way, a solid financial division is essential for monetary enhancement and development in the extended period. Trade, then again, gives short and medium-term incomes for the elite and along these lines a way to encourage legitimacy locally. Accordingly, Beijing's part has a progressively quick impact. FDI flows rank second to finance and trade as FDI drives financial development in the extended period. China's overwhelming position in both finance and trade, and the opportunity expenses of choices, encourage Kazakhstan's economic reliance on China. Although it is hard to evaluate the level of the subsequent financial progression, it is conceivable to infer that it is exceptionally unbalanced. McKinnon contended that capital markets are essential to the proficient designation of cash and along these lines successful development, particularly in creating economies. On the way that Kazakhstan is a clear borrower to China, that Sino-Kazakhstani business creates a fourth of Kazakhstan's income from the industry. While, on the other hand, it establishes not one percent of China's business size. In any case, Kazakhstan's position is fundamentally better where China's general asset policy is concerned, which exhibits a realistic chance to level the reciprocal chain of importance and increment opportunity expenses for China. Nonetheless, as will be found for the situation consider, Kazakhstani strategy makers don't grab this chance. The reliance relationship was additionally affirmed by interviewees in Kazakhstan, who accepted that China could bear to lose entrance to the Kazakhstani market, while Kazakhstan couldn't stand to lose access to the Chinese market.

Conclusions:

This paper has discovered proof for the theory that China's amassed monetary exercises have made a financial reliance in Kazakhstan just as its sub-theories. It is only half the aftereffect of an intentional procedure. China's quickly developing monetary association in Kazakhstan has been faster in the repercussions of the global financial emergency. The distinct asymmetry and related open-door costs have made solid economic dependences in Kazakhstan. China's impact is most obviously articulated in its part as Kazakhstan's main trade accomplice and creditor after all other options have run out. Then again, Kazakhstan's existence in China's economy is scarcely perceptible, presenting an apparent asymmetry. In any case, raw statistics may miscalculate Kazakhstan's impact, given the prominent part it plays in China's complete energy strategy. While investment, fund, and trade information reveal the presence of a financial reliance, the level of Beijing's deliberateness in building up this reliance was progressively hard to set up. While China's comparative monetary abilities and its evolving foreign strategy may boost Chinese investment, finance, and trade, it is Kazakhstan's domestic political framework, and particularly it's rank as a Rentier State that further rooted Beijing's existence. Through the span of this exploration, the elite has risen as a critical interceding variable which encourages Kazakhstan's monetary reliance on China just as China's capacity to use that reliance towards political closures.

Beijing's absence of a sound conveyed foreign strategy for Kazakhstan remains as a glaring difference to the profound financial relations between the two countries. It appears Beijing can't coordinate its approach making to the fast development of its monetary performers' inclusion in Kazakhstan's political and economic framework. Beijing is, without a doubt, dominant monetary power in Kazakhstan, and its essence keeps the elite in power. The nonattendance of a far-reaching foreign methodology is striking and conveys financial and conceivably political dangers. It is conceivable that China may choose to depend rather on

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other foreign forces to keep up a stable financial and political condition helpful for its advantages. However, this can put Chinese venture in danger if such an outsider protects isn't inevitable in an emergency. Beyond endangering Beijing's capacity to secure its benefits in Kazakhstan in a potential emergency, any political insecurity may overflow into Xinjiang and nourish into Uighur secessionism. Also, Beijing's inability to recognize the exact degree of its impact in Kazakhstan infers that it may not know about the ramifications of the activities of its monetary organizations. This detachment could expand Kazakhstanis' view of China as a danger. In that capacity, China's developing financial impact in Kazakhstan decreases by its broader foreign strategy goals which incorporate principal keeping up political steadiness and anchoring energy assets. Political security alludes to fighting the three Evils, extremism, separatism, and terrorism which have consequences for the political dependability of Xinjiang. Beijing perpetually likewise supports Kazakhstan's elite and the political framework itself, which may prevent the dangers of government change at its boundaries.

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