
25th Anniversary of the Independence of Azerbaijan, Kazakhstan and Kyrgyzstan, and Turkey's Contribution to Development and Cooperation in the Turkic Region

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The information and views set out in this publication are those of the authors and do not necessarily reflect the official opinion of SAM Turkey and Turkic Council.

SAM Chairman's Message

Dr. Ufuk ULUTAŐ*

The Cooperation Council of Turkic Speaking States (The Turkic Council) has been quite successful in promoting partnership and multilateral cooperation among the Turkic speaking countries since its establishment in 2009, mainly in the fields of economy, education, science, transportation, tourism, and customs.

The gradually enhancing cooperation among the research centers of the member states of the Turkic Council is particularly remarkable. These research centers of the Republic of Azerbaijan (SAM Azerbaijan), the Republic of Kazakhstan (KAZISS), the Kyrgyz Republic (NISS KR) and the Republic of Turkey (SAM Turkey) have been actively cooperating on research activities since 2015 by holding meetings and producing joint publications. In a similar vein, under the cooperation framework within the Turkic Council, the Secretariat of the Turkic Council and SAM Turkey issued this special publication for the 25th anniversary of the independence of the Turkic Republics and in the honor of the Sixth Summit of the Turkic Council to be held in the Kyrgyz Republic on September 3, 2018.

Each research center from the member states of the Turkic Council contributed to this special issue with two articles. Articles by SAM Azerbaijan, KAZISS and NISS KR focus on the post-Soviet political and socio-economic developments, economic transition processes and development strategies, and foreign and security policies of the Republic of Azerbaijan, the Republic of Kazakhstan and the Kyrgyz Republic respectively. Articles commissioned by SAM Turkey, likewise, concentrate on the political and economic relations between the Republic of Turkey and other Turkic states since their independence in 1991, the evolution of ideas towards the Turkic World throughout years, and prospects for future enhanced cooperation in different issue areas in the region.

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This special issue offers a comprehensive overview of the political and socio-economic experiences of the Republic of Azerbaijan, the Republic of Kazakhstan and the Kyrgyz Republic in the post-Soviet era, and the policies of the Republic of Turkey towards the region, together with steps taken by all member states of the Turkic Council for furthering regional cooperation.

Foreword

Dr. Ömer KOCAMAN*

Since its establishment by Azerbaijan, Kazakhstan, Kyrgyzstan and Turkey in 2009, the Cooperation Council of Turkic Speaking States, Turkic Council for short, has continued its efforts to deepen cooperation not only among the Turkic Speaking States but also in the wider region. Despite its young age, the organization has established itself as a rising and dynamic international actor in Eurasia in a broad range of cooperation areas such as the economy, sustainable development, customs, transport, tourism, education, culture, science, foreign policy, media, information and communication technology, youth, sports, and diaspora.

Simultaneously, with its comprehensive and cooperative approach based on the idea of regional ownership, it has deepened its relations with international and regional stakeholders. As an observer to the Economic Cooperation Organization since 2012, the Council maintains an open dialogue with 19 international organizations, first and foremost with the United Nations and its institutions centered around the 2030 Agenda for Sustainable Development, such as UNDP (UN Development Program), UNAOC (UN Alliance of Civilizations), UNECE (UN Economic Commission for Europe), UNOSSC (UN Office for South-South Cooperation), and UNWTO (UN World Tourism Organization). The Turkic Council has also developed ties with the EU (European Union), OSCE (Organization for Security and Cooperation in Europe), OIC (Organization of Islamic Cooperation), WCO (World Customs Organization), BSEC (Organization of the Black Sea Economic Cooperation), CICA (Conference on Interaction and Confidence Building Measures in Asia), ICSS (International Center for Sport Security), as well as supporting regional platforms and processes such as the Heart of Asia-Istanbul Process on Regional Security and Cooperation for a Secure and Stable Afghanistan.

One of the important achievements of the Turkic Council is the launch of cooperation among the foreign policy research centers of its Member States. The Center for Strategic Studies under the President of the Republic of Azerbaijan (SAM

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Azerbaijan), the Kazakhstan Institute for Strategic Studies under the President of the Republic of Kazakhstan (KAZISS), the National Institute for Strategic Studies of Kyrgyz Republic (NISS KR) and the Center for Strategic Studies of the Ministry of Foreign Affairs of the Republic of Turkey (SAM Turkey) have convened four meetings so far as part of this cooperation process.

During the first meeting in May 2015 in Baku, the Parties signed the “Memorandum of Understanding among the Foreign Policy Official Research Centers of the Member States of the Turkic Council.” Within the framework of this cooperation process, and with the contributions of the other Member States, SAM Turkey was issued a special publication devoted to the Fifth Summit of the Turkic Council entitled, *Fifth Summit of the Turkic Council: A Rising Actor in Regional Cooperation in Eurasia*.

The publication opens with an article by Ambassador Ramil Hasanov, Secretary General of the Turkic Council, “Turkic Council: A Strong Regional Mechanism to Enhance Cooperation in Eurasia.” It also contains articles by the Ministers of Foreign Affairs of Azerbaijan, Kazakhstan, the Kyrgyz Republic and Turkey. Articles by the Secretary Generals of TURKSOY (International Organization of Turkic Culture) and TURKPA (Parliamentary Assembly of Turkic-Speaking Countries), and the Presidents of the Turkic Academy and Turkic Culture and Heritage Foundation, which are the affiliated institutions of the Turkic Council, are also included in that publication together with articles by the directors of the Official Foreign Policy Strategic Research Centers of the Members States. Together, these articles explore the Turkic Council’s various contributions to regional cooperation over the last five years, as well as its future projects in this direction, and introduce those initiatives to the public. The said publication was presented to the Heads of States of the Member States during the Fifth Summit of the Turkic Council held in Astana on September 11, 2015. The Heads of States appreciated the work done and instructed preparation of similar studies in the future.

In the framework of this cooperation, SAM Azerbaijan also launched an internship for researchers from other Research Centers. As a result of this internship, “Turkic Council Countries: Infrastructure, Trade, Logistics, and Transportation” Report was released in English as part of a special publication series produced by SAM Azerbaijan in November 2017. It was co-authored by Mahir Humbatov, SAM’s Research Fellow in the Economic Analysis and Global Affairs Department and a Ph.D candidate at SOAS University of London, and Kazim Sari, Associate Professor at Beykent University. The report investigates the logistics and transportation potential of Azerbaijan, Kazakhstan, Kyrgyzstan, Turkey, Uzbekistan and Turkmenistan. It

also sheds light on trade and economic relations among these countries, available infrastructure projects and the promising infrastructure development programs planned to be implemented in the near future.

Following the Instruction of the Heads of States of the Turkic Council, and implementing the decisions taken at the third and fourth meetings among the Official Foreign Policy Research Centers, the Secretariat of the Turkic Council and SAM Turkey prepared this special academic publication dedicated to the 25th anniversary of the Independence of the Member States of the Turkic Council. This publication will be presented to the Heads of States of the Member States during the Sixth Summit of the Turkic Council to be held in Issyk-Kul region on September 3, 2018.

In this publication, you will read two articles from each of the Research Centers of the Member Countries on their state building processes after independence, and their foreign policy and economic development during the last 25 years.

The articles from SAM Azerbaijan focus on the main stages of the establishment, development and self-verification of the independent state of Azerbaijan, the socio-economic and political building processes, the dynamics of progressive growth, the stages of economic development and the main points of the spiritual-cultural progress of the Azerbaijani people, as well as the country's contribution to stability, cooperation and security both in the region and the world.

The first article from KAZISS details Kazakhstan's efforts, from its period of independence, through its emergence as a developing state with relatively small economic and military-political potential, to its efforts to defend its national interests and protect its territorial integrity through the use of an effective, multi-vector foreign policy and its present-day contribution to collective security structures. The second article examines the specifics of the financial provision of the investments process for economic development in Kazakhstan.

The first article from NISS KR focuses on the development of the Kyrgyz Republic's foreign policy, and its role in the international arena, which subsequently led to the development of international relations and the formation of a certain image of the country. The time frames discussed in the article correspond to major global, regional and national changes, and the Kyrgyz Republic's response to them. The second article deals with the stages of the development of the Kyrgyz economy from the moment of independence to the present day, tracking the country's progress toward sustainable development.

Articles from the Turkish side shed light on the changing image of the Turkic World in Turkey, both before and immediately following the independence of the Turkic Republics, the evolution of Turkey's political and economic ties with the other Turkic states since 1991, the current state of affairs, and the necessary steps to be taken in the future in order to strengthen cooperation in various fields.

As is known, since their independence, the Turkic speaking states have accomplished remarkable achievements in their state-building, nation-building and national identity-building processes. At the same time, they have taken robust steps for their transition to the market economy in less than three decades. The articles that you will read in this joint publication will contribute to a reflection on the political and economic paths that Azerbaijan, Kazakhstan and Kyrgyzstan have successfully navigated in this short period of time. You will also observe Turkey's contribution to the empowerment of cooperation in the Turkic region.

These articles provide comprehensive and analytical information that details the peculiarities of political and economic developments in the Turkic speaking states since their independence, while attentive to the ways in which these developments have established a conducive environment for the further enhancement of regional cooperation within the Turkic Council. I hope you will find them very enlightening.

25th Anniversary of Independence: Azerbaijan's Turning Point on the Way to Strong State-Building

Farhad MAMMADOV*

Abstract

This article focuses on the main stages of the establishment, development and self-verification of the independent state of Azerbaijan, the socio-economic and political building processes, the dynamics of progressive growth and the main points of the spiritual-cultural progress of Azerbaijani society in the world. The main outcomes of the 25 years from 1991-2016 are the boosted progress made by Azerbaijan due to the well-conducted political strategy implemented following the restoration of its state independence despite the occupation and aggression it faced; its contribution to stability, cooperation and security both in the region and the world; and the establishment of a unique development model that has proven successful in minimizing the outcomes of the global crisis.

The article draws a conclusion that Azerbaijan has set a target to achieve strong nation-building in the years to come, while it has left behind 25 years of its state independence for the first time in the history. The key principles for realizing this include implementing the diversification of the economy, making capital reforms in public administration and stability policy more resolvedly; adequately responding to the challenges of the post-oil period; and ensuring the inheritance of its traditions and innovations. Today, Azerbaijan acts as a leading agent of both regional and global order and stability, due to its independent domestic and foreign policy.

Key Words

State independence, nation building, strong state, stability, reforms, diversification, and innovations.

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Introduction

Arnold Toynbee, a well-known English historian-scholar, has put forward the “Challenge- Response Theory” of the historic development of states (civilizations) in his 10 volume *Study of History*. According to Toynbee’s theory, every people face the complicated “challenge“ of its time sooner or later, and a state’s destiny is established depends on its “response” to this challenge. Toynbee believed that a people capable of responding to their challenges in time are able to protect and develop their existence. Conversely, nations that are not capable of perceiving and responding to these challenges are subject to decay and disappear from history. This Challenge-Response formula has become known as the ‘Toynbee Moment’ faced by various nations in their history.¹ The Azerbaijani people experienced the ‘Toynbee Moment’ of their destiny twice in the 20th century – at the beginning and at the end.

On May 28, 1918, the Azerbaijani people set up an independent republic in the Muslim East; this state survived for a total of just two years as a result of the region’s occupation by the Bolsheviks. At the end of the century, in 1991, the Azerbaijani people responded to the biggest challenge of the time for the second time; they succeeded in restoring their state independence and started sovereign nation-building. October 18, 2016 marks the 25th anniversary of the restoration of the state independence of the Republic of Azerbaijan. It was impossible to imagine just 25 years ago that such a holiday would ever be celebrated.

In this respect, the celebration of the anniversary of independence is the most important event in Azerbaijan’s history of modern statehood, while it provides a basis to review the way travelled, to assess the country’s achievements, and to advance ideas on the prospects of nation-building in the 21st century.

A Brief Look at the History of Statehood before Independence

Azerbaijan has ancient statehood traditions. Ancestors of the modern-day Azerbaijani established their states in Aratta, in ancient Mannea, Media, Albania and Athropathena. Various Turkic dynasties also reigned in these lands in the Middle Ages. In the early 16th century, the first centralized state was established and the Azerbaijani language was applied as a state language. In that era, Azerbaijan was divided into khanates due to gradually increasing external interventions in the mid-18th century. In 1828, the northern khanates were occupied by Tsarist Russia, while

the southern khanates were taken under control of a Turkish dynasty, the Qajar reign in Iran.

Beginning in that time, Armenians were moved from the neighboring countries to Nagorno-Karabakh, an ancient historical land of Azerbaijan, and they consequently settled there. In March 1918, the genocide of the Muslim population was committed in Baku province, assisted by Armenian nationalists, and some 50 thousand people were killed. In these tough years, Turkey provided its military assistance in order to save the Azerbaijani people from Armenian lootings.

The Republic established by Azerbaijan on May 28, 1918 – the first in the Eastern Islamic world – had performed the activities necessary for the creation of democratic statehood within nearly two years.² In the 3rd meeting of the Muslim National Council held on May 29, Fatali Khan Khoysky delivered a discourse upon the negotiations held with the Armenian National Assembly regarding border issues, and argued that the Armenians needed a political center to form their own federations. After Alexandropol was conceded to Turkey, the only such possible center could be Yerevan. After comprehensive discussions, Khoysky stated that the concession of Yerevan to the Armenians was a historical necessity and an inevitable bitter truth.³

Meanwhile, Turkey provided its active support to the nation builders. On September 6, 1918, Sultan Mehmet VI, addressing Alimardanbey Topchubashov, an extraordinary and plenipotentiary representative of Azerbaijan in Istanbul, said: “You can be sure that the Ottoman Turks will never deny their support to you.” The Ottoman government, taking account of the request by the delegation, decided to grant a loan in amount of 2 million liras for a period of ten years. And the printing of Azerbaijan’s money started in Istanbul.⁴ On September 15, 1918, the Caucasian Islamic Army with the leadership of Nuru Pasha, freed Baku from the Bolshevik-Dashnak forces and Baku became the official capital of the Azerbaijan Democratic Republic.

In early 1920, the world countries declared their de facto recognition of Azerbaijan. However, extremely difficult internal and external political conditions, including the occupation of the Azerbaijani region of Zangezur by the Armenian Republic, newly established in Yerevan khanate (historically part of Azerbaijan), and the organized Armenian rebellion in Karabakh, the Azerbaijani Republic could not protect its independence. The 11th Red Army units of Bolshevik Russia occupied Azerbaijan again on April 28, 1920.

Those who believed that the desire of the Azerbaijani people for independence would not be realized again, were eventually proven wrong. As a result of the collapse of the Soviet Union at the end of the last century, Azerbaijan restored its state independence. The span of years in between are remembered in the lives of the Azerbaijanis who lived during the Soviet period as the years of the reign of communist ideology, with repression and the world war on one hand, and hard work and significant progresses in science and education on the other hand. This applies particularly to the years when Heydar Aliyev, a prominent statesman and genius political leader, headed the country. Aliyev, the world-famous national leader of Azerbaijan, assumed the political leadership of Azerbaijan, with lapses of small intervals, over the last thirty years of the 20th century. The phenomenal characteristics of Heydar Aliyev, which distinguish him from others as a leader is that he headed Azerbaijan in two statehood systems (socialist and capitalist) entirely different from each other in terms of political structure, and in both stages is remembered in Azerbaijan for his contributions of unexampled development and progress.

The first period of Aliyev's leadership of Azerbaijan (1969-1982) was marked by the inherited and pervasive stagnation and underdevelopment that prevailed throughout the socialist system. In this difficult period, when the stagnating economy had reached a crisis stage, Heydar Aliyev came to political power in Azerbaijan on July 14, 1969. On this date, independent Azerbaijan laid the foundation for its turning point, laying strong bases in all areas of its statehood, and of the strategy serving for national self-perception.

Aliyev started functioning by making a declaration on "strengthening combat against all negative circumstances for the sake of the restoration of justice," which had been considered a prohibited subject in the Soviet area, and began for the first time to solve the problems left unsolved for decades. Despite all kinds of obstacles arising out of the political-ideological principles of the Soviet period, Aliyev succeeded in creating the infrastructure, the agrarian-industrial complex, the prominent class of educated people, the military-enforcement structure (which was the most difficult), and in nationalizing its personnel potential and promoting Azerbaijan's economic, cultural, and intellectual potential in the world with high patriotism and foresight.

These years may be called the start of the national revival period in terms of the foundation of a powerful Azerbaijani economy, which is a result of Aliyev's intensive, fourteen-year activities. Consequently, Azerbaijan, which restored its independence,

created all the necessary and strong foundations required to function as an independent country capable of supporting itself.

As mentioned, one of the major purposes of 'stagnation' and then the stage called reconstruction – 'perestroika' which started from 1985, was to declare that the national issue inherited from the past should be settled perpetually, in early 90s, political tension reached its peak point. The bloody ethnical political conflicts starting with Nagorno-Karabakh conflict gave a boost to and speeded up the collapse of USSR.

Political - Historical Situation During the Period of Restoration of Independence

Aggression by the Armenian state towards the territorial integrity of Azerbaijan in 1988 started the Nagorno-Karabakh conflict. National protests against the unfair position of the Soviet Union leadership in this conflict started uninterruptedly in the capital Baku and all of the major cities of Azerbaijan on September 2, 1989. The mass prosecution of thousands of Azerbaijanis living in Azerbaijan and their migration to the capital Baku as a result of ethnic cleansing were the start of more severe tragedies in store. A series of 'historic tragedies' were perpetrated, including January 20, 1990 and the Khojaly genocide on February 26, 1992, which have become synonymous with the most bloody tragedies of the 20th century both in the historic memory of the Azerbaijani people and in world history in general.

In the early '90s, political tension reached its peak point. The bloody, ethnic-political conflicts starting with the Nagorno-Karabakh conflict accelerated the collapse of the USSR. The declaration of the restoration of the state independence of the Republic of Azerbaijan was adopted on August 30, 1991 under the extremely complicated circumstances of the aggressive war in Nagorno-Karabakh. The 'Constitutional Act on State Independence' was adopted through voting by name in the historic session of the Supreme Soviet on October 18 of the same year. 258 out of 360 MPs participated in voting. According to the Constitutional Act, Azerbaijan was considered the successor of the Azerbaijan Democratic Republic that existed between 1918-1920. The name of the country was changed to the Republic of Azerbaijan on February 5, 1991, and the flag of the Azerbaijan Democratic Republic was confirmed as the state flag.⁵

Azerbaijan's state independence was recognized first by the Republic of Turkey. The decision of the Government of Turkey was delivered to the leadership of Azerbaijan

on November 9, 1991. It has become a political tradition since then for Turkey to pay the first official visit to Azerbaijan. By January 1992, some 50 countries of the world had already officially recognized the Republic of Azerbaijan, and the country became a member of United Nations (UN) on March 2.

Concurrently with the restoration of Azerbaijan's independence, tragedies began. The socio-political conditions of the first years of the sovereign national building were marked by war, chaos, and crisis in both the scientific literature and the memory of the people. Armenia again raised territorial claims against Azerbaijan and occupied the lands of Nagorno-Karabakh, while forces directed and supported by foreign sources facilitated the fight for political rule within the country, again significantly endangering the new state's independence. Unlawful armed groups pulled the people into civil unrest. Azerbaijan experienced three coups within a single year. Such a complicated situation existed only in Azerbaijan among the Post-Soviet countries, and occurred amid the circumstances of Armenia's aggressive invasion policy and ethnic cleansing, which spurred the migration of one million internally displaced people (IDPs) to the capital Baku, resulting in unexampled anarchy. Economic life was paralyzed in the country, and a deep crisis persisted in international relations due to political disagreements.

Turkey consistently supported Azerbaijan from the very start of the conflict, as it has throughout the country's history. Turkey closed its borders to Armenia following its occupation of the Kalbajar region of Azerbaijan and its failure to execute the UN resolution on the withdrawal of Armenian forces from the occupied territories. The border remains closed to date.

Heydar Aliyev and the Strategic Principles of Sovereignty

In 1969, Azerbaijan was ranked lowest among the countries of the former Soviet Union. Due to Heydar Aliyev's efforts and commitment to the people, Azerbaijan today has become one of the most advanced countries. Given the great achievements of Heydar Aliyev, he was invited to Moscow to undertake a huge task – the position of the Soviet Union's First Deputy Prime Minister. However, in 1987, Heydar Aliyev was removed from his position, which was totally unjustified. This was a great injustice and sabotage against him, as well as against Azerbaijan.⁶

Less than two weeks after his resignation, Armenian nationalists raised the issue of the secession of Nagorno-Karabakh from Azerbaijan and its unification to Armenia.

Thus, Armenia strengthened the separatist tendencies in Nagorno-Karabakh. Unfortunately, the Soviet leadership did not commit to preventing these negative trends. The next provocation against the Azerbaijani people was committed in 1990 – the crimes of “bloody January,” when innocent people were killed in Baku. The next day Heydar Aliyev immediately raised his voice at the permanent representation of Azerbaijan in Moscow. However, the pressure against him continued with a smear campaign launched by the media. In protest, Aliyev left the Communist Party and returned to Baku and then to Nakhchivan. Unfortunately, the situation declined in Azerbaijan in the early 1990s due to the political and economic crisis and the civil war, as well as the Armenian occupation of Azerbaijan's sovereign territories.⁷

In this critical condition, the people relied on Heydar Aliyev and invited him to take power. During the most difficult moments of Azerbaijan's independence, Aliyev stood by his people. On June 15, 1993, Heydar Aliyev returned to power for a second time, in a turn of events that decided the destiny of Azerbaijan's independence. Aliyev's return coincided with the most difficult days of statehood, as the country had devolved into a place of war, a crossroads of external and internal forces, civil unrest, paralysis, chaos and crisis in the political and economic system. Since 1993, a turning point occurred in all areas, the civil war came to end, the illegal armed groups were disarmed, public order was established and the country entered a period of growth. The period of growth was ushered in with the signing of the “Contract of the Century” in 1994, the agreement on the development of the Shah Deniz natural gas field in 1996, and the construction of the Baku-Supsa and Baku-Tbilisi-Jeyhan oil pipelines.⁸

The experienced politician first identified the fundamental strategic principle for the realization of sovereignty. Socio-political stability would allow the start and strengthening of nation building. Aliyev was sure that the destiny of Azerbaijan's state independence was directly related to its stability, and succeeded in signing a cease-fire agreement with Armenia. On May 12, 1994, the severe and wasting war on the Armenia-Azerbaijan front was stopped. The Azerbaijani people gained an opportunity to focus on the necessary, independent civil building and to strengthen the pillars of the state.

Oil strategy played a decisive role in guaranteeing stability, which drew the attention of global investment and financial centers to Azerbaijan, bringing the benefits of economic development to the region. The first oil contract, called the “Contract of the Century,” was signed on September 20, 1994, and laid the foundation of the ‘oil strategy’ developed by Heydar Aliyev, which provided the basis of the economic

development of independent Azerbaijan. The oil strategy centered upon the crucial, efficient use of Azerbaijan's rich natural resources for strengthening the independence and welfare of the people.

Aliyev had to implement a complicated but honorable historic mission to restore statehood in Azerbaijan, to strengthen and ensure permanent independence, and to increase its international reputation. On June 15, 1993, Aliyev, who had returned to the capital Baku just ten years previously under circumstances of war, political disagreements and civil war, wrote the name Azerbaijan on the world map, verifying its independence on a strong foundation of stable development. The years 1993-2003 were a great test for the Azerbaijani people and the state of Azerbaijan. Heydar Aliyev's name is memorized as the National Leader in the contemporary history of the Azerbaijani people.

The implementation of the ideology of 'Azerbaijanism,' founded by Heydar Aliyev, ensured national unity and served the protection and development of ethnic and religious diversity. Multilateral and bilateral cooperation with foreign countries and international relations was established. The number of the foreign countries supporting Azerbaijan's position in the Armenia-Azerbaijan Nagorno-Karabakh conflict increased, and international public opinion started to change in Azerbaijan's favor.⁹

Heydar Aliyev also laid the political-legal foundations for nation building. The Azerbaijan Democratic Republic, which had existed for a short period at the beginning of the 20th century, could not adopt its constitution. After its declaration of independence in 1991, Azerbaijan proceeded on the basis of the Soviet constitution for some time. The new constitution had to contain the country's future prospects, its historic development path, and a socio-political management model at the same time. The first constitution of the country's independent statehood, comprising 158 articles prepared by the ad-hoc Constitution Commission, was adopted by referendum on November 12, 1995.

Aliyev later stated that the Constitution defined the country's future development path, as well as its economic and political model of nation building: "We have developed a very important document – a political, legal document for the present and future of Azerbaijan."¹⁰ At the same time, a consecutive policy was developed to establish a new political-legal system conforming to the practices of democratic countries by the adoption of the Constitution. Capital punishment, over which a moratorium had been declared since 1993, was eliminated in 1998. Azerbaijan was

accepted as an equal member of the Council of Europe on January 25, 2001. The new legal-defense mechanisms, under the Office of the Human Rights Commissioner (Ombudsman) of the Republic of Azerbaijan for the purpose of improving human rights and freedoms protection were created.

The first ten years of sovereignty, from 1993-2003, were the period of the establishment and development of Azerbaijan's model of economic development. International projects such as the "Contract of the Century," the restoration of the Great Silk Way, the passage of global power-transport corridors through Azerbaijan, and the decisive role of the country in regional economic growth – developments that verify the economic sovereignty of Azerbaijan – caused some foreign forces, which were against independence, to make attempts to breach the country's gradually strengthening stability. Immediately after the oil contract was signed, two *coup d'état* attempts were decisively prevented in the country, where the first solid foundations of independence had been laid. Stability in the financial-economic environment of the republic was gradually created.

The 'Shah-Deniz' contract, a second large power contract important for Azerbaijan was signed in 1996. The first oil was extracted within the frame of the "Contract of the Century" in October, and a year later, the 'Northern pipeline' (Baku - Novorossiysk), transporting Azerbaijani oil to the world market, was put into operation. President Heydar Aliyev officially declared the main layout of Azerbaijan's oil strategy: the construction of the Baku-Tbilisi-Jeyhan oil export pipeline.

In April 1998, the 'Western pipeline' (Baku-Supsa) was put into operation. The number of oil contracts signed by Azerbaijan with foreign companies reached 20. In November 1999, Azerbaijan signed an important contract for the construction of the largest geo-economical project in the Caspian, Southern Caucasus and Mediterranean area – the Baku-Tbilisi-Jeyhan oil pipeline. The State Oil Fund started operating. The social situation of the country's IDPs and refugees was improved; salaries, stipends and allowances were increased at the expense of the first revenues of the Oil Fund. The country started to integrate into the world economic system. By the 10th year of the country's independence, Aliyev had realized the historic mission of the establishment of sovereign statehood, and had led Azerbaijan along a successful development path with clear prospects for prosperity. Azerbaijan enacted a balanced foreign policy that provided for equal mutual cooperation with all partner countries. The state of Azerbaijan defined its geopolitical identity and strategic principles, which shape its foreign policy, as follows:

- Azerbaijan is close to Europe geographically and is located in the junction between civilizations;
- Azerbaijan shares a common past and similar political tradition with the countries of the Commonwealth of Independent States (CIS) area in terms of its political-historical evolution and development;
- Azerbaijan is part of Islamic civilization in terms of its religious identity and is an active and leading member of the Organization of Islamic Conference;
- Azerbaijan belongs to the family of Turkic peoples having an ancient and rich heritage in terms of culture, history and language, and shares a common historical destiny.

A New Phase: Development, Diversification, Reform and Innovation

On October 15, 2003, the choice made by the Azerbaijani people defined the destiny of independence in the new century in all respects. The Azerbaijani people, who voted for the maintenance of the stability policy, more closely united around the ideal of national unity and strong statehood under the control of President and Commander-in-Chief Ilham Aliyev. Ilham Aliyev came to political power with the extensive experience he had gained in the development and strengthening of statehood and political pragmatism, which was one of the important criteria of modern leadership, taking into account both national interests and international geopolitical dynamics. It was one of the primary provisions of his policy to reaffirm Azerbaijan as a serious economic actor both in the region and in the world.

When touching upon the primary outcomes of the transformation of the new economic system, we have to first mention the establishment of the Azerbaijani model of socioeconomic development within the progress of consecutive and phased processes. These years are recorded as a phase of dynamic economic development, and new fundamentals of strong nation-building, i.e. diversification, reforms and innovations, all of which served a single higher purpose. President Ilham Aliyev stated, “Azerbaijani citizens, their security, interests and welfare stand at the center of our state policy. We do and will do everything necessary for the welfare and security of the people. This remains the same today and will be the same in the future as well.”¹¹ In short, Heydar Aliyev’s expression that, “A country with a strong economy is able to do everything!” was realized in the new development phase started in 2003.

As a result of the diversification of the economy and resources introduced in this period, the transformation of oil capital into human capital, a policy of high welfare and strong nation building, Azerbaijan implemented its unique development model and survived, with minimal losses, the global financial-economic crisis that shook the world and continues today. The Azerbaijani economy demonstrated some growth even when oil price fell by 4 to 5 times. Such an important experience that draws the world's attention is reflected in the contents of the reports of the Head of States regarding Azerbaijan's economic experience, its anti-crisis policy and its development model in the Davos Forum to which President Ilham Aliyev was invited.¹²

In the reports of the World Economic Forum, Azerbaijan's economy has ranked first in the CIS region according to its competitiveness several times in recent years and it has become one of the important members of the world market. Azerbaijan was ranked 40th among 140 countries by advancing by two points in the rating prepared by the World Economic Forum based on the competition index for 2015-2016, and preceded all the CIS countries in this rating.¹³ In 2015, Azerbaijan conducted import-export operations in the amount of 25.8 billion manats with 155 countries of the world. The international organizations also confirm that Azerbaijan is the most reformist and most economically developing country in the world. The credit rating agencies have maintained the country's long-term ratings in domestic and foreign currency on the investment level. Under the circumstances of the global economic and financial crisis, it is an important indicator to maintain a high credit rating. Despite the existence of a complicated foreign economic environment, increased pressures on macroeconomic stability, and a significant decline in profits in foreign currency, the country's GDP grew by over 1 percent, industrial production by 2.4 percent, and non-oil industry by 8.4 percent last year. Investments were made in the amount of up to 20 billion dollars in the country's economy.¹⁴ At the same time, it should be noted that budget receipts were in amount of 6 billion, 950 million manats for the non-oil sector in 2015, a growth of 9.5 % compared to 2014.

Regarding the phases of the initial 25 years of independence, we should mention:

1. The *transition period* requiring the collapse of the old economic system and the establishment of new fundamentals;
2. The introduction and realization of *huge national projects* that ensure the implementation of economic strategy;

3. The completion of the transition period and entry into the new dynamically developing quality-based phase relying on diversification of the *economy and resources*.

As a strategic course, diversification is designed for the finalization of the structural reforms in the economy – the privatization of property; the transformation of the market economy into a feasible system; the application of oil profits to the non-oil sector, the realization of huge social and infrastructure projects, the minimization of the economy’s oil dependence; and the transition to innovation in the development of the non-oil sector.

The strengthening of the country’s economy is helping to solve the unemployment issue, and is leading to the reduction of poverty. The level of poverty declined from 29.3 percent in 2005 to 5 percent in 2015, while the level of unemployment declined from 9.2 percent in 2003 to 4.9 percent. There is a need for new labor force in accordance with the high economic growth rate. 1 million 500 thousand workplaces have been created within the last 12 years.¹⁵ The existence of the business environment accepted in the country ensures the creation of a middle class that underlies the market economy. This is based on governmental support for business activities. Despite the deepening world crisis, Azerbaijan’s economic policy protected the country from the negative impacts of the crisis. As a result, GDP increased by 10.8 percent to 40 billion dollars in the country even during the crisis in 2008. A growing rate in GDP volume has been observed in recent years. Inflation fell from 9.7 percent in 2005 to 2.4 percent in 2014.¹⁶ The income of the population has increased by 5 times in 10 years and reached 41 billion 738 million manats in 2015. These development indicators demonstrates the revival of economic activities in the country, the growth of financial resources, the pursuit of a social policy based on specific outcomes, and the systematic application of international social standards.

Foreign Policy: Encouraging Reliable Partnerships

It should be unambiguously noted that Azerbaijan is already well-known for its reputation throughout the world in the second decade of its independence. The country has become known for holding international forums and global sporting events. The propagation and assurance of the efficiency of investing in Azerbaijan in meetings with businesspeople during the International Caspian Oil and Gas exhibition, which has been held since the signing of the Contract of the Century, and numerous dialogues among civilization, business and cultural-humanitarian forums

have yielded results and created important opportunities for countries interested in cooperation.

Azerbaijan was selected as the non-permanent member of the UN Security Council in 2011. 155 countries supported Azerbaijan's candidacy. Azerbaijan was also invited to the meeting of the foreign ministers of the G20 countries by Turkey in 2015, the only country from the former Soviet Union to receive an invitation. This indicates the international importance of Azerbaijan.

Azerbaijan follows its own development model in sovereign nation-building and is a self-supporting, independent state that adopts independent political decisions. These decisions rely primarily on fundamental economic bases. The country's new reputation may be expressed as '*encouraging reliable partnership*.' As an equal member of the international community, it offers only beneficial cooperation and expects the same in return. The huge international economic projects implemented in Azerbaijan also support the development of economics in other countries with which Azerbaijan shares relations.

Azerbaijan's cooperation with Turkey relies on the social and economic strengthening of the region's countries and strategic cooperation on projects of global scale. During President Ilham Aliyev's official visit to Turkey in March 2016, he stated to the press: "Turkey and Azerbaijan have been displaying unity and solidarity for twenty five years. Twenty years ago, Azerbaijan restored its state independence and Turkey was the first country to recognize our country. We will never forget this. Turkey's power is our power."¹⁷

The course of social justice designed for high welfare is one of the main tools for improving the life standard of the citizens of the country. Azerbaijan serves the improvement of the welfare of the people first of all. In reality, neither the global financial crisis nor oil price fluctuations can influence Azerbaijan's policy for the improvement of the welfare of the people.

The UNDP's 20th anniversary report, "The Real Wealth of Nations: Pathways to Human Development for 2010," states that Azerbaijan has achieved the fastest progress in human development within the last 5 years among the 169 countries covered in the Human Development Report. Azerbaijan, which ranked 101st in 2005, ranked 67th in 2010, having advanced by 34 ranks. This is a very important achievement. Thus, Azerbaijan left the group of countries with 'medium human development,' and entered into the category of the countries with 'high human development' which includes Brazil, Turkey and Malaysia.¹⁸

The decade between 2003-2013 was unforgettable for the Azerbaijani economy; the economic growth achieved in the last ten years of the history of Azerbaijan was unprecedented, and the GDP increased by 16 times. GDP per capita has increased nearly 10 times in the recent ten years and there were increases in the other macroeconomic indicators as well. If we assess the last ten years in terms of macroeconomic growth, we see that both economic growth and economic diversification have been achieved in the last five years as well. Though a decline was observed in the oil sector from 2010, it could not prevent the growth rate in GDP. This is related to the fact that there was sharp growth in the non-oil sector from 2010, which protected the general growth rate in GDP. The growth rate in the non-oil sector in recent years has increased by approximately 10 times, which is immense compared to other CIS countries according to growth in the non-oil sector. At the same time, growth in the share of GDP in the non-oil sector has risen to 56 percent, a crucial shift in terms of eliminating Azerbaijan's dependence on the oil sector and ensuring the sustainability of the economy.¹⁹

Azerbaijan has become an area where reforms and innovations are continuously implemented in all directions, including public management, science, and education. In general, the primary purpose of the reforms is to form a strong Azerbaijani statehood based on continuous stability, and a dynamically developing, diversified economy. The one of the fundamental directions of the reforms is to build public-civil relations aimed at improving the welfare and social life standard of the people and social infrastructure meeting the requirements of the information society. The Decree of the President of the Republic of Azerbaijan, dated December 29, 2012, "On Approval of the Development Concept - Azerbaijan 2020: Vision for the Future," emphasizes innovative society building as a main target.

A new social infrastructure model – 'ASAN service' – has been established that exceeds the international practices of public-civil relations already existing in Azerbaijan and which is being carefully studied by a number of countries. The ASAN Service, created at the initiative of President Ilham Aliyev, is assessed as a revolutionary development in public service on a world- scale according to 5 main criteria: accessibility, accountability, efficiency, transparency and innovations. The ASAN model for public service to the Azerbaijani citizens has become an attractive example of social innovation in the 21st century. In 2015, the ASAN Service was granted the highest award in the category of 'Improvement of Public Services Provision' of the United Nations. In reality, the application of accountability to the people, transparency and civil satisfaction criteria on the level of all state structures

has reached a new phase. In 2016, a state policy was declared related to ensuring the ASAN service index in civil-public relations. Another important issue is the fact that 'ASAN Service' acts as a contribution of Azerbaijan to regional and global innovative society building.

The Spiritual-Ideological Foundations of Independence

Azerbaijan is a homeland not only for Turkic-speaking Azerbaijanis, but also for peoples belonging to various language groups and religions. The main provision of the national ideological concept of our country is 'Azerbaijanism.' The major aim of Azerbaijanism is the support of principles such as independence, statehood, nationalism, universality, justice, democracy, national progress etc. Azerbaijanism is an unexampled historical resource that reflects the mutual communication and relationship, and the common destiny of all peoples living in the country.

Azerbaijanism is a civil identity characterized by a feeling of pride with one's country. In this respect, Azerbaijanism is the fundamental resource of people's development. Currently, while it is widely declared that multiculturalism has collapsed throughout the world, Azerbaijan proves, by its progressive experience, that multiculturalism is realized in Azerbaijan, where the common welfare of different peoples has become a lifestyle. Global forums promoting dialogue and understanding are organized, and, as a result, the Republic has become known as a place of tolerance in the world. There has been no confrontation under national-religious circumstances. Tolerance and friendship, which are considered national resources, have been created and upheld by generations of Azerbaijanis. Academician Ramiz Mehdiyev writes,

[the] Political Philosophy of President Ilham Aliyev is that all the peoples and representatives of all the religions communicate with each other, openly discuss problems, and provide their opinions freely. Now Azerbaijan has become a traditional area for holding such important events on dialogue between various cultures and civilizations. This has a geographical, historical and cultural foundation, because all the peoples and the representatives of all religions have always lived as a single family. In fact, there is a high level of national and religious tolerance in Azerbaijan and this is the source of power of the Azerbaijani people. The power of each society is in its religious and national diversity.²⁰

Another aspect of Azerbaijanism is the integration of symbols reflected in national attributes, i.e. the state flag of Azerbaijan. The symbol for the country's relation to the union of the Turkic world is expressed in the flag's tricolor pattern, which expresses the unity of Turkism, Islamism and modernization, and which has been proven to be the reality in the country's years of independence to date. In each of the peoples of the world, increased trends may be noted for a return to roots, and to eternal spiritual values under the influence of the globalization process. The 1990s may be considered significant in this regard not only for Azerbaijan, but also for the Turkic world as a whole.

On August 1, 2001, Heydar Aliyev signed an executive order to switch from the Cyrillic alphabet to the Latin alphabet in Azerbaijan. This was a historic event. The Latin graphic alphabet played an important role in the re-establishment of the Azerbaijan language and in bringing Turkish-Azerbaijani relations to their current level. Following the switch to the Latin alphabet, Azerbaijani citizens can read the scientific literary products published in Turkey, while citizens of the Republic of Turkey can freely read in the Azerbaijani language. Thus, the process of the intensive integration of languages started.

Looking Ahead to the Near Future

The establishment of an independent national state by Azerbaijan coincided with the rise of theories on the collapse of the nation-state under the influence of the globalization process. Both the sovereign experience of Azerbaijan and world history indicate that the main institute that can resist the contradicting and destructive trends occurring in modern times is the independent state. The national state, which has no alternative among all the modern political institutes, and which has existed since the Treaty of Westphalia (1648) is subject to the pressures of transformation and the globalization processes. In the globalizing world, direct, close relations between security and stability exist in all independent countries. As all the world countries engage in the process of globalization, the destiny of independent countries also influences the international situation and appears as a problem for all of humankind. In most cases, the problems occurring in the territory of a specific country instantly take on global significance. In this case, what political conduct should be displayed by the newly independent countries?

In recent times, countries that have become newly independent and that are not classified as 'great states' have demonstrated high resistance, denying the forecast by

the well-known geo-politician K. Haushofer, who predicted that such countries would inevitably get weaker and be 'swallowed' by the great states. With that said, according to the World Bank, there are currently 30-40 countries which are considered weak or currently collapsing. This state of affairs has given rise to multiple investigations related to the future of newly independent countries in the postmodern political period. The conclusions drawn in these investigations may be called paradoxical. Some put forward the idea that the nation state will necessarily get stronger, while others put forward the idea that they will weaken and become subject to 'mutation.'

It is important for the independent countries, which are sovereign actors in the 21st century to be able to meet the criteria expressed in the state formula of 'being strong and efficient' in the modern political sense. A state's failure or inability to solve problems eventually results in damage not only to itself but also to multiple countries in the world. Inefficient management leads to the creation of international crisis and conflicts.²¹

According to the 'global paradox' that was put forward by American academician John Naisbitt, the author of *Megatrends* and *Global Paradox*, the higher the level of globalization, the more the power, potential, and influence on the process, even of participants considered small, provided that these participants can realize rational and pragmatic policy. He notes, "The bigger the world economy, the more powerful its smallest players."²² Asia and Latin America are the two world regions where Naisbitt sees the greatest economic growth. He suggests that it is in these regions that the new global economy is taking shape most rapidly.²³ An update in the content of 'strong and efficient state' is preconditioned not only by Naisbitt's paradox, but also the transformations occurring in the international area.

In his book *State-Building: Governance and World Order in the 21st Century*, Francis Fukuyama concludes: "what is most important for the future of the world order is to learn building a state."²⁴ According to his logic, "the establishment of a strong state is necessary not only for the collapsed or weak 'third world' countries but also for the world." The fact that the U.S. and the international community did not make "special achievements related to establishment of independent state" is not due to the cruel destruction of the national and state organisms or the sovereign institutes. The matter is that the specialists sent to weak states by the international community and most of the non-government organizations mostly squeeze the local weak state institutions instead of helping them.

A modern state exists in an environment different from that of its predecessors. Globalization has brought to the agenda the notion of common, collective security and collective responsibility reasonability. The inefficient activities of any country cause international conflict. The mechanisms for finding international solutions for crises and conflicts remain to be fully shaped. That is why a modern state has to determine the correct development models on its own as the main factor of global security. And this changes the meaning of the notion of traditional geopolitical 'power' and 'force.' In other words, the weakness of an independent state becomes a major source of problems locally and globally. The spectrum from weakness and competence is comprised of multi-shade criteria; a state's position on this spectrum is reflected, first of all, in the unique model consisting of the determination by the state's political leadership of the correct development strategy and its realization. Weakness results in instability and eventually the breach of sovereignty, and with it, exposure to external interventions. The global crisis showed that only strong state institutions can resist the crisis. Only such a state may be a guarantor of democracy. Therefore, the most fundamental political institute that could resist the chaotic progress of the processes in the period of modern global transformation is the state.

In reality, the nation state faces many foreign and internal threats in its development at the present time. Azerbaijan's challenges include: the provision of territorial integrity pending resolution from last century, energy security, fluctuation in oil prices, the global financial crisis, international terrorism, revival in the post-conflict period of the lands liberated from occupation, etc. Realities and challenges change with time; 25 years ago, the world was divided into fronts in which socialist and capitalist ideologies vied for supremacy. Today, international terrorism and radical religious sects are the main sources of threat in the world. It seems likely that no political institute will replace the nation state, which has developed over several centuries and will continue to evolve to better ensure international stability.

Conclusion

As a conclusion, it may be mentioned that sovereign statehood was established within the 25 years from the restoration of Azerbaijan's state independence, and its firm and sustainable development has become a tradition. The economy has been set up based on free market relations; the country has integrated into the world economy and become an integral agent in determining regional and global energy security architecture; systemic reforms have been performed in the political arena, and the legal principles of the democratic political system are in place. As a result of a long

series of reforms, a system of legislative, executive and judicial power and public administration meeting modern democratic standards has been established. All of these achievements are the necessary foundations for the further development of Azerbaijan's state independence in the years to come, while creating great assurance for its quality-based progress.

The only problem remaining unsolved since independence is that the country's territorial integrity, i.e. the Nagorno-Karabakh conflict, has not been resolved. According to an ancient Latin saying: "The one who does not go forward goes backward" (*Qui non proficit deficit*).⁹

It is important to note that each of the past years has been beneficial for advancing Azerbaijan's fair position, compliant with international principles, and the admission of these positions by the international community in the resolution of the conflict.

Azerbaijan escaped from the wave of suddenly changing geopolitical transformations by establishing an independent state and becoming a sovereign subject of international relations at the end of the last century. It passed through the self-verification phase with a status not existing in the history of statehood so far differing fundamentally. During these years, Azerbaijan has shown itself capable of successfully coordinating its historic legacy with the demands of modernism, making fundamental geostrategic choices and determining its political and civilization identity in its development. Democracy, integration into the world, and modernization were declared the main areas of the political course of the state. Azerbaijan determined the benchmarks of development while shaping a national model that successfully passed the trials of change and crisis, and is now helping ensure international stability in a world where the existing models were experiencing crisis. As a result of the policies successfully implemented by Azerbaijan, historical decisions were made that could lead the processes not only within the country but also in the region and the world in whole in a new positive direction that has contributed to stability and security.

Throughout history, states attempt to perform the duty of strengthening and developing themselves. But not all of them achieve this. The last 25 years, in which Azerbaijan has existed as an independent state, prove that this duty was realized. In the words of President Ilham Aliyev, "The experience of Azerbaijan shows that we can perform more works as compared with the past... [and that] our future and destiny are in our own hands... the short independence period has shown that despite all the difficulties, economic and political crisis and civil war in early 1990, we could overcome those difficulties. Today, when planning our future, we are thinking of improving our life style and being stronger."²⁵

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Economic Policy of the Republic of Azerbaijan After Independence

Orkhan BAGHIROV*

Early Years of Independence

The development of the economy of the Republic of Azerbaijan after independence occurred in a complex geopolitical and geo-economic environment. After losing its economic relations with the main trade partners due to recession in the post-Soviet countries, Azerbaijan faced with economic recession. The isolationist economic policy enforced by the Soviet Union for more than 70 years was the main barrier in developing independent economic relations outside of the Union. Therefore, in the early years of independence it was hard for Azerbaijan to reach the distant markets of Asia and Europe, which led to a dramatic decline in foreign trade volumes. Along with weak economic opportunities, Azerbaijan faced aggression from its western neighbor Armenia, which claimed on Azerbaijani territories. Armenia's unfair claims led to the Karabagh war, which resulted in the occupation of 20% of Azerbaijani territories. This situation formed blockade for Azerbaijan which decreased its ability to export products with strategic importance. At the same time lack of financial resources and ongoing war made difficulties in importing products from other countries. The ethnic cleansing by Armenians in occupied Azerbaijani territories displaced more than one million Azerbaijani citizens. The shortage of important products and huge number of refugees created socio-economic problems which deepened the economic crisis in the country. These negative processes created a vulnerable situation and put the financial and economic security of the country at risk. In 1994, inflation rose to 1,800% and between 1989-1994 Azerbaijan's total GDP decreased by about 60%. The reduction of GDP in agriculture was about 43% and industry fell about 60%.¹ According to the human development report of United Nations, the total economic damage is estimated to be around \$53.5 billion.² Along with war and the economic problems exacerbated by inexperienced and unskilled personnel, inefficient governmental management worsened the economic crisis. Even after independence,

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the Russian ruble was used as the main currency, which increased the potential for foreign political pressures. Due to the war, western transportation routes closed for Azerbaijan, increasing pressure on the problem of exporting products. The country's ongoing security problems and unproductive economy decreased the attractiveness of Azerbaijan's economy for foreign investors.

Recovery Phase

Despite all of Azerbaijan's ongoing economic and political problems, after coming to power in 1993, Heydar Aliyev put an end to the turmoil that engulfed the country. First of all, he ended the war with Armenia which was the main obstacle to economic development and began to carry out peace talks. In 1994 he was able to conclude important oil contracts. On September 20th the "Contract of the Century" was signed after long negotiations between Azerbaijan and a Consortium of foreign oil companies to develop Azerbaijan's Caspian oil reserves. This was a turning point for the Azerbaijan economy, as it was in need of investments that can take the country out of the economic crisis. As a result of this important contract Azerbaijan economy began to recover and the recession was replaced by economic growth by 1996. This growth was also stimulated by the new economic policy directed to the development of a market economy which accelerated Azerbaijan's integration with the world economic system. In a departure from the Soviet era, Azerbaijan opened its doors for foreign investors. The liberalization of the economy and measures taken for easing the currency regime increased the attractiveness of the Azerbaijani economy and led to attraction of huge foreign investments in the following years. As a result of the reforms, inflation decreased from its 1800% level in 1994 to 6.8% in 1996. The Azerbaijani manat, which became the country's official national currency in 1992, had been losing its value against the U.S. dollar (USD) at a rate of 1200% in 1994; it appreciated about 8% against the USD within two years.³

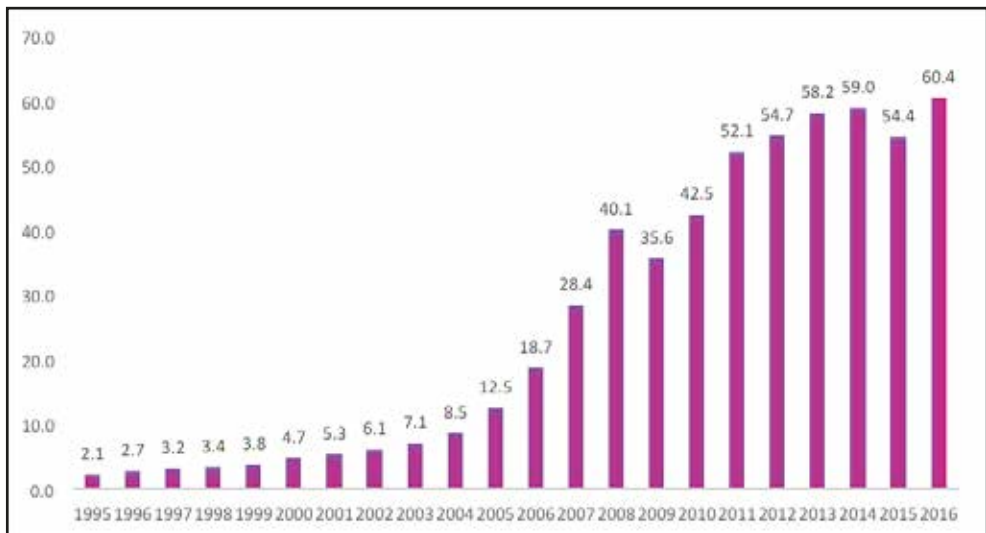
The stabilized economic situation in Azerbaijan provided macroeconomic stability, increasing the welfare of its citizens. If we analyze the dynamics of Gross Domestic Product (GDP), it becomes obvious that the country's efficient economic policy has justified itself. Between 1995 and 2003, Azerbaijan's GDP increased about 3.5 times, reaching 7.1 billion manats (Chart 1). After 2003, Azerbaijan embarked on a new path of economic development under the leadership of President Ilham Aliyev. He increased the effectiveness of government management, which led to the achievement of high growth rates, making Azerbaijan the country with the highest GDP growth rate in 2006 (34.6%). Taking into account the specific geographical and

political position of Azerbaijan, Ilham Aliyev developed a strategy which enabled Azerbaijan to strengthen its position as an economically powerful country in the region. Despite the economic crises of 2008 and 2014, Azerbaijan was able to sustain its growth rate. Due to the effectiveness of its economic policy during 2003-2013, Azerbaijan entered to the list of the most dynamically growing countries of the world.⁴ The average growth rate of the Azerbaijan economy during 1991-2015 was 5%; during 2000-2015 this indicator reached 11%, again proving the effectiveness of the country's economic policy and reforms.⁵

Development of a Macroeconomic Environment

As we see from Chart 1, Azerbaijan's GDP reached high growth rates after 2006 and continued growing until 2014. In this period GDP increased about 5 times. Despite the fact that high growth rates were observed both in 2005 and 2006, GDP with large volumes are recorded after 2006. This is partly due to the full realization of oil contracts and increased export volumes of oil after 2005. The allocation of oil revenues to necessary infrastructure and human capital created a sustainable base for economic development. High oil revenues are also reflected in various macroeconomic indicators, including GDP per capita and income of the population.

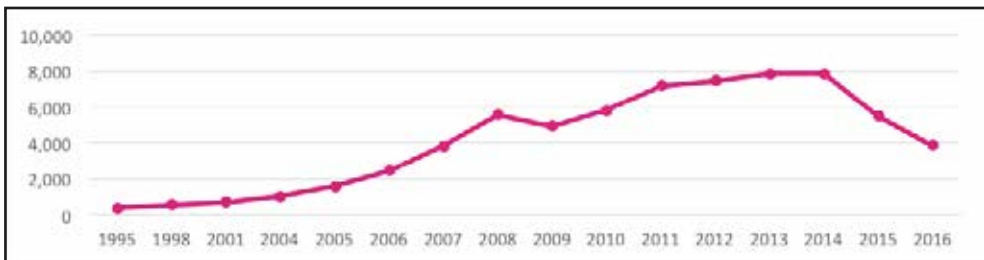
Chart 1. GDP of the Republic of Azerbaijan (billion manats)



Source: The State Statistical Committee of the Republic of Azerbaijan

Accordingly the level of GDP per capita of Azerbaijan had high growth rates after the 2006. Prior to 2006, there was increase every year but it was not substantial. Between 1995 and 2006, the GDP per capita increased about 6 times (Chart 2). This reflects the economy's recovery after the early years of independence. Since 2006, with the exception of 2009, 2015 and 2016, there has been consistent increase in GDP per capita. The reduction in these years related to the 2008 financial crisis and the substantial decrease in the price of oil after 2014. In both cases, the reduction of GDP per capita was related to external factors that affected the economy. The highest level of GDP per capita was 7,891 USD, observed in 2014. However, after 2014, due to volatilities in the international oil market, there was a sharp decline in GDP per capita, which decreased to the level of 2008. As the price of oil recovers, it is expected that Azerbaijan's GDP per capita will increase, reaching levels of 2013 and 2014 again. Comparing the highest and lowest levels of GDP per capita after independence, we can observe an increase of about 20 times in nominal terms. The country's effective oil strategy and economic policy, which contributed to its financial security are the reasons behind this substantial increase.

Chart 2. GDP per capita of the Republic of Azerbaijan (USD)



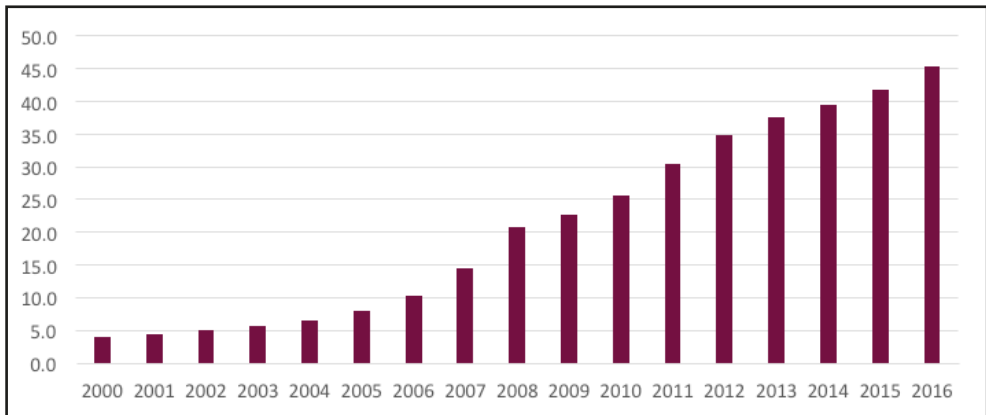
Source: Statistical database of the World Bank, World Bank national accounts data, and OECD National Accounts data files.

Welfare of population

Because of the effective use and transformation of oil revenues, there has been a substantial increase in the income of the population. As a result of this positive process between 2000-2016, the total income of the population increased more than 11 times in nominal terms (Chart 3). Likewise, GDP and GDP per capita substantial

enlargement of total income began from 2006. The income of the population had a growth rate of approximately 200% between 2000–2005, and the growth rate between 2005–2016 rose to more than 500% in nominal terms. Even though there were significant changes in the price of oil in international markets, the government of Azerbaijan was able to maintain a modest increase in income even after 2014.

Chart 3. Total Income of Population (billion manats)



Source: The State Statistical Committee of the Republic of Azerbaijan

Between 2000–2016 the structure of the total income of the population faced important changes due to the transformation of Azerbaijan’s economic policy. If we analyze the structure of the total income based on salaries and entrepreneurial activities, we can observe that these two types replaced each other at different times as the main source of income for the population. During the period between 2000–2005, the proportion of salaries in total income exceeded the proportion of entrepreneurial activities. The proportion of salaries reached 25% in 2000 and increased to 37% in 2005 (Chart 4).

The proportion of business income in the economy was 52% in 2000 and decreased to 43% in 2005. However, after 2005 the reverse process occurred as entrepreneurial activities increased. During the 2005–2016, the proportion of salaries in total income decreased to 26% and the proportion of entrepreneurial activities increased to 61%. These changes in the structure of income show that the economic policy change

toward the market economy has been successful and has created an efficient business environment for entrepreneurs. The period in which business income increased coincides with the period when the level of oil revenues began to increase in the economy. Despite big increases in oil revenues, however, the government focused on the development of the non-governmental sector instead of making the economy dependent on government subsidies. This policy enabled the government to decrease the economy's dependence on the oil-sector by increasing entrepreneurial activity in the country.

Chart 4. Proportion of Salaries and entrepreneurial income in total income



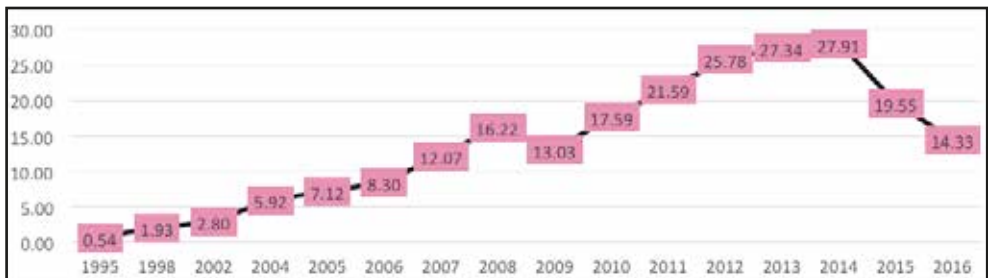
Source: The State Statistical Committee of the Republic of Azerbaijan

Investments

The Azerbaijan economy's secure and profitable environment has attracted both foreign and domestic investments. The effective use of oil revenues has increased the credibility of the Azerbaijani economy and provided investors with high returns. Between 1995-2006, investments directed to the economy increased more than 15 times, reaching 8.3 billion USD. The growth rate continued until 2008 when the international financial crisis occurred. As a result of the crisis, investment directed to

the economy decreased by about 20% in 2009. The next growth path of investments was observed in the period from 2009 to 2014, when investments directed to the economy more than doubled. The 27.9 billion USD level of investments in 2014 was the highest to date since Azerbaijan achieved independence. However, the sharp decrease in oil prices in international markets affected both foreign and internal investments, which in turn decreased total investments substantially. Comparing to 2014, investment levels fell to 14.3 billion USD in 2016 as a result of a 50% decrease.

Chart 5. Investments Directed to the Economy (billion USD)



Source: The State Statistical Committee of the Republic of Azerbaijan

The decrease was also related to the tight monetary policy that the Central Bank began to implement after 2015, aimed at curbing inflationary factors and reducing governmental costs to maintain the stability of the national currency. These successful reforms stabilized the economic situation in Azerbaijan, creating an environment for a stable national currency that will increase the level of investments as in previous years.

It is also important to analyze the structure of investments based on two main categories: foreign and domestic investments. In the last 25 years there has been substantial increase in the level of both foreign and domestic investments. Foreign investments increased from 380 million USD in 1995 to 5 billion USD in 2006 and 10.16 billion in 2016.⁶ Even though Azerbaijan was affected by the 2008 financial crisis and by low oil prices in recent years, the level of foreign investments has remained stable and has not seen any substantial reduction. This proves that even though Azerbaijan has experienced economic challenges in recent years, effective

governmental management has maintained the attractiveness of Azerbaijan's economy for foreign investors. The country enjoyed its highest level of foreign investments to date in 2014, which was 11.7 billion USD, 13% higher than in 2016.

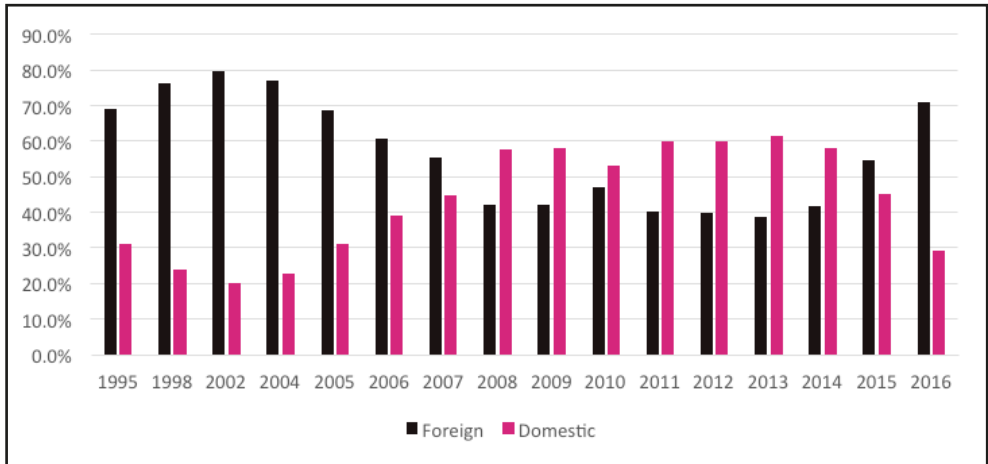
Unlike foreign investments, domestic investments have been subject to fluctuations. Like foreign investments, domestic investments increased substantially in the period of 1995-2006, rising by about 19 times. The level of internal investments was affected by downturns in the world economy, and in 2009 decreased about 19.3%.⁷ After 2010, the level of internal investments recovered to its previous level and began to take a growth path until 2013. During this period, internal investments increased substantially, reaching their highest number of 16.8 billion USD in 2013. This level was 2.2 times greater compared to 2009. However, after 2014 internal investments began to decrease substantially in terms of USD. In 2016 the level of internal investments returned close to the levels of 2006-2007, reaching 4.17 billion USD. Between 2013-2016, internal investments decreased by about 4 times. Due to the depreciation of the Azerbaijani manat, internal investments in terms of USD saw a substantial reduction. If we analyze the situation in internal investments based on national currency, we can observe a different situation. During the period between 2013-2016, internal investments decreased by about 6.5 billion manats, reaching 6.65 billion manats in 2016. Reduction was about two times. The same is true for foreign investments. There were small changes in the level of foreign investments in terms of USD; after the depreciation of the manat the level of foreign investments in national currency increased, reaching 16.2 billion manats in 2016.

Changes in economic policy and in the price of oil also affected the structure of investments based on the proportions of foreign and domestic investments. During the period between 1995-2007, foreign investments had a greater share compared to domestic investments. Even though the proportion of foreign investments in this period was higher, it began to decrease after 2004. The total share of foreign investments in the economy was 68.9% in 1995 and decreased to 55.3% in 2007 (Chart 6). It also should be noted that in 2002, the share of foreign investments increased to 79.9%.

The high share of foreign investments in the early years of independence was related to the fact that in this period, because of the "Contract of the Century," most of the investments were directed to the oil sector by foreign companies. In that period, the size of the economy was small and it was not able to generate a high level of internal investments. After 2007, the situation changed and the level of internal investments began to exceed foreign investments. The share of internal investments was 57.8%

in 2008 and increased to 61.4% in 2013 which is the highest number for internal investments since independence. After 2007, when the full capacity of Azerbaijan’s oil fields began to be used and oil prices increased substantially, economic activity increased, enabling a transformation of oil revenues to efficient internal investment. The dominance of internal investments in the economy continued until 2014. After 2014, as a result of a huge decline in oil revenues the economy diminished, negatively affecting economic activity which in turn decreased the share of internal investments. This down-turn was also related to the devaluation of the national currency, which resulted in a volatile economic environment and decreased the attractiveness of the economy for investing activities. As a result of these processes, the share of domestic investments decreased to 29.1% in 2016, approaching 2007 levels. Based on previous trends in the structure of investments, when the economy recovers thanks to stimulation from effective economic reforms, it is expected that the share of domestic investments will again increase.

Chart 6. Proportion of Foreign and Domestic Investment in Total Investments



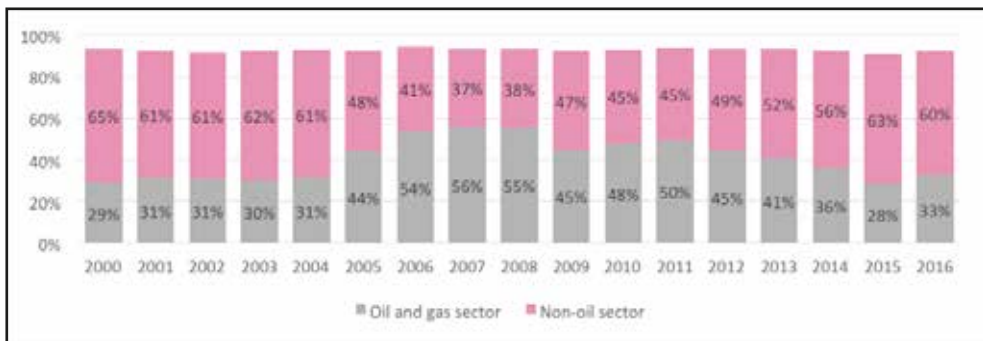
Source: The State Statistical Committee of the Republic of Azerbaijan

The Post-Oil Era

Volatility in oil markets in recent years has increased the importance of diversification in the Azerbaijani economy. Despite the fact that the process of diversification began

before oil prices declined, the negative economic events after 2014 necessitated to increase speed of this process by minimizing negative effects of low oil income on economy. From the beginning of his presidency President İlham Aliyev emphasized the importance of eliminating oil dependency, and made many important reforms in this direction. In 2004, at a large-scale meeting of the Cabinet of Ministers, Aliyev stated: “The oil factor will play a big role in the economy of our country, but we have to build our economic policy, as if there is no oil in Azerbaijan – more precisely, Azerbaijan is not an oil country.”⁸ Therefore, after the assignment of oil contracts, for many years oil revenues were used for the formation of necessary infrastructure and creating an environment for the development of the non-oil sector. Along with infrastructure, many other reforms have been implemented in recent years. After oil prices declined, the Government of Azerbaijan redirected its economic policy toward diversification in order to decrease dependence on oil revenues. To implement this new policy, a “Strategic Road Map” consisting of 12 documents covering national economic perspectives and providing direction for 11 economic sectors was approved by the President.⁹ Mostly focusing on the development of the non-oil sector by promoting and supporting small and medium sized businesses, the road map accelerated development of the non-oil sector.

Chart 7. GDP in Oil-gas and Non-oil Sectors (share by percent)



Source: The State Statistical Committee of the Republic of Azerbaijan

We can observe these changes in the structure of the GDP in terms of Azerbaijan’s oil-gas and non-oil sectors. After 2005, when oil revenues significantly increased, the share of the oil sector began to increase reaching 54% in 2006 and 56% in 2007

(Chart 7). In the following years, due to changes in economic policy, the share of the non-oil sector increased significantly, exceeding the oil-gas sector. Between 2007-2015, the share of the non-oil sector in GDP increased from 37% to 63%. There was a 3% reduction in 2016 because of general economic shrinkage. Due to the above-mentioned changes in the structure of the GDP, we can say that the implementation of the new economic policy is efficient and will bring more dividends in the future, strengthening the country's financial security and macroeconomic stability.

Conclusion

From our analysis, we can conclude that Azerbaijan's economy in the last 25 years has gone through three main stages. The first stage was accompanied by economic crisis, political turmoil and reduced trade opportunities. During the first stage Azerbaijan economy was struggling to survive in the environment where negative results of isolationist policy of Soviet Union were in place. The dangerous situation at this stage even paved the way for the occupation of Azerbaijani territories by Armenia.

In the second stage that began in 1994, the economic and political situation in Azerbaijan began to normalize and prospects for development were opened. The most significant event in this stage was assignment of the "Contract of the Century" which played a crucial role in the recovery process of the Azerbaijan economy. With the necessary financing acquired from the export of oil, Azerbaijan's economy began to grow rapidly, reaching the status of fastest growing economy of the world in 2006. During this second stage oil revenues were efficiently transformed to development of necessary infrastructure and human capital that subsequently enabled the Azerbaijan economy to maintain its growth and provide financial and social stability within the country.

The last stage, which began in 2014, can be considered as a 'post-oil' period. After 2014, the Azerbaijan government mostly focused on the development of the non-oil sector and began to use the established infrastructure for the development of different sectors. As a result, after a short term of instability and shrinkage in 2017, the economic situation in the country began to normalize and macroeconomic stability was achieved by means of the successful reforms that had begun to be implemented in 2016. The success of the country's non-oil sector development policy will protect Azerbaijan's economy from future volatilities in the oil market. In the third stage, Azerbaijan has not only recovered its economic growth but also created an environment for long-term economic stability and financial security.

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Financial Support for the Investment Process: The Most Important Component of Kazakhstan's Economic Development in 25 years of Independence

Anna ALSHANSKAYA and Baltabay SYZDYKOV*

Abstract

This article examines the specifics of the financial provision of the investment process in Kazakhstan. The main sources of financing are identified, as well as the negative and positive aspects of their use. Additional mechanisms for financing the investment process are considered, such as public-private partnerships and a new financial center. It concludes that at present, each of the sources of financing in the existing system of financial support for investments has serious limitations. Given these conditions, it is necessary to activate the regulatory impact of the state on "overcoming bottlenecks" for the formation of an effective and comprehensive system of financial support for the investment process.

Key Words

investment process, direct foreign investments, budgetary funds, public private partnership, fixed capital.

Introduction

Ensuring economic growth, its continuity and dynamism, is one of the main tasks of the state, oriented to the implementation of the country's social and economic development. The ability of the economy to grow depends on the process of renewal of core funds. High rates of growth in physical volume, and improvement of the quality of core funds, are decisive factors in increasing the quality of life of the population.

The formation of stable economic growth and the production capacity of the real sector can be achieved by creating a set of appropriate conditions, the most

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significant of which is the strengthening of the investment activity of economic entities. In a market economy, an enterprise as the primary tier in the economic life of a society, exists on the basis of the principles of independence and self-financing, the implementation of which in practice means independent decision-making in the sphere of the enterprise activity, its organizational and legal form, and, above all, the choice of sources for financing the organization's capital. A company that wants to develop and expand its production capabilities cannot limit itself to its own resources and operate only on the basis of self-financing. To implement investment activities, the enterprise needs to access external sources of financing. An important role in the formation of external sources is played by financial markets, especially the loan capital market and the stock market. 'External' means also include foreign investment and various instruments of state support for business.

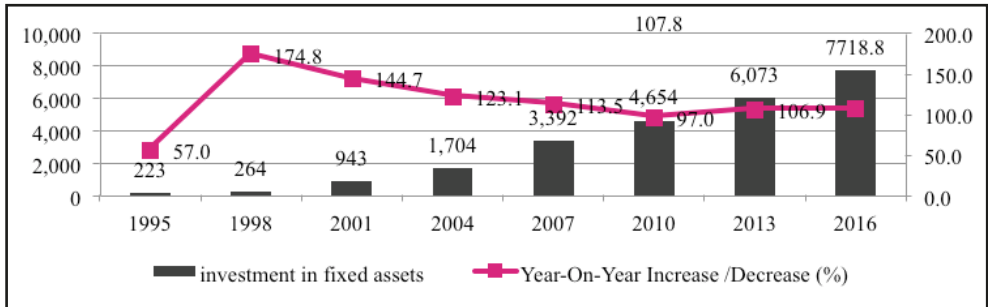
Increase in investment activity as a factor of the economic growth and development of the national economy, and changes in the quantitative ratio of investment, have an impact on the volume of social production and employment, structural shifts in the economy, and the development of industries and spheres of the economy.

The modernization and diversification of industries and sectors of the economy, in order to increase the competitiveness of Kazakh enterprises, is one of the main tasks of the ongoing state policy for the short and long term. Thus, in the most important program document of the strategy, "Kazakhstan – 2050: the New Course of the Established State," focuses on accelerating the technological modernization of the economy and maintaining sustainable economic growth based on an open market economy with a high level of foreign investment and domestic savings. These goals are the country's main agenda in the face of growing instability in the external environment.

In general, in the period from 1994 to 2016, investment activity in Kazakhstan focused on revitalizing the investment process through domestic and external sources of financing.

Figure 1 shows a progressive increase in investment in fixed assets. The volume of investment in fixed assets over the period under review increased by more than 30 times and amounted to 7.7 trillion *tenge* in 2016. At the same time, the growth rate of investments of Kazakhstan enterprises in the period 2007-2010 tended to decrease. In 2011 this trend was reversed, and the volume of investments in fixed assets grew at a steady pace

Figure 1. Dynamics of Investment in Fixed Assets (million tenge)



Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan

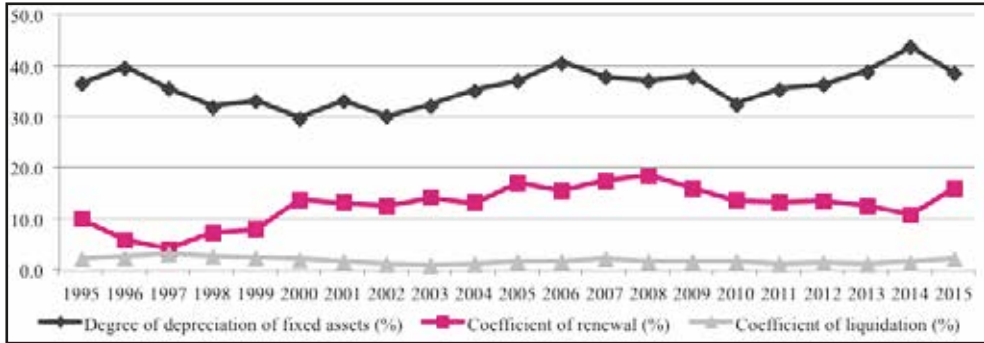
However, the relatively high level of depreciation of a significant part of the fixed assets in certain sectors of the economy, and the low rate of their renewal are still serious deterrents to the development of the country. Most enterprises in the real sector suffer from a lack of financing and sluggish investment. The problem of a significant underutilization of the financial resources available in the country for investment, as well as the problem of differences in the levels of their use by the economic sectors, is a brake on the sustainable economic growth of the national economy.

For the period from 1995 to 2015, the production capacities of Kazakhstani enterprises deteriorated in the midst of unstable dynamics caused by insufficiently stable rates in the commissioning of new core funds and the liquidation of obsolete ones. Thus, as the coefficient of renewal and liquidation decreased, the depreciation of core funds increased from 32.5% in 2010 to 43.7% in 2014 (see Fig. 2).

Increasing the financing of the investment processes, and attaining a sufficient level of gross fixed capital formation are indispensable conditions for the successful modernization of the country’s economy. In 2016, Kazakhstan spent 23.4% of its GDP on accumulation (Table 1). Approximately the same amount of accumulation may be seen in Russia. On the one hand, Kazakhstan’s gross accumulation relative to GDP is at the same level and even slightly higher than that of developed countries. The UK, for example, spends 16.6% of GDP on gross accumulation; Germany spends 20%. On the other hand, the level of gross accumulation in conditions of strong physical deterioration of fixed assets, and inadequate development of a significant

part of industries, does not promote active financing of the country's economic modernization.

Figure 2. Fixed Assets of the Republic of Kazakhstan (%)



Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan

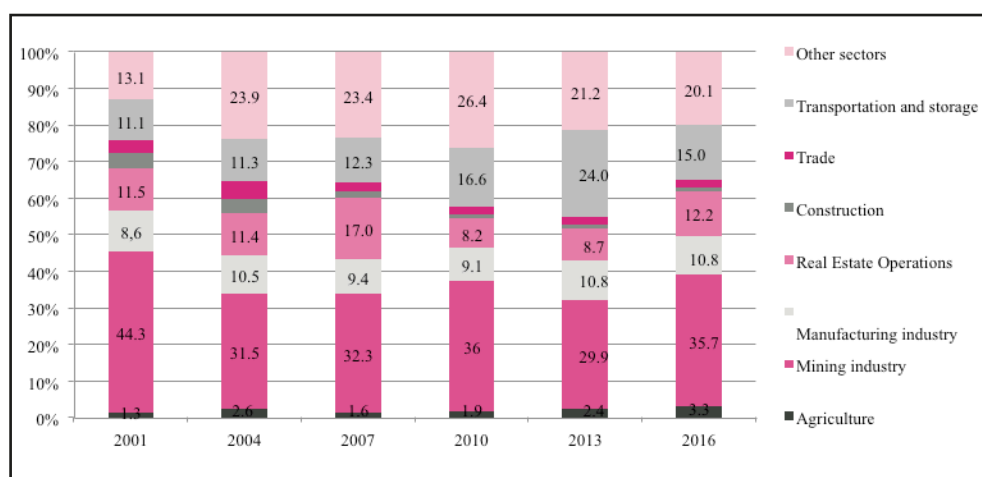
Table 1. Gross Fixed Capital Formation (% of GDP)

	1995	1998	2001	2004	2007	2010	2013	2016
Kazakhstan	23.1	15.7	23.7	25.1	30	24.3	21.9	23.4
Russia	21.1	16.2	18.9	18.4	21	21.6	20.2	21.1
China	33.2	33.7	34.3	40.6	38.9	45	45.5	-
Germany	23.4	22.6	21.7	19.2	20.1	19.4	19.7	20
United Kingdom	18.3	18.2	17.8	17.2	18	15.6	16.1	16.6
USA	20.8	22.1	22.4	22	22.1	18	19.2	--
Canada	18.4	20.6	20.2	20.9	23.4	23.5	24.2	23

Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan.

There were some changes in the structure of investments by type of activity for the period from 2001 to 2016. The implementation of state sectoral programs, in particular the State Program for Accelerated Industrial and Innovative Development of the Republic of Kazakhstan (2010-2014 and 2015-2019), the State Program for Infrastructure Development “Nurly Zhol” for 2015-2019, as well as selected concepts for the development of the national economy, allowed for some reduction in the structural imbalances associated with the high role of the commodity sector.

Figure 3. Structure of Fixed Investments by Sector (% of total fixed investments)



Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan

At the moment, investment activity is occurring at the expense of enterprises operating in the mining sector; its share in the total volume decreased from 44.3% in 2001 to 35.7% in 2016 (see Figure 3). In addition, in the conditions of the outstripping growth of the manufacturing industry over the mining sector, the share of the mining sector in the total volume of investments increased from 8.6% in 2001 to 10.8% in 2016. The share of investments in the transport sector increased from 11.1% in 2001 to 15.0% in 2016, related to the implementation of large infrastructure projects in the framework of state programs. However, investment in such industries as agriculture and construction remains insignificant, and only a small part of total investment is directed to the development of trade.

The structure of the sources of financing investments in fixed assets shows that acquired funds take the smallest share – below 50%. In 2016, due to the complexity involved in gaining access to external financing (due in part to increased rates on bank loans), the share of acquired funds in the structure of financing investments in the fixed assets of large and medium-sized organizations fell below 40%. Investments in fixed assets were carried out mainly at the expense of the enterprises' own funds – their share by 2016 reached 60.7%, mainly against the background of a reduction in foreign investment. From 2001 to 2016 the share of foreign investment decreased from 29.0% to 13.6% (see Table 2).

Table 2 – Structure of Sources of Investment Financing in Fixed Assets in the Republic of Kazakhstan for 2001-2015 (million tenge)

	2001	2004	2007	2010	2013	2016	Increase rate (2001-2016)
Budget resources	75.3	193.4	536.4	1015.2	1023.7	1173.1	120.1
Specific weight, in %	8.0	11.4	15.8	21.8	16.9	15.2	7.2
Own funds	559.9	1095.4	1656.1	1896.0	3139.8	4684.5	115.2
Specific weight, in %	59.3	64.3	48.8	40.7	51.7	60.7	1.3
Foreign investments	273.2	301.3	622.5	1240.9	1203.6	1050.9	109.4
Specific weight, in %	29.0	17.7	18.4	26.7	19.8	13.6	-15.3
Borrowed funds	35.0	113.5	577.1	501.5	705.5	810.3	123.3
Specific weight, in %	3.7	6.7	17.0	10.8	11.6	10.5	6.8
Total	943.4	1703.7	3392.1	4653.5	6072.7	7718.8	115.0
Total, in %	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	

Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan

The key components of investment process are budgetary funds (republican and local level), as well as bank loans (Kazakhstani and foreign banks). Budget funds, as a rule,

are directed to socially significant projects. On average, the volume of borrowed and public investments increased during the period by approximately the same growth rates (an average of 20-23% per year). At the same time, budgetary funds on the share in the structure of investment financing on average outweigh bank loans.

The relatively high share of budgetary funds in the financing of companies' investments which developed at this stage of the country's development seems to correspond to the current transformational process taking place in the economy, under conditions in which the market infrastructure is not fully able to function effectively. At the same time, under conditions of limited budget system possibilities, and a complicated procedure of selection and implementation of investment projects, access to these sources of investment cannot be wide, and for many companies it is complicated.

In modern conditions, the transition from active state financing to the practice of state support of investment projects through public-private partnership instruments is relevant. At present Kazakhstan has a high potential for PPP (Public Private Partnership) development. According to experts from the Kazakhstan PPP Center, the volume of PPP projects by 2023 could reach 10-15% of the total infrastructure development needs. In order to expand the use of concession projects, it is necessary to improve the planning and management of the preparation and implementation of projects, competition procedures, legal protection of interests and the rights of the private party, the introduction of a mechanism for reimbursing certain private sector expenditures, with the possibility of using financial state support measures.

To date, in Kazakhstan, the practice of PPPs is present mainly in the transport sector (BACAD - construction project of a large auto-ring road, easy rail transport in Almaty, etc.) and in the health sector. The use of the PPP mechanism has great potential, but it requires clear, systemic work on its development. At the same time, the share of borrowed funds remains insignificant in conditions of high interest rates on loans (relative to the industry rate of return), as well as the insufficient resource and capital base of commercial banks. Expensive loans restrain investment activity, first of all, for small and medium-sized businesses that do not have access to other external sources of funds.

The National Bank of the Republic of Kazakhstan has developed a program to improve the financial stability of the banking sector, the main purpose of which is to stimulate credit liquidity and reduce interest rates on loans. It is worthwhile to understand that state support is based on the joint participation of the parties on the principle of "one to two," according to which the National Bank of Kazakhstan will

provide monetary funds at a rate of 66% of the amount of capitalization of the bank, and the remaining 33% is funded by shareholders. The money provided over the next 15 years must be returned to the state. Measures to support the banking sector will help reduce non-performing assets, increase the interest of banks in lending to the real sector, and have a multiplier effect on the development of the country's economy as a whole.

The stock market remains unattractive as a source of investment financing. A low level of liquidity in securities, low sector diversification of issuing companies, an insignificant number of institutional investors, as well as the weak development of collective forms of investment, all make a company's recourse to the stock market unnecessarily expensive and risky.

The launch in 2018 of the Astana International Financial Center (AIFC) may be an incentive for increasing the role of the stock market in providing the economy with investment resources. The listing and IPO (Initial Public Offering), first of all, of the companies of the fund of Samruk-Kazyna JSC* will have to be implemented on the AIFC site.

It should be emphasized that a special legal regime operates in the territory of the AIFC on the basis of the General Law regulating relations between the participants of the AIFC and interested parties aimed at developing the financial market. The main institution for resolving disputes between the participants of the AIFC should be an independent court, composed of qualified judges with practical experience in countries with jurisdiction over English law, and separate from the judicial system of the Republic of Kazakhstan. The experience of the best international financial centers, such as London, Dubai, Toronto, New York, Paris, etc. will be used in the practice of the AIFC, centered in Astana.

* Samruk-Kazyna JSC – is a strategic holding and active investor whose mission is to increase the national welfare of the Republic of Kazakhstan, and to support modernization its economy. Samruk-Kazyna JSC includes companies in oil and gas, transport and logistics sectors, chemical and nuclear industry, mining and metallurgy, energy, machinery building and real-estate sectors. Sovereign Wealth Fund Samruk-Kazyna Joint Stock Company is the Fund, where the sole shareholder is the Government of the Republic of Kazakhstan.

Table 3. Comparison of the AIFC with World Financial Centers

Best practices	London	Singapore	Dubai	Toronto	New York	Astana
The state is the key development agent of the FC		+	+	+		+
Independent Court and english law	+	+	+	+	+	+
Strong and liquid capital markets	+	+		+	+	+
Minimum regulation and taxation of residents		+	+			+
Favorable social environment	+	+	+	+	+	+
Use of National welfare fund for localization residents		+	+			+
High international native transport availability	+	+	+		+	+
A clear value proposition and a clear implementation plan		+	+	+		+

Source: Astana International Financial Centre

Thus, at present, the system of financial support for investments consists of sources of financial resources each of which has serious limitations in use. Companies facing insufficiency in their own resources have few and inadequate options when seeking supplemental funding from the financial market or from state support.

The prolonged underfunding of the investment processes, and the technological backwardness of many sectors and spheres of the economy in many respects, restrain the economic development of Kazakhstan. In these conditions, it is necessary to activate the regulatory impact of the state in “overcoming bottlenecks” for the formation of an effective and comprehensive system of financial support for the investment process.

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Kazakhstan's Foreign policy: Key to Providing National and International Security in 25 Years of Independence

Meirat OMAROV*

Abstract

The article focuses on Kazakhstan's foreign policy, and its participation in collective security structures such as CICA, OSCE, CSTO, SCO and the UN as the main instruments for ensuring national, regional and even global security. It details Kazakhstan's efforts, from its period of independence, through its emergence as a developing state with relatively small economic and military-political potential, to its efforts to defend its national interests and protect its territorial integrity through the use of an effective, multi-vector foreign policy and its present-day contribution to collective security structures.

The article finds that all the measures taken by Kazakhstan's leader, Nursultan Nazarbayev, and the Kazakhstani foreign policy office in the sphere of regional and global security have led to the recognition of the country as a reliable and authoritative member of the world community and a non-permanent member of the UN Security Council.

Key Words

national interest, collective security, regional and global security, foreign policy.

Introduction

By the 26th year of its independence, Kazakhstan had amassed a solid record of achievements in foreign policy. In the second decade of the 21st century, Kazakhstan has become an authoritative, recognized participant in the world community, contributing to regional and global security as a non-permanent member of the UN Security Council. This result required tremendous efforts, and much hard work in building favorable foreign policy conditions during the initial 26 years of the country's independence period.

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In the early 1990s, during the collapse of the USSR, Kazakhstan found itself in a complex web of completely new geopolitical conditions. After gaining independence, Kazakhstan needed to determine its own place in the system of geopolitical coordinates as soon as possible, formulate its national and state interests, build an adequate system of foreign policy priorities, and lay the foundations of its own foreign policy strategy.

The newly independent state had to build its foreign policy from scratch, a process which began with the unanimous inclusion of the Republic of Kazakhstan in the UN on March 2, 1992, during the 46th session of the United Nations General Assembly.¹ Despite this warm welcome in the international arena, Kazakhstan faced numerous difficulties; in the republic there were no professional diplomats capable of solving the actual tasks of foreign policy. Many experts expressed utter skepticism about the viability of the young state. In the eyes of the world community, Kazakhstan had a negative image, raising the threatening specter of an Islamic state with nuclear weapons.

Under these conditions, the young state managed to establish constructive cooperation with all states along its borders, begin the process of settling border issues, and make a significant contribution to ensuring national and regional security in the Central Asian region. Over the past quarter century, the formation of domestic diplomacy has emerged, and the country has made great strides in the international arena as well.

Now we can state that all the difficulties of becoming an independent state and ensuring national security have been successfully overcome – in many respects, thanks to a balanced and pragmatic foreign policy. Over the years, the Republic has become a full-fledged member of the international community, whose initiatives have almost always received international support. As these initiatives were implemented in practice, a multi-vector foreign policy took shape. Kazakhstan developed an international image as a serious and reliable partner, and the authority of the country in the world community grew.

More recently, Kazakhstan has become the initiator of the most important events in the sphere of ensuring regional and global security. In cooperation with the OSCE (Organization for Security and Co-operation in Europe), the country proposed the creation of a pan-Asian forum – the Conference on Interaction and Confidence Building Measures in Asia (CICA). Kazakhstan's achievements in domestic diplomacy include hosting the OSCE summit in Astana (2010), as well as the

landmark SCO-2017 summit, at which India and Pakistan were accepted into the organization, in addition to numerous multilateral meetings in various formats.

According to the Constitution, the President of the Republic of Kazakhstan determines the main directions of internal and foreign policy, and represents Kazakhstan domestically and in the country's international relations². The basic principles and priorities of Kazakhstan's foreign policy were clearly formulated for the first time by the President on May 16, 1992, in the "Strategy for the Formation and Development of Kazakhstan as a Sovereign State." This document proclaimed the peaceful direction of Kazakhstan's foreign policy in the international arena, the desire to achieve a nuclear-free world, and the country's adherence to the principles of inviolability of the existing borders, and non-interference in the internal affairs of other states.³

Kazakhstan's foreign policy sought to be reasonable and pragmatic, aimed at ensuring the real independence of the country in relation to fluctuations in the global market, and global and regional trends. Already at this stage of formation, Kazakhstan's foreign policy comprehensively took into account geopolitical factors, including its close proximity to world powers Russia and China, the global role of the United States, the transit situation, and the lack of direct access to maritime communications. The geopolitical features of the country, located at the crossroads of Europe and Asia, contributed to a multi-vector foreign policy, and the establishment of mutually beneficial relations with various countries.

Thanks to the balanced foreign policy course set in place by President Nazarbayev, Kazakhstan has come a long way in a quarter century, from a debutant in international relations to an active and authoritative member of a unique global organization. Confirmation of this is the participation of the state, starting in 2017, as a non-permanent member of the UN Security Council, which is entrusted with greater responsibility for the maintenance of peace and international security on the planet.

According to many foreign and domestic experts, these challenges were successfully resolved due to the fact that in such a difficult period the country was headed by its first President Nursultan Nazarbayev. The personal contacts established by Nazarbayev at the highest level helped Kazakhstan overcome the most important challenges in the formation of its domestic and foreign policy, and lay the foundations for ensuring the country's national security.

It should be emphasized that the foreign policy of the Republic of Kazakhstan at the stage of development within the framework of the Development Strategy “Kazakhstan – 2030” was subordinated to the imperative of strengthening the country’s independence and territorial integrity and ensuring national security, while making use of the favorable geographic, geopolitical and geo-economic position of the country at the crossroads of Europe and Asia.

The geopolitical location of the Republic of Kazakhstan, and its economic and military-political goals and interests determined the country’s place in the system of international relations.

At the initial stage of its formation as a state, Kazakhstan did not possess high economic and military-political potential. At that time, it was important to ensure national security not by military, but by diplomatic methods. Therefore, the leadership of the Republic of Kazakhstan and its foreign policy department pursued a balanced and constructive, multi-vector foreign policy, which was expressed in Kazakhstan’s participation in collective security structures. First of all, this applies to the UN, OSCE, NATO, CSTO, SCO and CICA.

It is no accident that in the military doctrine of the Republic of Kazakhstan, in a package of measures, along with others aimed at ensuring military security, the use of partnership tools and cooperation with other states and international organizations in the interests of forming a regional security system and preventing military conflicts is declared.⁴

One year after Kazakhstan became a full-fledged member of the United Nations (UN), on October 5, 1992, the President of the Republic, at the 47th session from the high rostrum of the General Assembly, initiated the convening of the Conference on Interaction and Confidence-Building Measures Asia (CICA)⁵. This idea, in fact, was the first global initiative of the young state and the first step towards security in the Asian continent. The countries of Asia, which have very uneasy relations with each other, are plagued by a number of historical problems, caused both by their colonial past and by modern ethno-confessional, economic and cultural-civilizational disagreements. In that context, CICA was the first step towards the creation of a comprehensive security structure in Asia. The implementation of this idea became the basis for the creation of a Eurasian and further global security system, and continues to intensify the processes of economic, cultural and social revival of the Asian states.

It should be noted that today all twenty-six states of Asia are the members of CICA. At the time of this writing, the Chairman-in-Office is the People's Republic of China (May 2014-2018). The importance of the CICA format was noted by Xi Jinping, General Secretary of the Central Committee of the Communist Party of China (CPC), who named the summit of the Conference on Interaction and Confidence-Building Measures in Asia (CICA) among the most important international events under the auspices of the PRC for the last five years.⁶

Another important dimension of Kazakhstan's activity in the sphere of regional security is its work in the structure of the OSCE. It is no coincidence that Kazakhstan was elected first among the states of the CIS, Asia, and the Muslim and Turkic world as the chairman of one of the most authoritative organizations in the Eurasian space. Kazakhstan's chairmanship of OSCE was due to the country's constant contribution to regional and global security.

On December 1-2, 2010, under the chairmanship of the President of the Republic of Kazakhstan N. Nazarbayev, a productive OSCE Summit was held in Astana. From the very beginning of its chairmanship, Kazakhstan clearly outlined its priorities and began active work on all three dimensions of the OSCE. The most important task of the Kazakhstan's chairmanship was the all-around strengthening of the organization, helping to increase its effectiveness and its ability to adequately respond to contemporary challenges and threats. Within the framework of Kazakhstan's activities in the OSCE, an important initiative and contribution to regional and global security was President Nazarbayev's proposal to create a single Eurasian security platform on the basis of combining the OSCE potentials and the Conference on Interaction and Confidence Building Measures in Asia, on the Asian continent.⁷

Regarding the Shanghai Cooperation Organization, President Nazarbayev, stressed that Kazakhstan views the organization "as one of the most important mechanisms for ensuring security in the region."⁸ By pursuing a balanced multi-vector foreign policy, Kazakhstan effectively uses its membership and chairmanship in the SCO to ensure its security, and uphold its national interests and economic development. Kazakhstan discloses and strengthens its transport and transit potential, building mutually beneficial relations with the states that make up the organization. The SCO platform is used by Kazakhstan to interface with integration projects in the Eurasian space, such as the Eurasian Economic Union and the Chinese initiative, "The Economic Belt of the Silk Road." Kazakhstan's combination of its state program for infrastructural development, "Nurly Jol," with China's "Silk Road" initiative is gaining momentum.

It should be emphasized that it was at the SCO summit in Astana that a major event of a global scale took place. The key members of South Asia – India and Pakistan – became full members of the Organization. Now the SCO unites almost 40% of the entire earth's population. This completely new stage of development and multifaceted cooperation will strengthen the international influence and authority of the organization. At the same time, the country's leadership is striving to create a comprehensive security system on the Eurasian continent through the SCO site. President Nazarbayev noted, "It is necessary to expand cooperation of the SCO with international and regional structures – the UN, CSTO and CICA. We believe that this will also affect the further development of the organization."⁹

As for the organizations aimed at ensuring security in the CIS area, it is worth noting the active participation of Kazakhstan in the CSTO, since the very creation of this structure on May 15, 1992, which began with the signing of the Collective Security Treaty in Tashkent, by the heads of Armenia, Kyrgyzstan, Russia, Tajikistan and Uzbekistan.¹⁰

An interesting coincidence is that from early 2018 Kazakhstan will chair the UN Security Council and, in addition, next year the Republic will also become the CSTO chairman. The President of Kazakhstan has already voiced Kazakhstan's priorities in this organization, which include "expanding the instruments of interaction of CSTO member states in the military sphere, organizing practical military-technical cooperation, CSTO participation in the formation of the international global system for countering terrorism, joint measures to respond to cybersecurity threats and increasing the effectiveness of measures to counter illicit drug trafficking."¹¹

Of course, on the one hand, according to Kazakhstan's military doctrine, the Kazakh armed forces are mainly preparing for low- and medium-intensity conflicts. That is why the country's leadership initially relied on the guarantees of international treaties and on its participation in numerous regional associations. Kazakhstan counts on the assistance of the CSTO in the event of real military threats of any level. Although, as in the case of Kazakhstan's armed forces, the combat effectiveness of the CSTO can only be checked by a real crisis situation. In other words,

Kazakhstan's national security depends not only on its armed forces, but also on the numerous international agreements that have been cracking in recent years in connection with the crisis of the international law system and with the activation of "gunship diplomacy."

From January 1, 2017 until December 31, 2018, Kazakhstan became the first state in Central Asia to assume its responsibilities as part of the most important political body of the United Nations, which has the authority of the Organization to maintain global peace and security.

Kazakhstan's election to the UN Security Council was a confirmation of the great respect that the peaceful and constructive foreign policy of the country enjoys in the international community.

As a contribution to global security, at the 70th session of the UN General Assembly in 2015, Kazakhstan's leader, President Nazarbayev, put forward the initiative to achieve a world without nuclear weapons for the UN's 100th anniversary. As a non-permanent member of the Security Council of this global organization, Kazakhstan is pursuing a policy aimed at reducing the nuclear threat and moving toward a world free of nuclear weapons.

Several rounds of peace talks on Syria have taken place in the capital of Kazakhstan, consolidating Astana's status as the "Eurasian Geneva," and allowing Kazakhstan's diplomacy to contribute to the peaceful settlement of the conflict. The fact that Kazakhstan was the first country in the post-Soviet space to receive such an honorable mission speaks of the high degree of trust in the republic in the world community.

As for Kazakhstan's prospects as a non-permanent member of the UN Security Council, it should be noted that there are favorable conditions for the country's contribution to the creation of a zone of peace, cooperation and security in Central Asia. Kazakhstan's diplomatic activity in this authoritative UN body will attract foreign direct investments and international organizations to implement joint regional projects. Kazakhstan's significant positions as a recognized moderator of conflicts, and its active peacekeeping at a responsible post promotes the growth of Kazakhstan's authority in the world community. In addition, Kazakhstan is gaining valuable experience in diplomacy in cooperation with the world's leading states in the sphere of security, experience which will be employed by future generations of diplomats in their work.

Thanks to Kazakhstan's entry into the club of states responsible for making decisions to ensure global peace and security, the country's international image has improved significantly. Despite its relatively small economic and military-political potential in comparison with the leading world powers, Kazakhstan manages to promote its initiatives on a global level. Thus, Kazakhstan as a non-permanent member of the

UN Security Council has the opportunity to promote its global peace initiatives, thereby increasing its international authority.

It is important to emphasize that Kazakhstan uses its membership in the UN Security Council to advance its national strategic interests, primarily to strengthen its stability and security, as well as that of the Central Asian region, which for the first time in the history of the United Nations is represented in this important body of the world organization. There, Kazakhstan can raise security issues important to the region in order to make it a “zone of peace, cooperation and security.”

In general, we can say that Kazakhstan has become an independent, successful and modern state. It is one of the 50 most competitive countries in the world. Thanks to its successful foreign policy activities, the republic became the first country in the post-Soviet space to chair the OSCE. Today Kazakhstan is proud of its status as a non-permanent member of the UN Security Council, and for achieving an armistice in the inter-Syrian process, in which Astana played a significant role.

Despite this progress, the globe's changing geopolitical situation, growing tensions between the U.S. and Russia, the nuclear arms race, and the increased number of local conflicts present potential risks to Kazakhstan's stability and security, as it strives to evolve into one of the 30 most developed countries in the world. The continuing relevance of the threats of extremist and terrorist acts and, subsequently, the issues of their counteraction continue to be priorities. In addition, the emerging dynamics of crisis phenomena in the global economy, as well as the sanctions confrontation between Russia and the West, create difficulties in the domestic economy. In this context, the policy of “balance” of the parties will continue to play a paramount role. Foreign policy in the future will be built on an understanding of the need for compromise, even on the most acute issues.

In the area of strengthening its security environment, Kazakhstan will continue to make efforts to expand its influence on regional processes, and to diversify its channels of cooperation with major regional players, including the U.S., Russia and China.

Very important for the Kazakh foreign ministry are the tasks of finding the optimal balance of interests, harmonizing the main directions of foreign policy, foreign economic policy, and military policy in the Central Asian region, assessing the real potentials of all parties involved in cooperation.

Risks can be avoided and results achieved through multi-vector diplomacy, the development of integration processes at the regional and inter-regional level, and

collective neutralization of challenges and threats to national and regional security. The successful implementation of foreign policy priorities will be the key to Kazakhstan's enduring stability and security.

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25 Years of Kyrgyzstan's Political Transformation: Towards a Free and Open Country

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“The foreign policy of the Kyrgyz Republic should be completely subordinated to the interests of its People.”¹

This article focuses on the development of the Kyrgyz Republic's foreign policy, and its role in the international arena, which subsequently led to the development of international relations and the formation of a certain image of the country. The time frames discussed in the article correspond to major global, regional and national changes, and the Kyrgyz Republic's response to them.

Collapse of the USSR & Readiness for Democratic Change (1991-2000)

Following the collapse of the Soviet Union on August 31, 1991, the Kyrgyz Republic declared itself a sovereign state, acquired all the attributes of statehood and has become an equal member of the world community. From that moment, an era of reforms began in public administration and the economy, as well as a transformation in the spiritual and moral condition of the people and their sense of identity. The acquisition of independence required the development and realization of an independent course for the country in order to attain a worthy place in the international arena and, along with it, a favorable external environment for the realization of Kyrgyzstan's national priorities.

Since 1991, the Kyrgyz Republic has followed a course of transition to a democratic system of government and a market economy. It has outstripped other Central Asian

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countries in terms of privatization, the liberalization of prices and foreign trade, the pace of monetization and the transition to its own currency. The Kyrgyz Republic also adopted a Civil Code of the Western type and was one of the first former Soviet countries to legally approve private ownership of land. In 1998, the Kyrgyz Republic was the first Central Asian state to become a member of the World Trade Organization (WTO), which subsequently led to the formation of an entirely new model of economic development. Accession to the WTO also led to the formation of a legal framework in line with international standards, which aided the country's emergence from the 1998 economic crisis. Due to its introduction of democratic reforms, the Kyrgyz Republic has been described as an "island of democracy" in Central Asia, and was approved by the IMF and the World Bank. Donors and international financial institutions rewarded the Kyrgyz reform strategy with soft loans and grants that were a worthy addition to the national budget.

The legal framework of the country's foreign policy at this stage was based on a number of documents, including the Constitution of the Kyrgyz Republic; the Presidential Decree "On the National Security Concept of the Kyrgyz Republic;"² the "Foreign Policy Concept of the Kyrgyz Republic," approved by the Security Council on May 17, 1999; and the doctrine of "Silk Road Diplomacy," proposed by the first president of the country with the aim of connecting the ancient and medieval East and West, embodying in Kyrgyzstan an awareness of its new geopolitical qualities, and positioning the Republic in the world order of the 21st century. The latter idea is embodied in the TRACECA project (Transport Corridor Europe Caucasus Asia), and within the framework of the TACIS program (Technical Aid to the Commonwealth of Independent States) implemented by the European Union.³

According to the above documents, the country's foreign policy aimed at the development and adoption of a set of measures promoting the welfare and protection of national interests, and the implementation of the priorities of the Kyrgyz Republic in domestic and foreign policy, including the formation of a belt of good-neighborliness and security along the perimeter of its borders; the development of effective measures to combat international terrorism and religious extremism; improving customs, immigration and sanitary controls at the border; strengthening the fight against crime and drug trafficking; further strengthening the development of domestic and foreign policy activities; ensuring the economic, social, military, informational and ecological security of the country; and improving the national security system.

Since 1992, the Kyrgyz Republic has established diplomatic relations with over 100 countries, and become a member of more than 50 universal institutions and forums; at the time of writing, there are 84 diplomatic missions of foreign countries and 28 representatives of international and regional organizations operating on the territory of the Kyrgyz Republic, as well as 27 diplomatic and 9 Kyrgyz consular missions abroad. The opening of representative offices of international organizations in the Kyrgyz Republic has led to the development of the country's civil sector, mainly financed by international organizations, and promoted and supported by the Kyrgyz Republic leadership. A large number of NGOs in the country have been recognized by the international community as a sign of democratization and the development of one of the most important institutions of civil society. Currently, the number of registered NGOs in the Kyrgyz Republic, according to various estimates, ranges from 8,000 to 12,000. The variation in data is due to the fact that according to the existing provisions in the category of non-profit organizations, the Ministry of Justice includes organizations of various orientations, including political parties.⁴

Peacekeeping & Inter-Ethnic Harmony in the Post-Soviet Space

Kyrgyzstan experienced the first clashes between its two main ethnic groups, Kyrgyz and Uzbeks, in 1994. The leadership of the country was among the first in the region to act decisively in the face of such conflicts, creating the Assembly of the Kyrgyz People, which to this day is a platform for inter-ethnic dialogue in the Kyrgyz Republic, and also plays an important role in preserving and developing the cultures of ethnic groups living in the country. Moreover, in order to unite the People of the Kyrgyz Republic and fill the identity vacuum that prevailed after the collapse of the Soviet Union, the country's leadership took several measures to form the identity of the Kyrgyz People. The most famous is the initiative of the first president of the country, "Kyrgyzstan - Our Common Home," which emphasized Kyrgyzstan as a territory for the peaceful coexistence of multiethnic people. "Manas Magnanimous" and other initiatives have also supported this aim. If we consider the peacekeeping role of the Kyrgyz Republic in the post-Soviet space, it is worth noting that after several years of armed conflict between Azerbaijan and Armenia (the so-called Nagorno-Karabakh conflict), on May 4, 1994 in the capital of the Kyrgyz Republic, Bishkek, within the meeting of the CIS Interparliamentary Assembly, negotiations on a ceasefire in the Karabakh conflict were initiated. On the 5th and 8th May, 1994, the Bishkek protocol on ceasefire and suspension of arms was

signed between Armenia and the self-proclaimed Nagorno-Karabakh Republic, and by Azerbaijan. This protocol preserved peaceful coexistence in these areas until April 2016.

The Kyrgyz Republic also played a role in the peaceful settlement of the civil war in Tajikistan. From 1993 until 1997, by a decision of the Council of Heads of States participants of the CIS, “On measures to stabilize the situation at the state border of the Republic of Tajikistan with Afghanistan,” Kyrgyz peacekeeping forces have been guarding the Tajik-Afghan border. From May 16-18, 1997, the President of Tajikistan Emomali Rahmon (formerly Emomali Rakhmonov) and the leader of the United Tajik Opposition, Said Abdullo Nuri, met in Bishkek; the outcome of the meeting was the signing of the Bishkek Memorandum. This memorandum confirmed that, “...as a result of the Bishkek meeting the obstacles that have arisen recently in the negotiation process have been eliminated,” and the prerequisites for the successful continuation of the negotiation process were formed.⁵

The Kyrgyz Republic also initiated a number of proposals aimed at the peaceful settlement of the conflict between the warring parties in Afghanistan. In 1997 the leadership of the country initiated a peace conference in Bishkek under the auspices of the United Nations to resolve the Afghan conflict. However, one of the sides (the Taliban) refused to participate in the conference, and therefore it has not yet taken place. 12 years later in 2009, the next president of the country proposed the so-called “Bishkek initiative” as a platform for the settlement of the conflict in Afghanistan, but this has likewise not been carried out. Today the Kyrgyz Republic is ready to participate in the implementation of various sustainable development projects aimed at the peaceful development of the situation in Afghanistan. Among them is the participation of the Kyrgyz Republic in the CASA-1000 project, aimed at providing electricity to Afghanistan and Pakistan. An important component of this project is the laying of fiber optic lines within the “Digital CASA” project along existing corridors that can lead to further development of the region.

Multi-Vector Policy and Good Partnership in Regional Associations (1991-2000)

Since gaining its independence, the Kyrgyz Republic has become a member of more than 70 international organizations.⁶ Since 1992, the Kyrgyz Republic has been a member of the United Nations, the Organization for Security and Cooperation in

Europe, the Organization of Islamic Cooperation, and a number of other global organizations aimed at sustainable development and the peaceful coexistence of states. With the collapse of the USSR, the Commonwealth of Independent States (CIS) was formed, designed to regulate relations between the republics of the former Soviet Union, making the transition to independence less painful. The Kyrgyz Republic actively cooperates within the framework of the CIS and its structures, and contributes to the further development of trade and economic relations with CIS member states.

During its initial decade of independence, the Kyrgyz Republic perceived the Central Asian region as one single geo-economic mediator between East and West. Its main objectives in the region consisted of good-neighborliness, cooperation and stability, partnership in joint development and strengthened security.⁷ Considering the history of the cooperation of the post-Soviet states of Central Asia, it is worth noting the following steps that were aimed at strengthening regional ties:

- On May 15, 1992, the heads of the six CIS countries – Armenia, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan – signed a Collective Security Treaty (CST) in Tashkent. The signatories pledged to resolve all disputes among themselves and with other States by peaceful means. In 1993, the treaty was joined by Azerbaijan, Georgia and Belarus. In November 1995, the document was registered in the United Nations;
- On April 30, 1994, Kyrgyzstan, Kazakhstan and Uzbekistan signed an agreement on the establishment of a Common Economic Space, the Central Asian Union (CAU). In March 1998, Tajikistan joined the treaty. In July 1998, according to the decision of the Interstate Council of the CAU, this formation was named the Central Asian Economic Community (CAEC);
- In January 1995, the Russian Federation, the Republic of Belarus, and the Republic of Kazakhstan were united in the Customs Union. The Kyrgyz Republic joined it in March 1996, followed by the Republic of Tajikistan in 1999. On October 10, 2000, this structure was transformed into the Eurasian Economic Community (EurAsEC);
- Founded in 1996, the “Shanghai Five” (Russia, China, Kazakhstan, Kyrgyzstan, and Tajikistan) also played an important role in strengthening regional security; following the initiative of the Kyrgyz Republic, it dedicated Central Asia as a zone free of nuclear weapons;

- In 1999 Kyrgyz Republic initiated the organization of the OSCE and the OIC cooperation in ensuring Trans-Eurasian Security.

The foreign policy of the Kyrgyz Republic during this period focused on democratic reform and peacekeeping, as well as multi-vector initiatives, which continue to the present day. The country significantly expanded its range of international contacts. Due to its democratic and market reforms the republic earned the image of an “island of democracy” in the international arena, and became known as an equal and worthy member of global processes. The Kyrgyz Republic played a prominent role in the peaceful coexistence of states of the former Soviet Union and Central Asia.

The Global War on Terror: 2001-2017

This stage is characterized by the events of September 11, 2001, when the terrorist organization Al-Qaeda committed a series of terrorist attacks in the United States that killed nearly three thousand people. The result of this attack was the proclamation of the so-called U.S.-led Global War on Terror, which significantly affected the formation of the Kyrgyz Republic's foreign policy in this period. The events of 2010, and further changes in the internal structure of the government, namely the transition from a presidential to a parliamentary system in the Kyrgyz Republic, led to a rethinking of foreign policy, and with it, the development of national strategies for the sustainable development of the country.

As a member of the international community and a country in close proximity to the Islamic Republic of Afghanistan, Kyrgyzstan has been actively involved in the fight against international terrorism. Thus, in 2001 it agreed to open the antiterrorist coalition airbase, located at Manas International Airport in Bishkek. This air base remained on the territory of the Kyrgyz Republic until 2014.

In parallel to the U.S. base, a Russian aviation unit was also stationed in Kant city, just east of the capital, within the framework of the Collective Security Treaty Organization in 2003. The main task of the air base was to provide air support for the military units of the CSTO Collective Rapid Deployment Forces, the main task of which is to fight against terrorist groups operating in the region.

The challenges faced by the international community in this period led to fundamental changes in the regional organizations in which the Kyrgyz Republic is a member:

- In June 2001, in Shanghai, at the anniversary Summit Forum of Heads of States, the “Shanghai Five” was transformed into the Shanghai Cooperation Organization (SCO);
- At the Moscow session of the Collective Security Treaty on May 14, 2002, it was decided to transform the CST into a full-fledged international organization – the Organization of the Collective Security Treaty Organization (CSTO). On October 7, 2002 in Chisinau the Charter and the Agreement on the legal status of the CSTO was signed; it was subsequently ratified by all the CSTO member states and entered into force on September 18, 2003;
- On October 3, 2009, the Cooperation Council of Turkic-speaking countries was established, whose main objective was the development of comprehensive cooperation between Member States;
- On the basis of the Customs Union of the Eurasian Economic Community, the Eurasian Economic Union (EAEU) was established in May 2014. The Kyrgyz Republic joined EAEU in 2015.

The fundamental legal framework of the Kyrgyz Republic’s foreign policy at this stage was defined by the Constitution of the Kyrgyz Republic, the Foreign Policy Concept of 2007,⁸ developed after the first revolution in 2005, and the National Strategy for Sustainable Development (NSSD) for the period from 2013 till 2017. According to the NSSD “...the foreign policy of the Kyrgyz Republic should be completely subordinated to the interests of its people.” Moreover, the Kyrgyz Republic recognized “...the need for a new understanding of foreign policy, which should be based on a specific analysis of the situation in the country, the region and the world, as well as on the notion that national interests are strategic, long-term and global, going beyond the current political development.”⁹ In this respect, the country’s foreign policy priorities highlighted a need to renegotiate relations with neighboring states – Kazakhstan, China, Tajikistan and Uzbekistan, as well as a new level of strategic cooperation with Russia – a major player gaining momentum in the integration processes within the CIS. Nowadays, we can say that these areas have been successfully implemented: the Republic of Tajikistan and the Republic of Uzbekistan in 2016 successfully resumed negotiations on the harmonization of a number of sections on the state border with the Kyrgyz Republic. Moreover, the Kyrgyz Republic became a full member of the Eurasian Economic Union (EEU) and has been actively involved in the meetings of the SCO, CSTO, CIS and other regional organizations.

The reinvigoration of Kyrgyzstan's multi-vectoral policy is supported by current President Sooronbay Jeenbekov. Thus, it is expected that Kyrgyzstan will make use of further opportunities to be at the center of different integration and cooperation projects. While respecting its membership obligations in, for example, the Eurasian Economic Union (EEU), it will continuously search for new opportunities such as China's One Belt One Road (OBOR) Initiative, or cooperation with the European Union in line with European Union's GSP+ scheme. Thus, the Kyrgyz Republic's multi-vectoral policy is subordinated to the principle of national interest.

Modern Kyrgyz Nation-Building and Nomadic Identity

Regarding modern identity- and nation-building among the Kyrgyz people, it is worth noting the development and adoption of the 2013 concept of strengthening the unity of the people and supporting inter-ethnic relations in Kyrgyzstan, where a separate chapter is devoted to the formation of civic identity. During the 8th Kurultai of the Assembly of People of Kyrgyzstan in April 2016, then President of the Kyrgyz Republic, A. Atambayev expressed his confidence in the assistance of the Assembly in promoting the formation of a new civil identity of "Kyrgyz Jarany." He stated, "...every citizen, regardless of their ethnicity, felt their involvement in the fate of the Motherland, and was proud of his/her country to take responsibility for peace and harmony in our land."¹⁰ The comprehensive approach envisioned by the Assembly of People aims to prevent ethnic discrimination and ensure that no one is left behind. Furthermore, in 2014 Kyrgyzstan adopted a policy for the religious sphere for 2014-2020 that constitutes the basis of legislation on religion in the country. The documents support freedom of religion and belief in the Kyrgyz Republic, and propose necessary reforms aimed at preventing destructive ideas and securing religious harmony.

In this regard, it is also important to mention the government's efforts to revive the image of Kyrgyz as "a nomadic people" by organizing biannual "World Nomad Games" aimed at preserving the cultural traditions of nomadic peoples and increasing the tourist potential of the Issyk-Kul region of the Kyrgyz Republic. However, in spite of the attempts to form a unified identity of the people of Kyrgyzstan, there are noticeable splits in the society, which are due to the challenges of globalization shared by all nations of the world; these challenges require a more integrated approach to the development of the identity of citizens of the country, the region and the world.

* This is a new national concept of civic integration for 2018-2023

“Democratic Island” – Kyrgyzstan’s Commitment to Democratic Values and New Safeguard Mechanisms

During its independence period, Kyrgyzstan has constantly served as an example of democratic transformation not only in Central Asia but in the whole post-Soviet area. Kyrgyzstan was labelled by many scholars and observers as a “democratic island” for its adherence to democratic values and freedoms. In the 2005 and 2010 national revolutions, the Kyrgyz nation arose to stop power usurpation and protect its constitutional rights.

Kyrgyz citizens exercise their power directly, in a truly modern representative democracy with an established electoral system. In a 2010 Constitutional Referendum, the nation voted to shift from a presidential to a parliamentary system. This evolutionary direction was again confirmed in the 2017 Constitutional Referendum. The move could be seen as an adherence to positive political change and improvement of the constitutional system.

In 2015, Kyrgyzstan was the first country in Central Asia to implement a biometric voter identification and registration system. The system proved its efficiency during the 2015 parliamentary election, and in subsequent voting including the recent presidential election won by current President of the Kyrgyz Republic, Sooronbay Jeenbekov. The system effectively limits the potential for electoral fraud and provides an additional guarantee of political legitimacy for elected representatives.

In the same year, Kyrgyzstan effectively utilized a sophisticated Electoral Risk Management Tool (ERMTTool) designed by the International Institute for Democracy and Electoral Assistance (International IDEA).¹¹ The instrument proved to be useful in developing state capacity to understand, analyze, and mitigate electoral risks. The technological advancement of Kyrgyzstan’s electoral process has been applauded by international society and proven that Kyrgyzstan can serve as technological model for states interested in improving their democratic systems. Thus, the “island of democracy” is again proving its commitment to safeguard democratic freedoms by introducing new technologies.

“Taza Koom” and Open Government Partnership

During his speech at a meeting of the National Council for Sustainable Development in April 2017, then President of the Kyrgyz Republic Almazbek Atambaev underlined

the need to conduct a digital transformation of the country – to use information and communication technologies (ICT), to build a new knowledge-based economy and society based on honesty and intelligence. This initiative has become known as *Taza Koom* (Smart Nation).

The Taza Koom program is aimed at building a “country with a developed information society based on innovation and knowledge, digital national content, efficient, transparent and accountable public administration, and digital participation of citizens, ensuring omnipresent citizen access to information, digital infrastructure and digital services that will become the foundation for the digital economy, stimulate the competitiveness of the country and the welfare of the population, and minimize corruption.”¹²

According to the Taza Koom Concept site, the program has seven goals:

- 1) Building world-class digital infrastructure based on green technologies and clean energy (broadband telecommunication network, data processing centers, cloud technologies, digital platforms);
- 2) Creating a favorable environment for sustainable innovative development (policy, legislation, institutes);
- 3) Digital opportunities for all, digital skills for digital economy (access for everyone to digital knowledge, innovations, experience and opportunities for production, use and sale of clean goods and services);
- 4) Support, so that each Kyrgyzstani becomes a digital citizen having necessary knowledge and opportunities (involvement of citizens in management of their country using digital technologies);
- 5) Creating an open digital society, the driving force of which is data industry (open public data, touch-sensitive technologies and telemetry, internet, cloud computing, big data);
- 6) Making Kyrgyzstan a safe place to live and work online (safety of technologies, data and networks);
- 7) Making Kyrgyzstan a regional hub of the digital Silk Road for digital business and digital innovations (favorable digital environment).¹³

Thus, the Taza Koom program not only aims to shape the internal environment of Kyrgyzstan but also to form a new digital hub that will serve as an international integrator. In line with Taza Koom's aims and principles, in November 2017

Kyrgyzstan become the first country in Central Asia to join the Open Government Partnership (OGP). OGP is “a multilateral initiative that aims to secure concrete commitments from governments to promote transparency, empower citizens, fight corruption, and harness new technologies to strengthen governance.”¹⁴ The commitment to build a new digital society and internationally promote its experience was recently underlined by the Prime Minister of the Kyrgyz Republic, Sapar Isakov, during the 6th World Government Summit in the United Arab Emirates and the World Economic Forum (WEF) in Davos.¹⁵

“Altai Civilization” as the New Platform for State and Public Diplomacy

In July 2017, the International Forum “Altai Civilization and Related Peoples of the Altai Linguistic Family” took place in historic Cholpon-Ata in northeastern Kyrgyzstan. The forum was organized by the Ministry of Education and Science of Kyrgyzstan, and the Muras State Foundation for the Historical and Cultural Heritage of the Kyrgyzstan People. The initiative was supervised by then President Alzambek Atambayev, who actively supported the concept of “Altai Civilization.” The forum issued a declaration to stimulate scientific research toward the development of the idea of a modern community based on the Altai language family, and the promotion of Altai civilization.¹⁶

The Kyrgyzstan-sponsored “Altai Civilization” project underlines the Kyrgyz people’s historical roots on the territory of Altai-Sayan in Central Asia, and calls for the intensification of dialogue between peoples of common Altai origins sharing language and cultural similarities. The “Altai Civilization” project could grow as an important platform for both state and public diplomacy.

Conclusion

Kyrgyzstan’s first 25 years of independent development was a period of constant, tremendous challenge, in terms of the state- and nation-building process. Today, the Kyrgyz Republic continues to face the challenges of the post-socialist transformation and move towards new quality in domestic and foreign policy. At the heart of political change are democratic values and ideals, as well as the protection of national interests in the international arena.

In achieving its goals and objectives, the Kyrgyz Republic will continue to develop friendly, good neighborly and partnership relations with all the countries concerned, based on the principles of mutual understanding, mutual benefit and support. Thus, having a successful experience in the negotiation of peaceful settlement of conflicts, the Kyrgyz Republic is ready to continue to develop this area, making every effort to ensure global security with a view to sustainable human development.

The Kyrgyz Republic, with its commitment to democratic values, wants to serve as a successful state and societal development primer. It is eager to modernize and adopt new technologies in governance and build a new, smart, and modern society via its Taza Koom initiative. The Kyrgyz authorities are determined to reform the country and share its experience with partners.

The Kyrgyz Republic stands on the position that modernization will be supported with respect to culture and tradition. The Kyrgyz authorities demonstrate their ambitions to bring states closer to each other by stimulating different platforms based on the common cultural heritage of its Turkic, Nomadic, Altaic, and other peoples. Thus, it recognizes the role of both public and state diplomacy.

The Kyrgyz Republic is further committed to the idea of integration, creating a friendly environment and strengthening traditional good relations with its neighbors, and is interested in finding new forms of effective economic and political cooperation with the United States, the European Union, the countries of Southeast Asia and the Arab region. Its established priority areas include such powers as the Russian Federation, the People's Republic of China, the United States and the European countries.

In terms of multilateral cooperation, the Kyrgyz Republic still gives priority to the search for new forms of cooperation and partnership in the framework of global, universal as well as regional and specialized organizations to ensure and promote its national interests. In this regard, the Kyrgyz Republic retains its important membership in the SCO and the CSTO, whose parties must continue their active cooperation to ensure the collective security system, promptly and adequately responding to the challenges and threats of international terrorism, religious extremism, drug trafficking and other regional and global challenges. Within the framework of the EAEU, the Kyrgyz Republic has repeatedly declared the need to ensure the free movement of citizens of member countries (including workers), capital, goods and services.

Thus, the multi-vector foreign policy of the Kyrgyz Republic more fully corresponds to the realities of the modern globalization processes, giving the country the opportunity to actively participate in multi-level international politics, and promote and protect its national interests.

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The Economic Development of the Kyrgyz Republic at the Present Stage

Larisa YUGAI*

Abstract

This article deals with the stages of the development of the Kyrgyz economy from the moment of independence to the present day, tracking the country's progress toward sustainable development..

Introduction

In the post-Soviet period, the Kyrgyz Republic underwent profound and dynamic changes.

After the proclamation of independence in 1991, Kyrgyzstan found itself in a difficult economic situation, experiencing both political and social instability. Weak governance and entrenched corruption were the main stress factors, which caused political and social upheaval in 2005 and 2010. In late 1991 and early 1992, the Kyrgyz Republic, like all other CIS countries, began transitioning to a democratic system of public administration and carrying out radical economic reforms.

Economic reforms covered such key areas as lowering inflation and stabilizing it, ensuring the stability of the national currency, reducing the budget deficit, restructuring large unprofitable enterprises, de-monopolizing certain sectors of the economy, implementing the state privatization program, liberalizing prices and foreign economic activity, and enhancing social protections for the population.

The Kyrgyz Republic had to begin and carry out economic reforms in conditions of unprecedented economic crisis. The collapse of the Soviet Union meant the disruption of cooperative ties between economic entities. The activities of many enterprises were completely or partially paralyzed. The loss of markets in the former USSR, as well as changes in the structure of domestic demand, led to a significant drop in the gross domestic product (GDP); in 1993-1994 it declined by more than 20%.

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To overcome the systemic crisis, decisive actions were taken to create the foundations of a market economy, which allowed the formation of a private sector, a primary market infrastructure, the first introduction of a national currency among the CIS countries, and the implementation of an independent monetary policy to stop hyperinflation. Because of the reforms, Kyrgyzstan managed to achieve economic growth of 107.1 percent in 1996.

Three Decades of Change

When analyzing the socio-economic development of the republic for the period from 1991 to the present, three main stages can be distinguished, broken down into decades: 1991-2000, 2001-2010, and 2011-2017.

The first stage in the Republic's socio-economic development is the first decade following independence: 1991-2000. This period can be roughly divided into two: from 1991 to 1995 and from 1996 to 2000. The period of 1991-1995 is characterized by a sharp decline in production and income, which coincided with a significant increase in the number of people who reached the poverty line (more than 50% of the population), a rise in inequality and hyperinflation, followed by initial macroeconomic stabilization. Some reduction of inflation became the basis of the first stage of macroeconomic stabilization (1992-1995). The macroeconomic and structural reforms of this period created the basis for the market regulation of the economy.

From 1996-2000, economic stabilization was observed, and there was growth in agriculture, gold mining and energy. Nevertheless, the size of the budget and the budget deficit made the economy extremely vulnerable. The financial crisis of 1998-1999 in Russia had a significant impact on Kyrgyzstan's already struggling economy.

The second stage is the next decade of the country's development, from 2001-2010. In these years, the economy continued to grow, inflation slowed, the budget deficit narrowed, and the exchange rate stabilized. At the same time, however, the problem of external debt worsened. Reforms of this period are grouped around the problems of deregulation, involving significant changes in the role of the state such as reducing its intervention in the private sector, eliminating administrative barriers to entrepreneurship, and reducing the number of controlling and permitting state bodies. Since 2000, active work has been carried out to privatize the country's strategic sectors, i.e. energy and telecommunications.

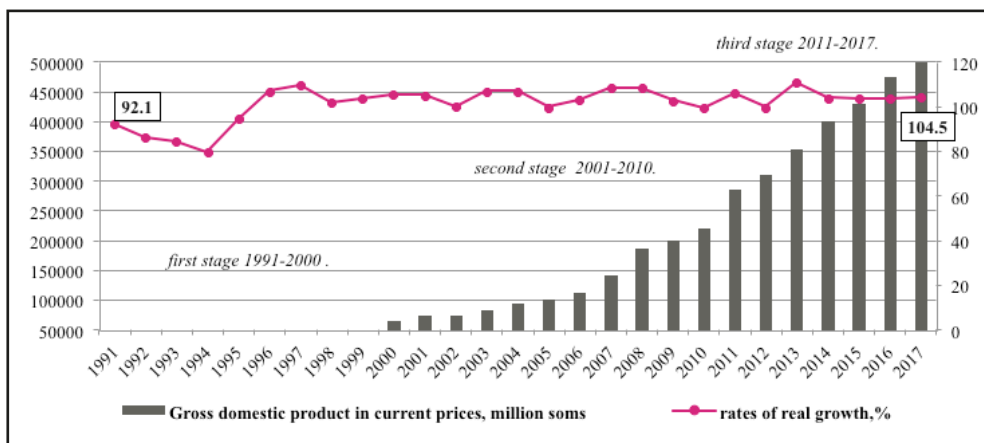
The internal political events of 2005 and 2010, and the change of political power, which led to a decline in economic activity in the country, actually stopped the growth of the economy; the decline in GDP growth in 2005 was 0.2%, and in 2010 reached - 0.5%.

The third stage of Kyrgyzstan's economic development, 2011-2017, is marked by the conditions of the global economic crisis of 2014-2015. In the period from 2011 to 2013, the Kyrgyz government set the task of carrying out a radical leap and creating a state of a new modern type that would improve the efficiency of the state budget and create a free market business environment capable of attracting investments to Kyrgyzstan.

State policies and programs aimed not just at promoting economic growth, but also at ensuring a fair redistribution of economic development revenues to prioritized areas in specific investment projects. Areas of priority included the mining industry, the energy sector, the construction projects of the building materials industry, and large enterprises processing agricultural products.

Figure 1 shows the dynamics of the gross domestic product of the Kyrgyz Republic, as well as the GDP's current rate of growth.

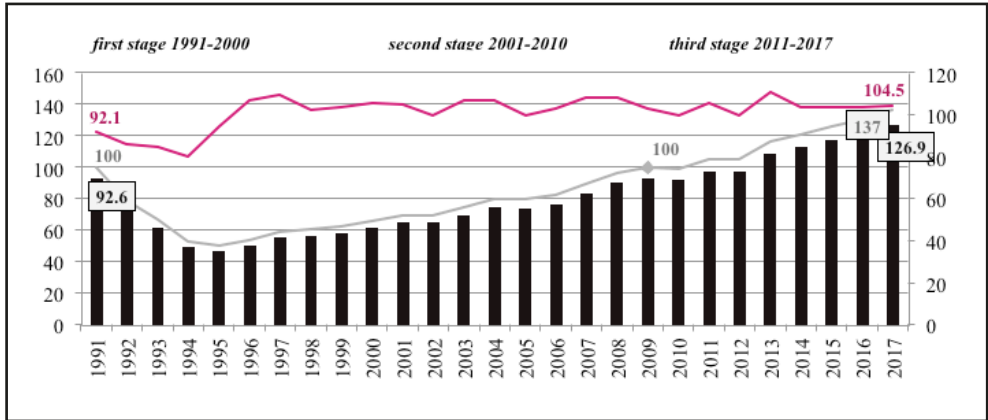
Fig. 1. Dynamics of GDP in current prices and growth rates of real GDP in the Kyrgyz Republic for the period of 1991-2017.



Source: National Statistical Committee of the Kyrgyz Republic. National accounts of the Kyrgyz Republic by years.

To reflect the real picture of changes in GDP volumes, taking into account price changes, as well as their growth rates, GDP was recalculated at comparable prices in 1991, and figure 2 shows their dynamics over the same period.

Fig. 2. GDP dynamics in comparable prices in 1991 and growth rates in percent to 1991 in the Kyrgyz Republic for the period 1991-2016.



Source: National Statistical Committee of the Kyrgyz Republic. National accounts of the Kyrgyz Republic by years, authors' own calculations.

As can be seen from Figure 2, only at the end of the second decade (2009) was the level of GDP production of 1991 achieved in the republic.

The breaking of the administrative-command system and the transition to a free market led to serious consequences in the economy and the social sphere. The picture of economic development for the years of reform and subsequent years is presented in Table 1.

The following is a more detailed overview of the socio-economic development of the Kyrgyz Republic in the stages outlined above.

Table 1: Primary Macroeconomic Indicators of the Kyrgyz Republic 1991-2016.

Index	1991	1995	2000	2005	2010	2015	2016	2017
GDP per capita, thousand KGS	0.02	3.5	13.3	20.2	40.9	74.4	78.7	83.8
GDP deflator, %	234.7	142.0	127.2	107.1	110.0	103.4	102.5	104.6
Consumer price index, % to December of the previous year	21.3	132.1	109.6	104.9	119.2	103.4	99.5	103.7
Investments in fixed assets, mln. KGS	12.9	3221	10,855	11,594.6	44,333.3	120,878.9	133,383.7	144,705.8
Number of registered unemployed persons	136	50,409	58,329	68,004	63,403	56,000	55,600	57,578
Number of employed persons, thousands	1,754.1	1,641.7	1,768.4	2,077.1	2,243.7	2,352.1	2,363.7	2351,2
Export, in USD, thousands	317	408.9	510.9	674.0	1,755.9	1,676.4	1,544.6	1,790.7
Import, in USD, thousands	420.7	530.9	558.0	1,188.7	3,222.8	4,069.5	3,919.1	4,481.3

Source: National Statistical Committee of the Kyrgyz Republic

First Stage: the Decade after Independence, 1991-2000

In 1991, the Kyrgyz Republic began a parallel transition to a democratic system of public administration and a market economy. The IMF and the World Bank approved Kyrgyzstan, described as an “island of democracy” in Central Asia. Donors and international financial institutions rewarded the country’s reform strategy with preferential loans and grants, which were a significant addition to the budget. From 1992 to 2000, Kyrgyzstan received \$ 1.7 billion in external assistance.

At the same time, the Kyrgyz Republic embarked on a comprehensive program of economic reforms. It outstripped other Central Asian countries in privatization, liberalizing prices and foreign trade, and in its rate of monetization and transition to its own currency. It adopted the Western Civil Code, first authorized the private ownership of land, and entered the WTO in 1998, demonstrating its readiness to follow the recommendations of the IMF and the World Bank.

When choosing an economic system, priority was given to a mixed convergent system, the main principles of which are free enterprise, a free pricing system, free competition, state regulation and private property. As a result of intensive privatization, by the end of 1998, the share of the private sector was 87% in industry, 97% in trade, 57% in construction, 55% in transportation, 97% in trade and public catering, and 99.85% in domestic services. Since 2000, active work has been carried out to privatize the country's strategic industries, such as energy and telecommunications. The bulk of enterprises withdrew from the public sector, and market relations now regulate their activities.

With the transition to market relations, the single economic complex that had developed in the USSR began to collapse. The economic ties between enterprises and subcontractors, supplying each other with components for the production of products, were broken. Kyrgyzstan, which traditionally supplied raw materials and received finished products from other republics, found itself in a difficult situation. The industries of the republic, not being prepared for this, fell into decay, and such enterprises as the machine-tool plant named after Lenin, "Fizpribory," the agricultural machinery plant and others, stopped functioning.

To overcome the systemic crisis, decisive actions were taken to create the foundations of a market economy, which allowed the formation of a private sector and a primary market infrastructure to introduce national currency and conduct an independent monetary policy to stop hyperinflation. An important and difficult but necessary step for the country's withdrawal from the crisis was the introduction of its own national currency, the *som* (KGS), which ceased the country's dependency on Russia to conduct monetary policy. Such a decisive step by Kyrgyzstan was supported by international financial organizations. The country was given large loans which made it possible to invest more in production, which, in turn, led to a gradual increase in the output and stabilization of the economy. As a result, in 1996 economic growth resumed.

One of the main achievements of the early years of independence was the transformation of agriculture. Kyrgyzstan is famous for its rare earth resources, such as gold, silver, silicon, and iron. The largest gold-bearing deposit to date is “Kumtor,” which annually produces up to 20 tons of gold.

The transition to a market economy would have been impossible without the establishment of private property, and the spurring of people’s interest in their own production. Consequently, the question of ownership and the development of the private sector came to the fore. In order to make workers interested in the revival of enterprises, denationalization and privatization were carried out, i.e. the transference of state property to collectives and to private individuals. For the development of agriculture in 1991, collective farms and state farms were disbanded and their property was transferred to the workers. Private peasant and private farms were created, and the state provided special concessional loans for their support. In 1998, the private ownership of land was introduced.

The transition to a market economy was associated with an increase in the number of unemployed people; they did not receive salaries, pensions, or benefits. Economic difficulties forced many people to leave the country.

All this is due to the fact that in the initial stage the old laws no longer operated, and the new laws could not yet sufficiently frame social and economic relations in the society.

Second Stage: 2001-2010

From 2000 to the beginning of 2002, some indicators such as economic growth, slowdown in inflation, reduction of the budget deficit, and stabilization of the exchange rate were observed, but at the same time, the problem of external debt was growing. Since 1996, the Kyrgyz economy has grown by an average of 4.7% per year in real terms. In 2002, in the GDP structure, the share of industry declined to 24.2% from 27.5% in 1991, while the share of agriculture correspondingly increased from 35.6% to 37.1%. The services sector accounted for about 35% of GDP, construction 4%.

International tourism became an important branch of the economy at this time. Small and medium business was limited mainly to trade, not production of material values. The financial sector of the economy in the republic developed very poorly.

The processes that took place in the economy found expression in the structure of employment. A deficit in the state budget continued until 2005.

The reforms of this period were grouped around the problems of deregulation: removing administrative barriers for entrepreneurship, reducing the number of controlling and permitting bodies and increasing investment activity. During that time, specific measures for deregulation should have become prerequisites for stimulating investment inflow into prioritized sectors and improving the investment climate in the Kyrgyz Republic. There was an improvement in the revenue side of the state budget, inflationary pressure was reduced, and the national currency was strengthened.

The structure of the gross domestic product underwent changes at this time: the share of industrial and agricultural production declined, and the share of the service sector increased. The service sector progressed due to ongoing reforms in the field of market services, fueled by a rising volume of trade and paid services supported by domestic demand.

During this period, work on the privatization of energy and telecommunications intensified. The investment climate improved, which contributed to the growth of investments in the economy. Changes also occurred in the sphere of foreign trade, as evidenced by an increase in trade turnover due to the growth of imports, with the general trend of maintaining a negative trade balance.

Kyrgyzstan became a pilot country in this period, and adopted a comprehensive basis for development (CBD) until 2010, in keeping with the Millennium Development Goals (MDGs). The CBD was based on the “growth for poverty reduction” approach. In 2003-2005, the country’s National Poverty Reduction Strategy fleshed out the CBD with real events and programs.¹

Kyrgyzstan’s relatively stable growth dynamics in this period were violated by the political revolution of 2005. After gaining independence in 1991, the country experienced political and social instability. It was in this decade, in connection with weak governance and entrenched corruption, which were the main factors of tension, that the political and social upheavals of 2005 and 2010 took place.

As a result of the events of 2005, the economy experienced drastic decline. While production volumes fell in industry and agriculture, the service sector not only survived, but increased by more than 5 percent. The real incomes of the population decreased, both internal and external investments decreased, and social indicators worsened. As

in previous years, fiscal policy prioritized expanding the tax base and financing the social sector. Improvements to the tax policy, including the introduction of the new Customs Code and the strengthening of the administration of tax payments, allowed the country to fulfill the revenue side of the budget at the planned level, within the context of the economic slowdown.

During this period, Kyrgyzstan grew from an agrarian-industrial to an agrarian-raw material republic. The implementation of a major investment project, the Kumtor gold mining deposit, anchored this trend. Since this time, the trend of decreasing the share of real economy sectors in the GDP structure has continued, accompanied by steady growth in the service sector. At present, taking into account the share of all sectors, Kyrgyzstan's economy can be qualified as service providing. The implementation of large projects can significantly affect the country's indicators of economic development.

Third stage: 2011-2017

The third stage of the economic and social development of the Kyrgyz Republic began in 2011. Over the past seven years, Kyrgyzstan's economy was unstable several times. In 2011, economic growth stood at 5.7%; this was a great success after the severe events of 2010. In 2012, due to a fall in gold production at the Kumtor mine, GDP went into the negative (GDP growth rate was 99.9%). However, 2013 saw a record GDP growth of 10.9%, the highest rate in the more than 20 years of Kyrgyzstan's independence.

In subsequent years, the rate of GDP growth has remained at 4 percent. The Russian financial and economic crisis of 2015 had certain consequences for Kyrgyzstan's economy, due to the fact that Russia is the country's largest trade and economic partner. Nevertheless, despite the crisis in many countries of the world, Kyrgyzstan managed to keep the growth of its economy at 103.6% in 2014, 103.9% in 2015, 103.8% in 2016 and 104.5% in 2017.

In 2015, Kyrgyzstan entered the Eurasian Economic Union (EAEU). In many countries, including the EAEU countries, a decline in economic activity was observed during this period as a result of a drop in prices for energy resources and raw materials, and lower investment activity. Among the EAEU countries, Kyrgyzstan consistently leads in terms of economic growth.

The results of 2017 showed that economic growth in Kyrgyzstan exceeded expectations; GDP grew by 4.5% with recovery in most sectors. The stimulus for increasing demand in Kyrgyzstan was money transfers, which increased by 25% in dollar terms, and government spending, which grew by 4% of GDP. The overall inflation rate of 3.6% remained below the target range of the National Bank of the Kyrgyz Republic (from 5 to 7 percent).

The growth in Kyrgyzstan's industrial production is mainly due to the extraction of minerals and the production of food products, including beverages and tobacco products. The driver of industrial growth is the largest gold deposit in the country, Kumtor, without which the indicators are very modest. The results of light industry are also positive. The textile sector lost some ground during the adaptation of Kyrgyzstan to the Eurasian Economic Union, but now it is actively increasing its production. The garment sector ranks third in the country's economy after the export of precious metals and agricultural products.

On the down side, state debt is steadily growing in Kyrgyzstan. Over the past six years, it has grown by almost one billion dollars. The country's external borrowings were mainly directed to large investment projects, particularly the construction of roads and major stations. Kyrgyzstan is primarily indebted to the Export-Import Bank of China.

In terms of foreign trade turnover, Kyrgyzstan exports at a rate of 22%, while its share of imports is 78%. A significant share of foreign trade continues to be in the EAEU countries. The largest share of the republic's mutual trade with the EAEU countries is accounted for by Russia (65.9%) and Kazakhstan (32.4%). In Russia, cotton fiber, llamas and dried fruits have become more popular, and imports include poultry, sunflower oil, confectionery and rolled metal products. In the export of goods to Kazakhstan, the volume of household electric heaters and plastic containers increased up to 1.5 times. In import volumes, sunflower oil, wheat flour, cosmetics and water have grown.

The economic development of the Kyrgyz Republic in the past five years has stabilized, despite the impact of the global economic and financial crisis, falling energy prices and the impact of geopolitical processes. The GDP of Kyrgyzstan has shown stable growth for the last five years, at an average of 5.4%. At the same time, the market economy of the republic is at an early stage of development and requires new approaches to resolving its structural problems. Further growth of the economy is hampered by low labor productivity, an outflow of skilled personnel and

labor resources, and the underdevelopment of land-based transport connections in the absence of access to the sea. In addition, problems of access to financial and energy resources, low efficiency of production capacities, infrastructure and logistics barriers, and coupled costs do not allow the country to fully develop its exports. The competitiveness of the Kyrgyz economy is assessed as the weakest among the CIS countries.

Due to the low external attractiveness of the Kyrgyz Republic for large investors, the economy of the country became interesting for investors expecting super profits and willing to accept high risks, in particular in the exploitation of natural resources and subsoil use.

A significant proportion of the population is in labor migration abroad, which creates certain benefits in the short term for the country, given the scale of remittances, but weakens the country's production and innovation potential in regard to long-term development. Problems of ecology, the environment, and climate change will likely have a significant, negative impact on the living conditions and health of the population.

Kyrgyzstan's current *Taza Koom – Zhany Door* (Smart Society – New Era) Strategy 2018–2040 is aimed primarily at realizing ambitious but achievable tasks for the development of the economy of the Kyrgyz Republic, which will be made possible through the development and widespread adoption of digital technologies, a programmatic approach to strategic planning, as well as the progressive specialization of the country's economy on sectors in which the country has comparative advantages and which are capable of having positive social effects. The solution of the majority of social problems related to public health, the strengthening of preventive and transformational social protection measures that provide for social security, not only through the redistribution of resources, but also through active employment policies, social insurance, and the development of proactive measures of social support, will open up wider opportunities for development to vulnerable segments of the population.

Kyrgyzstan's strategy for the years 2018–2040 aims at ensuring decent living conditions for the people through consistent economic growth, creating and preserving decent jobs, developing regions uniformly, enhancing the country's competitiveness and export potential, and improving the quality of the country's innovative and productive potential.

Endnotes

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Turkish Foreign Policy towards Turkic Countries: An Assessment of the Past and an Agenda for the Future

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In the twenty-six years that have passed since the disintegration of the Soviet Union, the newly independent Turkic states have consolidated their place of priority of Turkish foreign policy. Conversely, the emergence of the Turkic states as independent actors in Eurasia has deepened Turkey's strategic importance in an age of fundamental global transformations. Relations gained further momentum with the Treaty of Nakhchivan, signed in 2009 between Azerbaijan, Kazakhstan, Kyrgyzstan and Turkey. The formation of inter-governmental institutions has been the latest stage of Turkish foreign policy towards Turkic, post-Soviet Eurasia. This process has strengthened ties, and put forward an agenda for the future. This article will first touch upon the evolution of Turkey's political and economic ties with the post-Soviet Turkic states since 1991. It will then evaluate the current state of affairs with an emphasis on the importance of the Turkic Council for deeper cooperation. Finally, it will elaborate on the necessary steps to be taken in the future in order to strengthen cooperation in various fields.

The Evolution of Turkey's Relations with the Turkic States

The independence of five Turkic-speaking countries in Eurasia has strengthened Turkey's position in international politics. Turkey was the first country to recognize the independence of the post-Soviet Turkic states. According to the foreign policy agenda developed by Turkey's Ministry of Foreign Affairs, as well as former Presidents Turgut Özal and Süleyman Demirel, Turkey helped these countries establish their state structures in order to consolidate their independence.¹ Towards achieving this goal, Ankara sent military, academic, and administrative personnel to offer bureaucratic and technical support to the Turkic states in issue areas such as security, national education, and economic transition.² In addition, Turkey supported the

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brotherly nations in acquiring prestigious positions in the international system, and supported the membership and active participation of Turkic states in international programs such as NATO's Partnership for Peace (PfP), the Organization for Security and Cooperation in Europe (OSCE), the Black Sea Economic Cooperation Organization (BSEC) and the Council of Europe.

The 1990s witnessed a dramatic and extensive reorganization of the Turkish bureaucracy to respond to this newly emerging reality in Eurasia. The Turkish Ministry of Foreign Affairs, the Undersecretariat of Foreign Trade, and many other Ministries and institutions opened branches responsible for the Caucasus and Central Asia. As part of this new foreign policy vision and activism, Turkey established the Turkish International Cooperation and Development Agency (TIKA) in 1992.³ Through its offices in Eurasia, TIKA has coordinated development projects worth hundreds of millions of dollars since that time. Over two decades, TIKA has evolved into one of the largest and most effective official development aid coordinators in the world. Equally importantly, under the auspices of the Republic of Turkey's 8th President Turgut Özal, the first Turkic-speaking Countries Heads of States Summits (Turkic Summits) was held in Ankara in October 1992, which yielded the famous "Ankara Declaration." The Ankara Declaration called for economic integration among the Turkic-speaking states and laid the groundwork for future projects between Turkey and the newly-independent Turkic states. Turkey also took various steps to foster cultural and educational cooperation with the Turkic states. The establishment of TURKSOY (International Organization of Turkic Culture) and the Great Student Project designed to attract students from Turkic countries as well as from the Balkans and the Middle East were two significant developments.

Under AK Party governments, Turkey's foreign policy goals have diversified to incorporate new regions such as Sub-Saharan Africa. Since 2004, TIKA's regional activities have also widened and TIKA has become an important instrument of Turkey's 'soft power' in international politics.⁴ However, the Turkic states, as well as the Turkic minorities of Eurasia, have continued to remain the top recipients of Turkish official development aid (ODA). For instance, in 2012, 632 of TIKA's 1,788 development projects were devoted to the Caucasus and Central Asia; Kyrgyzstan was the top recipient of Turkey's ODA with 7% of total projects.⁵ In 2014, South and Central Asia ranked first, receiving \$53 million worth of development aid from the Turkish Cooperation and Coordination Agency,⁶ a sum that constituted 28.6% of total Turkish ODA; the top four beneficiary countries in the Caucasus and Central Asia were Azerbaijan, Kyrgyzstan, Kazakhstan, and Turkmenistan.

The Nakhchivan Summit and the Formation of the Turkic Council

From 1992 until 2010, ten Turkic Summits were held with the last two being the most important in terms of practical policy outcomes. At the 9th Summit held in Nakhchivan, Azerbaijan, Presidents Aliyev, Bakiyev, Gül and Nazarabayev established the Cooperation Council of Turkic-speaking States, called the Turkic Council, based in Istanbul. Also, member states agreed on the establishment of the Parliamentary Assembly of Turkic Speaking Countries (Turk-Pa) based in Baku. The Turkic Council entered into force following the 10th Summit held in Istanbul in 2010. The most important feature of the Turkic Council is that it was established as an international organization with a permanent secretariat in Istanbul. The Turkic Summits have therefore gained an official institutional status. Since 2011, Turkic Summits have been held on a thematic basis every year in the territory of a different member state. Themes that the Turkic Summits cover have included cooperation on economic issues, education, cultural issues, science, tourism and transportation. The Turkic Council has also organized various international events in partnership with different branches and programs of the UN.⁷ In addition to the Turkic Council, Turk-Pa has over the years evolved into an effective mechanism that represents a common Turkic view in various international platforms such as the OSCE and BSEC. Turk-Pa has also participated as observers in various parliamentary and presidential elections in member states.

In the near future, the attendance of Uzbekistan's new President Shavkat Mirziyoyev at the Turkic Summits, and the potential membership of Uzbekistan in the Turkic Council would give the institution a new impetus and further consolidate Turkic cooperation in Eurasia. For deeper and stronger cooperation in Central Asia, Uzbekistan would be an invaluable partner of the Turkic Council.

The institutionalization of multilateral inter-governmental cooperation between Turkic states is of crucial importance for several reasons. As International Relations scholars have long demonstrated, international organizations increase cooperation between states because they serve several functions, such as increasing the flow of information and transparency, reducing the costs of transactions and overcoming the potential for misperceptions between members.⁸ Ultimately, international organizations all over the globe help to build trust between countries. They also create norms of expected behavior among member states. Therefore, no matter what changes in domestic politics, it is expected that cooperation will endure thanks to

international institutions. In the case of Turkic cooperation, there is no doubt that the Turkic Council, Turk-Pa, TURKSOY and other affiliated institutions will cement the ties between Turkic capitals for the future to come.

Conclusion and Implications for the Future

In the final part of my article, I would like to elaborate on the future of cooperation between Turkic states as well as the necessary policies that governments need to devise in order to intensify multilateral ties. First, member states should strengthen the Turkic Business Council, which was established at the Almaty Summit of October 2011 in order to increase trade and investment ties. As various examples of regional integration in different parts of the globe demonstrate, trade and investment are two inseparable prerequisites for deeper cooperation between states. According to statistics of the Turkish Ministry of Economy, Azerbaijan was the only Turkic state among the top twenty countries with inward foreign direct investment into the Turkish economy between the years 2011 and 2015.⁹ Accordingly, Azerbaijan ranked 12th in terms of FDI thanks to its investments in the energy sector with a total FDI worth 4.7 billion USD between 2011 and 2015. That gave Azerbaijan 3.4% of total inward FDI in the Turkish economy. Conversely, in 2015, Kazakhstan's share in total inward FDI in the Turkish economy was 1.6% with investments worth 203 million USD.¹⁰ The Turkish government should develop an investment strategy to attract greater sums of FDI from the members of the Turkic Council.

On the trade side, with a total volume of 5.3 billion USD, exports to five Turkic states have made up only 3.7% of Turkey's total exports in 2015. On the other hand, a total volume of 2.6 billion USD imports from five Turkic states has made up only 1.3% of Turkey's total imports in 2015.¹¹ It is again incumbent on Turkey to develop a new trade strategy toward the Turkic states to increase multilateral trade ties. The Turkic Business Council should continue to be the main platform through which the business associations of Turkic Council member states talk to each other. It should also diversify its activities to increase the channels through which business people of member states get to know each other and explore trade and investment opportunities. As Turkey's experience with export-led growth demonstrates, the Turkish business community is quite flexible in adapting to complex circumstances and often acts prior to politicians.

Also, while inter-governmental cooperation is of strategic importance due to the reasons I have mentioned above, policy makers and diplomats should not ignore

the crucial importance of inter-societal ties among Turkic peoples. As the European experience has proven, if societies are connected to each other through multiple and intense mechanisms, domestic politics have little impact on inter-state relations. Close cooperation among societies is the security valve of deeper integration in Turkic Eurasia. Several steps should be taken in order to strengthen societal ties among Turkic nations. First of all, cooperation in education is highly significant. In addition to the ongoing scholarship programs coordinated by the Presidency for Turks Abroad and Related Communities, the Turkish government should initiate academic programs at the Master's and Ph.D. levels to attract students, bureaucrats and diplomats from Azerbaijan and Central Asia. In line with the necessities of the age of globalization, these programs should incorporate issues including, but not limited to, International Security, International Political Economy and Global Governance. In addition, cooperation between research institutes and think tanks should be intensified. The platform that brings together the official foreign policy research centers of the members of the Turkic Council should be a model for broader cooperation between research centers, institutes and think tanks. TÜBİTAK (Turkey's Scientific and Technological Research Council) and the International Turkic Academy should take the lead in initiating closer cooperation in the Turkic world. The International Turkic Academy, centered in Astana, can be the platform to hold official talks on academic cooperation and bring together universities from among member states. Establishing a joint research fund among Turkic states to support scholars from all member countries and all fields should be one of the first concrete policies in that regard. The ultimate goal of these academic programs should be enhancing the mutual flow of information in an age of globalization in which communication and transportation are no longer impediments for closer transnational ties.

Unfortunately, despite cultural similarities and geographic proximity, the level of knowledge about Azerbaijan and Central Asia among Turkish scholars is limited. Members of the Turkic Council should aim to benefit from the opportunities provided by the age of information to the highest possible level. Finally, with regard to transnational ties, Ankara and other Turkic capitals should support civil society platforms such as the Turkic States and Communities Friendship, Brotherhood and Cooperation Congresses, also called the Turkic *Kurultays*, the last two of which were held, respectively, in Antalya under the auspices of then Prime Minister, current President Erdoğan in 2006, and Baku under the auspices of President Aliiev in 2007. Turkic *Kurultays* brought together politicians, scientists, and NGO leaders from around the Turkic-speaking world and focused on a wide range of issues including

cooperation in education, arts, culture, transportation, broadcasting, urban planning, architecture, economic reform, and women's rights.

It was this transnational network of civil society organizations that had suggested the formation of inter-governmental organizations such as the Turkic Council and TurkPa back in the 1990s.¹² Accordingly, the Turkic-speaking states and communities media platform (Turk-Mep) should also intensify its activities. Ultimately, the more interdependent Turkic states are in terms of economic and societal ties, the stronger their alliance will be.

The geographical area covered by the members of the Turkic Council is witnessing yet another transformation in global politics. While the European Union is struggling to recover from a severe economic crisis, the center of gravity of the global economy is shifting eastwards. Russia, as one of the most important traditional partners of the Turkic states has also been devising a policy of pivot to Asia. On the other hand, China has taken the lead in establishing institutions such as the Asian Infrastructure Investment Bank (AIIB), and devised the One Belt-One Road project to expand its economic activities westwards towards Central Asia and the Caspian Sea. Members of the Turkic states should develop a unified stance in international politics to respond to these developments, which can offer enormous economic opportunities. In this regard, Turkey, once again, should take the lead in developing projects that will bring Turkic peoples closer to each other just as it did in the 1990s. More than a quarter century has passed since the Turkic states gained their independence. It is now time for deeper cooperation in political, economic and social fields; the future that lies ahead offers a golden opportunity for the Turkic states to accomplish more.

Endnotes

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The 25th Anniversary of the Turkic Republics' Independence: A View from Turkey

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27 years have passed since five Turkic Republics, four of them from Central Asia and one from the Caucasus, became independent states after the dissolution of the Soviet Union in 1991. This paper discusses the changing image of the Turkic World in Turkey, before and right after the independence of the Turkic Republics. Exploring the institutionalization of Turkey's policy toward the Turkic World, and the inter-governmental institutionalization of Turkic cooperation, this article highlights the activities promoting cultural cooperation in the Turkic World.

Common Identity and Images

In July 1991, a couple of months before the dissolution of the Soviet Union, I traveled to Kazan, the capital city of the Tatar Autonomous Soviet Socialist Republic, and had a chance to participate to the Second World Tatar Youth Days, to which I was invited by my pen pal from Tatarstan. I had just completed my first year as a student in a history department, and since I was interested in Turkic peoples and eager to see Turkic regions with my own eyes, I took the first opportunity to travel to the Soviet Union. During my first visit, my expectations to drink *kymyz*, and to see see Kazan horses, proud nomads and almond-eyed girls with long braided hair were proven unfounded, and I realized how weak and incomplete my knowledge about Turkic peoples really was. While "Turks abroad" in my mind were nomadic inhabitants of the steppe, in reality Kazan appeared as an excellent modern city. Moreover, contrary to my expectations, the majority of Kazan Tatars were blonde. In reality, many Turkish people's images about Turkic regions were not much different from mine, and equally uninformed.

Before the dissolution of the Soviet Union, only a narrow group of Turkish people were interested in the so-called "Turks abroad." Not so numerous Turkologists and

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Turkists were interested in the culture and history of Turkic peoples. Turkists were politically and emotionally attached to the Turkic peoples of the Soviet Union, so they had more romanticized than realistic information about Turkic regions. Because of the circumstances of the Cold War it was not possible to get precise information about the changes going on in the Turkic-populated areas of the USSR. Cold War politics had a huge influence on Turkish perceptions about the conditions of Turkic people within the Soviet Union. As a part of “psychological warfare,” the United States introduced “captive nations” resolution in 1953.¹ During the commemoration activities of “Captive Nations Week” in the 1970s, Turkists tried to explain to the Turkish public the Soviet assimilation policies towards Turkic peoples.² Consequently, the image of Turkic peoples as “captive Turks” was popular among Turkists, but the actual problems of Turkic peoples living in the Soviet Union were unfamiliar to Turkish people in general.

The perestroika and glasnost reforms that were initiated in the Soviet Union by the First Secretary of the Soviet Union Communist Party Mikhail Gorbachev in 1985-1986, contributed to an awakening of interest toward the Turkic Republics, and therefore to an increase in media coverage of these regions. The real breakthrough happened between 1988-1989, when the Turkic Republics began to be covered in the Turkish media much more than before. By 1990, it became clear that the Turkic republics of the Soviet Union were likely to become independent in the near future. In a series of articles on “Turkey and Turks Abroad,” the Turkish national newspaper *Milliyet* stated that in order to determine the Turkish stance towards possible proclamations of Turkic Republics’ independence, it was important to acquire correct information about them.³

Due to the drastic transformation of Turkish perceptions of the Turkic World in the beginning of the 1990s, Turkey became the first state that recognized the independence of the Turkic Republics, thus paving the way to the comprehensive development of relations with them. The first visible expressions of the above-mentioned transformation appeared in the mainstream media coverage of the Turkic Republics. Having previously paid little or even negative attention to the Turkic peoples outside of Turkey, by the late 1980s and the beginning of the 1990s the mainstream media was covering these regions with increasing interest.

After 1991, relations with the Turkic Republics became one of the priorities of the early 1990s Turkish governments. The eighth president of Turkey, Turgut Özal, and the ninth president, Süleyman Demirel, spent enormous efforts on developing relations with the Turkic Republics. The transformation regarding the importance of

the Turkic Republics for Turkey is striking. While in the past, the issue of a Turkic population in Eurasia was avoided by the government and the mainstream media in order not to worsen relations with the Soviet Union, in the beginning of the 1990s this area of interest of a narrow group of Turkish people got nationwide publicity and became a matter of priority. Without discussion, all political forces appeared to share the same understanding about the necessity of promoting relations with the Turkic World. One can say that the shift in the world balance of power greatly contributed to the emergence of this new priority of Turkish foreign policy. Turkey was trying to adjust itself to the new realities of the world. The external environment was favorable for Turkish activities in the Turkic World, since the United States and other Western allies of Turkey supported Turkish efforts to develop relations with the Turkic Republics.

In 1993, then Turkish President Turgut Özal, Prime-Minister Süleyman Demirel, Vice Prime Minister Erdal İnönü, President of the Turkish Republic of North Cyprus Rauf Denktaş, and the leader of the Nationalist Action Party Alpaslan Türkeş, commemorated the exodus of Turks from the legendary Ergenekon valley by forging iron during the First Turkic World Qurultay in Antalya.⁴ Such high-ranking activities regarding the Turkic World became quite common in the first part of the 1990s and, together with the mainstream media coverage of these events, represented the intensity of Turkish emotions and efforts towards Turkic regions. This intellectual atmosphere had its impacts on all political groups in Turkey and contributed to the later durability of newly emerged consensus around developing relations with the Turkic Republics. Turkish foreign policy directed toward the Turkic Republics was shaped in this unusual atmosphere of brotherly emotions.

The background of these emotions can be found in Turkish identity, an understanding that had been developed under the leadership of Mustafa Kemal Atatürk during the establishment of the Republic of Turkey. Moreover, social sciences such as linguistics and history had been developed with the valuable involvement of Turkic intellectuals who had emigrated from the Russian Empire and then Soviet Russia. Hence, according to the widespread understanding of Turkish linguists and historians, all Turks inside and outside of Turkey were part of a Turkish nation.

After the dissolution of the Soviet Union, the above-mentioned understanding of Turkish identity found its way into official discourse and became more prominent. The notion of “Turks abroad” was replaced by “Turkic World” and “Turkic Republics” definitions, thus reflecting the sense of a common identity background supporting Turkish relations with these regions. Since then, the rhetoric of common identity has

never lost its importance in Turkish relations with the Turkic World. Later, it evolved into the “one nation, two states” understanding between Turkey and Azerbaijan. During the Turkic Council summits, the same understanding has been applied to Turkish relations with other Turkic Republics as well.⁵

Institutionalization of Cooperation

In the early 1990s under the impact of the wave of excitement and with the political backing of the Turkish government, the Turkic World policy was institutionalized on governmental, intergovernmental and academic levels. The creation of TÜRKSÖY (the International Organization of Turkic Culture) in 1993 by an agreement between the Ministers of Culture of Azerbaijan, Kazakhstan, the Kyrgyz Republic, Uzbekistan and Turkmenistan, set the precedent for the institutionalization of Turkic cooperation activities on the international level. TÜRKSÖY is the primary institution that supports cultural cooperation between Turkic countries and communities and introduces Turkic culture to the world.

In the beginning of the 1990s, Turkey launched an ambitious institutionalization of academic activities related to the Turkic World. Departments of Contemporary Turkic Languages and Dialects, and Turkic culture research centers (*Türkiyat*) were established in many Turkish universities. New courses were introduced to the curriculum of history, geography, folklore, and other departments in Turkish universities in order to promote knowledge and research on the culture and history of Eastern Turks. In brief, important endeavors were initiated to overcome the stereotypes and deficiencies in academic knowledge about the Turkic regions. Since then, Turkish academic institutions have become active proponents of educational, scientific and cultural relations between Turkey and the Turkic World.

In 1992, the Turkish government initiated the Great Student Project, providing scholarships for thousands of students from different parts of the Turkic World. Upon the signing of agreements with Turkic Republics, ten thousand students came to Turkey in 1992.⁶ The project has become one of the most successful Turkish governmental initiatives related to the Turkic World to date. Thanks to this project, Turkey was able to initiate close cooperation in education, becoming one of the most important countries involved in the development of education and science in the newly independent states of Eurasia. For Turkic Republics this project presented an opportunity to contribute to the quick internationalization of their education sectors. The establishment of International Hoca Ahmet Yesevi Kazakh-Turkish University

in Kazakhstan, and Kyrgyzstan-Turkey Manas University in the Kyrgyz Republic further contributed to strengthening the education cooperation between Turkey and the Turkic Republics. These universities encouraged overall student mobility within the Turkic World. Student mobility between Turkey and the Turkic Republics has been further developed by the Mevlana Exchange Program and by independent student mobility. In the 2016-2017 academic year, among over 100,000 international students attending Turkish universities, students from Azerbaijan and Turkmenistan maintained their majority positions, comprising approximately 15,000 and 10,500 of the student body, respectively.⁷

Among the institutions that were established during the last 25 years in order to organize and promote relations between Turkic states, the most prominent ones are: the Turkish Cooperation and Coordination Agency (TİKA, 1992), the International Organization of Turkic Culture (TÜRKSÖY, 1992), the Yunus Emre Foundation (2007), the Parliamentary Assembly of Turkic Speaking Countries (TÜRKPAA, 2008), the Cooperation Council of Turkic Speaking States (Turkic Council, 2009), the Turkic World Educational and Scientific Cooperation Organization (TWESCO, the International Turkic Academy, 2009), the Turkic Council International Secretariat (2010), and the Turkic Culture and Heritage Foundation (2012).

The above-mentioned organizations were established in accordance with an understanding of a common Turkic identity; their activities reflect the durability of this vision in Turkish foreign policy and the emergence of this vision in other Turkic states as well. If in the beginning Turkey had initiated the establishment of international organizations between Turkic states, with time other Turkic states, such as Azerbaijan and Kazakhstan, became active promoters of institutionalized cooperation. The prominent role of Kazakhstan in the establishment of the Turkic Council, TÜRKPAA and the International Turkic Academy is especially visible.⁸

The vision of shared identity has the potential to improve relations among the post-Soviet Turkic Republics.⁹ Today the Soviet legacy is still visible in some areas. It is difficult to establish healthy relations between Turkey and the Turkic Republics without taking into consideration the Soviet past. Under the influence of the identity policies of the Soviet period, the nation-building process in the Turkic Republics was built on ethnic differences and consequently during the Soviet period it became the norm for Turkic peoples within the Soviet Union to see each other more or less as “the other.” Turkey’s greatest contribution to the nation-building processes in the Turkic Republics can be made by trying to promote non-exclusionary understandings of each other.

In this regard, the common history textbook project that was initiated by the International Turkic Academy and supported by the Turkic Council holds utmost importance. The construction of relations based on an understanding of common identity will not only positively influence relations between Turkey and the Turkic Republics, but at the same time will help to eliminate the impacts of psychological segregation between some Turkic peoples. The Turkic Council member countries' Presidents, at the 2014 Turkic Council Summit resolution, instructed their education ministers to initiate a common Turkic history textbook project.¹⁰ The Turkic Academy presented the final draft of the textbook in September 2017. The common textbook for 8th grade covers common Turkic history until the 15th century.¹¹ Starting with the 2018-2019 academic year, the subject "Common Turkic History" was introduced as an elective into the 8th grade of Turkish middle schools.¹² Moreover, in April 2018, the Turkic Council member countries' Ministers of Education and Science discussed the possibility of developing a common Turkic literature textbook.¹³

Conclusion

Promoting a culture of cooperation without interfering in one another's internal affairs, and acknowledging the binding ties of a common cultural heritage is the essence of the intergovernmental cooperation within the Turkic Council. Since the very beginning of Turkish foreign policy toward the Turkic Republics, one of its most successful approaches was the principle of non-interference into internal affairs.

Today, not only Turkey, but other Turkic countries as well base their relations with Turkey on the notion of the Turkic World, and even initiate new cooperative activities among all Turkic states. It can be said that the last 25 years have proven the strength of friendship and cooperation between Turkey and the Turkic Republics.

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