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THE PROBLEMS AND PROSPECTS FOR THE DEVELOPMENT OF SPECIAL ECONOMIC ZONES IN KAZAKHSTAN

ПРОБЛЕМИ ТА ПЕРСПЕКТИВИ РОЗВИТКУ ОСОБЛИВИХ ЕКОНОМІЧНИХ ЗОН У КАЗАХСТАНІ

Abstract. The issues associated with the establishment of special economic zones in Kazakhstan are discussed in this article. The writers evaluate the role of special economic zones in the country, as well as their aims and chances for development. The authors present an algorithm for the establishment of special economic zones in the context of the state's industrialization and diversification policy.

Keywords: special economic zones, investment climate, industrialization, economic diversification, national development agencies, special economic zone development objective indicators

Анотація. У цій статті розглядаються питання, пов'язані зі створенням в Казахстані спеціальних економічних зон. Автори оцінюють роль спеціальних економічних зон в країні, а також їхні цілі та шанси на розвиток. Представлено алгоритм створення спеціальних економічних зон у контексті політики індустріалізації та диверсифікації держави.

Ключові слова: спеціальні економічні зони, інвестиційний клімат, індустріалізація, диверсифікація економіки, агенції національного розвитку, об'єктивні показники розвитку особливої економічної зони

The formulation of the problem. The country's government along with a number of experts have recently addressed the issue of the efficacy of the operations of the country's special economic zones. There has been an insufficient amount of attracted investments, as well as the inability to meet other target indicators set for special economic zones, during the years of their existence. As a

result, the option of either cutting financing for the formation of special zones construction or the possibility of closing and liquidating them entirely, is being considered.

Stating the article's objectives. Clarification of the role, purposes, and activities of special economic zones in the context of Kazakhstan's economic reforms and structural changes, as well as identifying their future development potential.

The analysis of recent research and publications. A number of international publications (Jean-Pierre Singa, Abdul Raheem, Yue-man Yeung, Joanna Lee, Thomas, William Milberg and Matthew Amengual, etc.) [1-5] as well as several Russian authors (Andrianov V.D., Kuznetsov A.N., Zimenkov R.I., Kuznetsov Yu.I., Popova S.V. and etc.) reveal the theoretical and practical underpinnings for the creation of free and special economic zones [6-9].

The world statistics of the level of development and special issues are illuminated in analytical publications of the World Bank [10].

Hence, the issues raised in this article are of an applied nature and determine specific problems of the functioning of special economic zones in Kazakhstan, for which there are not enough publications provided by local researchers.

Discussing the main findings. By the end of the twentieth century, the employment of an instrument of state economic control known as the creation of zones on a country's territory with a specific institutional content "free" for private capital had become commonplace in global economic practice.

Currently, the Law of the Republic of Kazakhstan dated April 3, 2019. № 242-VI LRK «About special economic and industrial zones» is in force [11], which determines the foundations of state regulation in the field of creation, functioning and abolition of SEZs. It defines SEZs - special economic zones as follows: a special economic zone is a segment of the Republic of Kazakhstan's territory with clearly defined limits where a special legal regime of a special economic zone exists for the performance of priority activities.

Nowadays, reproaches are often heard about the effectiveness of the activities of special economic zones (SEZ) and, in general, about the policy of attracting investments. Such attention is probably required to maintain this activity at an appropriately high level, at the same time, it is necessary to evaluate the following: "For what purpose were the SEZs created? What is the expected effect of their activity? What are ways of developing them further?"

The state's action in creating special economic zones (SEZs) during the last two decades is only a minor component of the overall effort to create a favorable business climate. At the same time, the whole package of investment-attractive policies is aimed at completing the economy's structural diversification and removing Kazakhstan's reliance on raw commodities. More significantly, each component of this system, including the SEZ, contributes to the shared goal's attainment.

If we go beyond the declared aims of building SEZs to consider their potential contribution to the system's ultimate goal of attracting investment, we can see that their true goal is to provide platforms for the execution of internationally competitive investment projects. It is crucial to emphasize that this does not mean "attracting investment," because the SEZ management businesses do not have a genuine opportunity in terms of organization and budget from the outset, namely "creating prepared sites".

Practical work on "attracting investments" is carried out by many government agencies, such as the Investment Committee and the Kazakh Invest National Company, embassies, development institutions, local executive bodies. The preparation of infrastructure and legislation in some SEZs

has already been completed, while in others this work has just begun or is in progress. The difficulties here lie mainly in the length of procedures for the allocation and development of funds required for the construction of infrastructure. It is possible that the state will still manage to complete this work and thereby, achieve the genuine goals of creating a SEZ for the primary reason of preparing a "platform" for investors. In such situation, evaluating the impact of their labor will almost certainly be required. The major goal of the study, however, will not be to destroy the SEZ after considerable budgetary amounts have been spent on it, but to adapt its operations. At the same time, their competitiveness in other nations' SEZs is in doubt, as their special treatment has been diminished since Kazakhstan's entrance to the EEU in 2017. Furthermore, Kazakhstani investment sites are notably inferior in terms of logistics than SEZs with access to the sea or those are located along major global trade routes..

If we deviate from the declared results of SEZ activity (volumes of investments, production and export of products, number of employees, etc.) and give a third-party assessment of the possible effect of their work, it should be noted that this effect may still prevent the economy from achieving its structural reform goals. According to Jurong Consultants, a Singaporean firm, the stage of creating free economic zones alone could take up to 16 years, while the period of their development, that is, filling with investor participants, is not limited to any time frame and can take up to 30 or even 50 years, based on international experience.

At the same time, in Kazakhstan, in contrast to global practice, not free, but special economic zones are created [12]. Thus, whereas eight of them should have only industrial projects, the ninth SEZ is a tourist zone, the tenth is an innovation park, the eleventh is a construction one, and two more specialize in trade and logistics. [13, 14]. Whereas in the leading international free economic zones, such as, for example, in Dubai and Ajman (UAE), there are no such restrictions, and the overwhelming number of participants are trading and intermediary companies. Therefore, the filling of our SEZs by investors will go slowly at first, given the weak pace of infrastructure construction, and then, "spontaneously" from taking into account the country's industrialization.

According to the report by Finprom.kz, currently, 13 special economic zones function in the country. The "oldest" SEZ - "Astana - a new city" - is almost 20 years old. It was followed by the SEZ "Seaport Aktau" (19 years old) and the SEZ "Park of innovative technologies" (both almost 18 years old) [15].

They are followed by the SEZ "Astana - a new city" and the SEZ "Chemical Park Taraz".

The country's special economic zones were established with the goal of accelerating the growth of industries and attracting international investment; tax incentives include 0% CIT, land tax, and property tax. They are given a free land allotment with infrastructure and the right to acquire property for the duration of the SEZ's existence for development. Foreign labor is not required for projects with an investment volume of more than 1 million MCI since it is not subject to limits.

The reasons for this do not lie in the SEZs themselves, but in the policy based on the "passive" role of the state in the development of industry and its structural diversification. While creating favorable conditions for the arrival of investments, Kazakhstan will still not follow the path of high-quality industrial development, since the goals of foreign and domestic business rarely coincide with the goals of the state. Over the past twenty years, the diversification of the country's economy, did not take place. However, this was not only the "fault" of the SEZ, a much greater responsibility for this is borne by two ineffective state programs of industrialization for 2010-2014 and 2015-2019, insufficient effectiveness of programs to support small and medium-sized

businesses in 2008-2019 and other state programs, and also a weak effect from the activities of development institutions and national companies [16-17].

It is clear that waiting and hoping for an economic miracle is not enough. The last two decades have shown that there is no need for a “frenzied” flow of foreign investors who are only eager to create a new industry in a foreign country, “burying” it in their own. No international funds and banks have a vested interest in the industrialization of Kazakhstan and will not provide any financial support.

In this case, the natural question is: "What can we do?"

First, it is necessary to understand what "industrialization" is. This is not a large number of "all sorts" of plants and factories. This does not mean that all types of industry are developed in the country, as in the United States or China. An industrially developed country can also be one in which there are vertically and/or horizontally integrated one or several industries based on natural competitive advantages and producing products from the initial to the final stages. Additionally, the more stages of successively connected redistributions of the last manufacturing level are concentrated in a country, the more industrially developed it is considered.

Based on this understanding of the industrialization of the country, it is possible to determine a number of successive steps and the role of the state in its development.

First, it is necessary to once again identify the country's natural competitive advantages. In Kazakhstan, they are practically known to everyone - the presence of oil and gas, non-ferrous and ferrous metals, agricultural land, forest resources.

Secondly, it is vital to determine the priority industries for the development, based on natural competitive advantages. They are practically determined within the framework of two industrialization programs - oil and gas processing, metallurgy, mechanical engineering, chemical, nuclear and food industries. Certain types of light industry can be added to the list, for example, the pulp and paper industry.

Thirdly, it would be reasonable to build a technological map of the sequential processing of raw materials into finished products, we are talking here about the formation of industry clusters, with the definition of existing industries and industry niches.

Fourth, to form a common package of projects in various industries and their industry niches, followed by selection at the first stage of the most economically feasible of them for the implementation of projects.

The fifth step will involve the formation of teams for the implementation of projects based on a technocratic approach, taking into account the restriction of individual rights of the executive team, following the example of South Korean "chaebols".

For the sixth step, it is suggested to provide financing for the implementation of these projects from internal sources of investment on a returnable basis with a long payback period (depending on the project from 5 to 25 years), which can be represented by funds from the National Fund, the Fund of the First President, development institutions and national companies.

Seventh, establish personal responsibility and ensure publicity (transparency) of activities for the implementation of such projects.

Eighth, the potential locations for such projects can be the very same SEZs with prepared infrastructure facilities and preferential regimes, which will guarantee the economic effect of their operation.

Finally, it is necessary to remove the sectoral specialization of the SEZ and leave it to the investors to decide for themselves where they want to implement their project, based on their economic interests. [18].

Nonetheless, certain details and mechanisms, research methodologies, project selection and team selection will certainly require additional study

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